

# Evolution of the marketing concept



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Until the mid of the 20th century, the evolution of the marketing concept has experienced mainly three periods, named as production orientation period, sales orientation period and marketing orientation period. And the market-driven business believes that everything must take the customer needs as the starting point, and that “ to produce what customers want”. At that time, the development of social productive forces was quite rapid, and the trend of a buyers’ market began to emerge. At the same time, the personal income of residents had experienced a rapid rising period, which made it was possible for customers to choose the product. To win the competition, many companies began to recognize the importance of change management concepts in order to survive and develop. And the marketing concept has helped them to realize that the key to achieving business goals is to correctly determine the target market’s needs, and to provide more efficiently than the competitors. A market-driven business will help the enterprise to gain the greatest chance of success in the marketplace. This essay will firstly discuss the evolution of the marketing concept. Following this, it will explain the characteristics of a market-driven business. Finally, it will analyze the advantages for firms to adopt a marketing-orientated approach.

Before understand the evolution of the marketing concept, it is necessary to have a general idea of the definition of marketing. Here the author provides the definition from several main authoritative sources. According to American Marketing Association in the year of 2007, “ marketing is an organisational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships

in ways that benefit the organization and its stakeholders” (American Marketing Association, 2007). UK Chartered Institute of Marketing believes that “ marketing is the management process that identifies, anticipates and satisfies customer requirements profitably” (The Chartered Institute of Marketing, 2010). And the father of modern marketing management, Philip Kotler once defined marketing as “ satisfying needs and wants through an exchange process” (Kotler, 1984).

The marketing concept has experienced different steps, and the evolution of this concept has reflected the different business philosophies which once had been predominant for a different historical time. And these different philosophies may still work for specific firms in specific areas in the world. And according to Jobber (2010), the evolution of the marketing concept can be generally be divided into three periods, which are named as production orientation, sales orientation, marketing orientation. And each different period holds different business philosophies and emphasizes.

Firstly, the production orientation period. The production orientation concept prevailed from the time of the industrial revolution until the early 1920`s. The business philosophy was not from the consumer demand, but from the production of the firms. The main performance can be described as “ What I produce, what to sell”. And this production orientation concept believed that e consumers would like to buy the products in low prices and everywhere, and that companies should strive to improve production efficiency and distribution efficiency, to expand production, and to reduce costs, in order to expand the market. A good example to illustrate that concept can be taken from American car manufacturer giant Ford, who once arrogantly declared <https://assignbuster.com/evolution-of-the-marketing-concept/>

that Ford only produce cars in black color no matter what other color the customers want. The background for this concept is the seller's market condition. During that time, the production concept was quite popular among the enterprise management, due to the shortage of materials and the products in short supply.

Secondly, the sales orientation period. The Sales Concept prevailed from the end 1920`s to the early 1950`s. The performance was " the customers buy what I sell". And this concept holds the belief that the customers will not purchase a large number of products due to their purchase psychology, and that the enterprises must actively do promotion activities in order to stimulate the purchase activities of customers. The background of the sales concept is the transitional stage from the " seller's market" to the " buyer's market" in many western countries. Between the year of 1920 to the year of 1945, the phenomenon that the supply had outstripped the demand in the market gradually emerged, due to the rapid increase of products offered in the market, which can be explained by the development in science and technology, the enforcement of scientific management and the mass production. As a result, the competition among sellers became fierce, and enterprises began to practice the sales concept, especially during the economic crisis period from the year of 1929 to the year of 1933. At that time, companies realized that it was not necessary to produce the products only, and companies learned to try to convince customers to buy products through advertising and personal selling. Although this concept was better than the previous concept, paying attention to advertising techniques, the essence of the sales concept still focuses on internal production.

Thirdly, the marketing orientation period. This concept stems from the 1950`s, when the buyer`s market was very boom, due to the situation that the supply exceeded the demand. And this concept holds the belief that to put the needs of the customers first in every aspect of an enterprise, and believes that the core task of enterprises is to meet customer needs, but not sell the products. Narver and Stanley (1990), Jaworski and Kohli (1996), Webster (1994) all emphasizes the importance of putting the customer first. During this period, many enterprises have realized that it is important to find the potential demand of the customers, and it is more important to create demands rather than meet current demands. Therefore, there are four important parts inside this marketing concept, which are marketing research, target markets, customer needs, integrated marketing and profitability capacity.

