

Transactional paradigms in marketing theories and practices



**ASSIGN
BUSTER**

Marketing theories and practices between the 1950s and the 1980s were largely consistent with what can be described as a transactional paradigm”;

(a) Identify and explain these key theories and practices, with reference to those socio-economic factors which facilitated the success of the transactional approach.

(b) Then, discuss how and why the marketing discipline changed from the 1980s onwards, and what the key challenges are for marketers now and into the immediate future. Illustrate your answer with examples.

The approach to marketing between the 1950s and 1980s changed drastically through various theories and practices, which changed the way organisations viewed marketing as a whole.

In this essay I will be explaining how various concepts of marketing between the 1950's and 1980's facilitated the success of transactional marketing, along with the socio-economic factors that influenced this. I will also be looking at how marketing has evolved, post the 1980's, by explaining how marketing has changed from transactional marketing to relationship marketing.

The 1950's saw the influence of the 'marketing mix', including the '4Ps model of marketing', (McCarthy 1960). This model consists of; product, price, place and promotion. The idea is to help organisations understand how to satisfy their target market. A product can be seen as tangible or intangible, as it can be in the form of services or goods. For a product to create revenue there has to be a need and demand for it. Therefore, organisations must

carry out research into the market, so that they have a true understanding of the product life cycle they could potentially go through. It is vital that organisations reinvent their product or service, if or when it reaches a point in time where the sales have started to decline. This is where businesses may look at diversifying and expanding their products, in order to create the right product mix. Price, is the amount of money that consumers will spend on the products or services. This means the business will have to be tactical in setting their price, as they don't want to set it too low or too high. Price should be determined based on the range of services the product offers and the amount of desire a consumer has for the product. The place of an organisation influences the target market a company attracts. This includes the location, distribution and ways of delivering the product. If a business is easily accessible it will attract more consumers. Promotion, is about communicating the values and benefits of a product to the consumer. For a company to sell their products to the consumer, they need to take into account how the consumer can relate to their marketing, otherwise they may not feel the need for it.

Conjoint analysis, enabled organisations to “ estimate the structure of a consumers preferences” (Paul E. Green and V. Srinivasan 1978). The intention was to determine what influences consumer buying behaviour. Kotler and Keller argue that age and stage in the life cycle is one of the influential impacts. They highlight the importance of the ‘ family life cycle’, by explaining how “ Adults experience certain passages or transformations as they go through life. Their behaviour during these intervals, such as when becoming a parent, is not necessarily fixed but changes with the times.”

(Kotler and Keller. *Analysing Consumer Markets*. 15th edition). This can have a drastic effect on consumer buying behaviour, as ultimately these factors can decide for the consumer of what they need or should be buying.

Another theory was 'social marketing' in the 1970s. This process was "designed to change behaviour" (Egan, J. (2011) 100 Years of Marketing), which can benefit the individual or the society as a whole. If the benefits of the cause were explained clearly, it will make it easier for consumers to adopt behaviour over time. However, this can take time, which may cause certain businesses difficulties.

These approaches enabled marketing to become more transactional because they helped organisations to understand how to sell their products without building long-term relationships with consumers. Conjoint analysis helped organisations to understand consumer preferences and buying intentions, meaning they were able to provide products they knew consumers were going to need or buy, prior to selling the product to them. The 4Ps helped organisations understand how to satisfy their target market's needs. This allowed organisations to sell their products quickly because it was; reasonably priced, accessible, along with being able to answer consumers queries by advertising the values and benefits of the product. Social marketing was used to implement a transactional paradigm because it made organisations aware that the use of causes could change consumers behaviour overtime, without having to build a relationship.

A socio-economical factor that determines how effective transactional marketing is would be, the inflation rates reducing purchasing power. This

represents the rising price of services and products, which means the higher the inflation rate, the less consumers are going to want to buy the product or service. This could mean organisations will have no choice but to build relationships with consumers, in order to sell their products. This leads on to the changes in disposable income, which is dependent on whether an organisation creates revenue. However, if unemployment becomes an issue, then this means the consumer will have a lower income, which will restrict their spending. Other influential factors could be whether the product or service creates pollution. This may have a negative effect on consumer attitudes, to the extent that they opt for a more sustainable product or service. These socio-economic factors could result in organisations changing their strategies.

Socio-economic factors after the 1980s were influenced by; technology, globalisation and social responsibility. These have “ dramatically changed the marketplace, bringing consumers and companies new capabilities.” (Kotler and Keller. *The New Marketing Realities* 15th Edition). Technology influences consumer buying decisions, by reviews other consumers have posted on the organisation’s website or other forms of social media, which potential consumers are able to read prior to buying the product or service. This could be crucial for an organisation’s sale, which means they may focus more on relationship marketing, rather than transactional marketing.

In addition, technology allows businesses to use the internet to create an informative website, which includes information about their products, services, aims, objectives, along with advertising job vacancies. The use of a website provides them with a platform for advertisements, as they can share <https://assignbuster.com/transactional-paradigms-in-marketing-theories-and-practices/>

links on social media, leading to their website. This saves money on advertisement, but also allows the organisation to connect with other target markets who use social media themselves, resulting in new consumers.

Globalisation has enabled countries to become more multi-cultural, leading to cultural minorities buying power “growing faster than that of the general population” (Kotler and Keller. *The New Marketing Realities* 15th Edition).

This results in organisations changing their product line, so they are still meeting the needs of their target market. An example would be McDonalds, who have differentiated their product line, depending on what country their stores are operating in. For instance, in Greece they sell ‘Pitta Bread’, knowing that the target market in Greece will be satisfied. Globalisation has made it easier for organisations to make revenue, by making companies aware of the different multi-cultural needs.

Social responsibility is another factor, which focuses on improving living conditions, by considering the “ethical, environmental, legal, and social context of their activities” (Kotler and Keller *The New Marketing Realities* 15th Edition). Therefore, the social responsibility of organisations has become increasingly heightened over time, due to consumers interests in how organisations are being more ethical. This is beneficial for those organisations who focus more on the ethical issues and how to rectify them.

Relationship marketing is the idea of an organisation building relationships with consumers, so that the consumers develop a brand loyalty. This involves the improvement of internal operations. Many customers leave a company not because they didn’t like the product, but because they were

frustrated with the customer service received. Technology also plays an important role in relationship marketing, as companies are able to analyse and then utilise vast information about customers. Social media enables businesses to engage with their customers frequently, meaning they are able to build a stronger connection with consumers. This is a useful way for an organisation to build their relationship marketing with the consumer because they have the social media platform to now carry this out. Branding is the final component of relationship marketing. A company can form a long-term relationship with a client if they feel like the brand, they purchase reflects who they are as an individual or who they aspire to be. Customers are less inclined to switch to a different brand if they don't think another brand can improve their identity.

In conclusion, the transition from the transactional approach to marketing to relationship marketing is beneficial for an organisation who aims to create revenue. Relationship marketing looks at the more realistic viewpoint in how to market a product to the consumer. This approach also has longevity, as building a long-term relationship with consumers, means the organisation will not have to worry about the fluctuation of sales. With the advanced technology available to businesses they should be exploiting the use of this to interact with consumers, which means the customer knows the organisation is putting thought into their products.

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