

Marketing: Evolution, Paradigms and Perspectives

***Gautam Srivastava ** Dr.StutiSahni**

**Research Scholar, Amity Business School, Amity University*

***Associate Professor, Faculty of Management Studies, MRIIRS.*

Abstract

Birth of first marketing theory can be dated back to 1912 with Arch W.Shaw expressing a simplifying and unifying principle in form a concept of application of motion to matter. Shaw argued that even if any phase of business is isolated and put in anywhere, the essential element of business will be in application of motion to matter (McGarry, 1953). 1900 to 1920, about two decades of developments that made economists to take note of the area of market distribution that was largely ignored as the focus was more on creation of economic value, can be considered as the years of early development of the marketing discipline. Before 1900, the concepts of markets, value, production, competition, role of government were already part of extant economics literature and these concepts were integral part of the field of economics (Wilkie and Moore, 2003). Broadly, with the shift in production economies from small scale production to mass customized production, scope of marketing broadened to encompass changing exchange dynamics that moved from being economic exchange to social exchange and accordingly, marketing role in the firm changed from functional to building profitable relationships with stakeholders(Flambard-Ruaud, 2005).

The Aim of the paper is to draw attention on various fundamental marketing concepts being imported by various other disciplines to fill up the voids left by academic marketing (e.g product quality, product design is being best studied in operations management and consumer insights are being developed by behavioral economics and no longer by marketing). Accordingly, there is an emergent need to bring greater relevance to research which could be achieved through focusing on four core domains: societal concerns, achieving profitable growth, dynamic resource allocation and the new marketspace.

Introduction

marketing, the way textbooks recognize and treat it today, was introduced around 1960 with introduction of 4Ps of marketing, the first course with marketing in title was introduced during the “ Founding the Field” era of marketing that focused on defining the purview of marketing activities and distribution(Wilkie and Moore,2003). This era, 1900 to 1920, was also a turning point in terms of decentralization of market in US lead to migration to urban centers, improvement in transportation and distribution systems. Lack of clarity on these elements of business that were not part of the existing body of knowledge, further developed the need for economists to understand and explain the phenomenon. The marketing as an academic field began to create it’s identity with development of new courses such as “distributive and regulative industries”(University of Michigan), “the marketing of products’ (University of Pennsylvania) (Bartels, 1951, 1988 as cited in Wilkie and Moore,2003). One of the early and true analytical contributions to the field was probably made by an economist (Gronroos, 2002) and theory building for marketing thought continued throughout the 20th century. Broadly, this discipline developed two paradigms or dominant logic: transactional and relationship, however in terms of development of marketing thought, it was a journey that began at the turn of new century in 1900.

Four Era's of Marketing Thought Development

Wilkie and Moore, 2003, divided this journey of development of marketing thought into four eras and suggested that each era had distinctive characteristics.

(i) "Founding the Field" (1900-1920): During this period marketing was loosely defined as activities for economic institution and was largely focused on distribution. This ear also saw new courses being offered with 'marketing in the title'.

(ii) "Formalizing the Field" (1920-1950): Principles of marketing were developed through creation of infrastructure for building knowledge. During this era, professional association like AMA and journals were established (Journal of Marketing, Journal of Retailing).

(iii) "A Paradigm Shift- Marketing, Management, and the Sciences" (1950 – 1980): As the mass market grew, marketing body of thought expanded through major expansion in knowledge infrastructure. Two perspectives; of managerial viewpoint and application of behavioral and quantitative science, emerged as key to development of marketing knowledge.

(iv) "The Shift Intensifies- A Fragmentation of the Mainstream" (1980-present) : Characterized by new challenges of business such as globalization, reengineering, short-term financial focus, this era is witnessing dominant perspectives being questioned, debated and comments being offered on future of marketing theory development through expansion and diversification in specialized interest areas in marketing.