### **Characteristics of a Market-driven Business**

Through the review of the marketing concept, it is clear that the first two concepts take the internally orientated businesses as first, while the marketing concept takes the market-driven businesses as first. And according to the lecture, the comparison of a market-driven businesses and an internally orientated businesses can be summarized as the following twelve points: the former takes customer concern throughout business, while the latter takes the internal convenience comes first; the former strives to know customer choice criteria and match with marketing mix, while the latter assumes price and product performance key to most sales; the former does segment by customer differences, while the latter does segment by product; the former invests in market research and tracks market changes,

while the latter relies on anecdotes and received wisdom; the former welcomes change, while the latter cherishes status quo; the latter tries to understand competition, while the latter ignores competition; the former regards the marketing spend as an investment, while the latter regards the marketing spend as a luxury; the former believes innovation rewarded, while the latter believes innovation punished; the former searches for latent markets, while the latter sticks with the same; the former thinks “ being fast”, while the latter thinks “ why rush?”; the former strives for competitive advantage while the latter is happy to be me-too; the former is efficient and effective, while the latter is efficient.

From the above concept review and comparison, the characteristics of a market-driven business can be summarized as the following four points:

First of all, the starting point of marketing activities is the consumer demand, which is different from “ products first” concept. In a work, there is a change from factory to market, from the current products to the customer needs.

Secondly, the measure of marketing activities includes an overall marketing mix strategy for a target market occupation meeting the specific consumer demand, which is different from the different promotion ways for the products.

Thirdly, the profitable focus is on the long-term benefit by taking the current and potential customer needs into consideration, which is different from a short-term putting the emphasis on each gain and loss. In other words, a market-driven concept gains benefit from the customer satisfaction rather than the sales

Fourthly, the internal organization of business management also needs to transfer from the production focus to marketing focus. And the various functional departments within the enterprise, including personnel, finance, production and marketing departments, must be coordinated in accordance with the principles of organization.

To sum up, a market-driven business will deliver value to the customers by a thorough understanding of customers and potential customers, including their changing needs and wants.

### **Advantages of adopting a marketing-orientated approach**

The author believes that there are at least three advantages of adopting a marketing-orientated approach for an enterprise, shown as the below.

First of all, to gain competitive advantages. To be more competitive in the business world, the primary thing is to understand the changing needs of the customer. With the science and technology progress, the variety and the amount of products have been greatly enriched and increased, which has made the selling be hard. At the same, with increased income, customers could afford to have more choices to select those products that precisely satisfy their changing demand. A market-driven market business supports to know better of the customer both current and potential, and this business will integrate more marketing measures to define market segments, their size, and their needs, in order to find the real needs of customers. " A substantial market orientation must be the foundation for a business `s competitive advantage strategy" (Narver and Stanley, 1990, p35).

Secondly, to be more rational when facing competition. In today`s business world competition, the differences in product and price have become less and less. If a company only focuses on its internal activities, in order to improve product quality and lower cost, it will be hard for the company to gain a long-term development. And for a market-driven business, to segment customers rather than to segment products will help the company to get market share and development room when facing the fierce completion from its peers. And the market share and development room is key to the success of an enterprise in the marketplace. The main role in today`s marketplace is the customer rather than the factory. Being adjusted to the trend, the competition should transfer from the products to the customers.

Thirdly, to get a long-term profit. A market-driven business will easily win the preference of the customers by sustainable cares, then gain more profits from a long term perspectives. Realizing a profit by successfully satisfying customer needs over the long-term will help the enterprise to gain continuous benefits. According to the study from Narver and Stanley (1990), the market orientation way is an important determinant of profitability.

From a practical perspective, the author takes an example from IBM, the blue giant in the computer industry, between the year of 1991 to the year of 1993, IBM failed to catch the changing consumption habit of customer preferences for smaller desktop computers, which led to a loss for the fourth quarter of 1992 in excess of \$5 billion. To solve the problem, the new top manager Louis Gerstner started to transform IBM in 1993, into a more customer-focused organization. By the efforts, IBM gained \$87.5 billion in the year of 1999.



## **Conclusion**

To sum up, a market-driven business puts the customer first in every aspect of the organization, and delivers value to the customers by a thorough understanding of customers and potential customers, including their changing needs and wants. To do a market-driven business will bring many advantages including competitive advantages, competition strategy and a long term profit, to the organization for them to get the greatest chance of success in the marketplace. However, there are still some limitations of a market-driven business, including the missing consideration of the social, ethical and environmental problems. The marketing concept still needs improvement.