Evolution of Marketing Paradigms

During the first two eras of marketing thought development, marketing as a function evolved from being based on economic and social processes to operational marketing that had product at its central theme. As small scale production economies grew into mass production leading to mass consumption, marketing began addressing needs of customers, that were not only numerous but anonymous, through effective communication using mass communication and mass distribution (Flambard-Ruad, 2005). External factors such as explosive growth in population- Baby boom began in 1946 and it multiplied to bring in 76 million new consumers 19 years later, and new opportunities in terms of improved infrastructure for distribution, a shift to suburban living, led to an exploding mass market. "Overall, the scope of the real world of marketing in the United States was becoming much larger and much more national in character. This changing world offered huge new opportunities but at the same time demanded significant adaptations, trials and risks by companies and their marketing managers" (Wilkie and Moore, 2003, p 125).

Transactional Marketing

Transactional marketing has its roots in microeconomics that gave price theory and oligopolistic competition leading early marketing theoretician to develop lists of marketing variables deduced from econometrics. The development of marketing mix came from notion of "mixer of ingredients" that was originally used by James Culliton (1948) in a study of marketing costs (as cited in Gronroos, 1994).

Concept of marketing mix was introduced by Borden (1954) that was a list of 12 marketing variables; product, price, branding, distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling, fact finding and analysis; and was further consolidated and restructured by McCarthy (1960) and presented as marketing mix or 4Ps (Product, Price, Promotion and Place) as popularly known in the marketing literature (as cited in Harker and Egan, 2006). This was a simple framework that promised a fully integrated marketing program and evolved in marketing literature as marketing mix management theory. Marketing mix framework was promptly embraced by the academics and practitioners and was considered a trusted conceptual platform for dealing with tactical and operational marketing issues. In marketing education it's popularity and acceptance has been well established and is considered the 'Rosetta stone' of marketing education (Constantinides, 2006).

Contemporary Theories, Concepts and Knowledge Building

During the period that followed introduction of transactional marketing paradigm till into the late seventies, there were several contemporary theories and concepts being added to the discipline of marketing. Some of these theories were based on market relationships of forms in specific types of industries and two such theories were: (Gronroos, 1994)

1. Interaction/network approach to industrial marketing (1960's): This approach originated in Sweden and suggests that marketing involves various interactions that take place between parties in a network where exchanges and adaptations occur. The interactions may not necessarily initiated by the seller/marketer who could also be the buyer in a different setting. The selling process not only involves the marketing specialists such as sales representatives, marketing analysts, market communication experts but also a whole range of non marketing people like research and development, design, delivery, customer training , invoicing and credit management. Gummesson(1987) coined a term part-time marketers for such employees in the firm (as cited in Gronroos, 1994)
2. Marketing of services : North American research largely researched services marketing issues within the marketing mix paradigm but could produce creative results such as bringing in perceived service quality(Gronroos,1982), concept of interactive marketing function(Gronroos, 1979 and 1982) that dealt with marketing impact on customers as they interact with systems, physical resources and employees of the service provider.

Along with generalized theory development, there were many managerial frameworks and approaches were added to the marketing literature under the transactional paradigm. Many discipline-based theories were added to the domain of marketing knowledge and significant progress was made in research methods, measurement and modeling. Knowledge building efforts were largely propelled by attention to managerial perspective and emergence of qualitative and behavioral sciences. There was systemic infusion of management science into the field of marketing and significant development in academic and research infrastructure. Presented below is a summary of frameworks and discipline based theories that evolved during 1952 to1977 (Wilkie and Moore, 2003).

Managerial Frameworks	Discipline Based Theories
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Marketing Concept	General and middle range theories of consumer behavior
Marketing Mix-4Ps	Image and attitude theory
Product Life Cycle	Theories of motivation, personality, social class, lifestyle and culture
Marketing Cases	Expectancy-value theory
Stages approach to strategy development	Theories of advertising processes and effects
New Product development process	Information processing theory
Distribution Management	Attitude-change theories(consistency and complexity theories)
Marketing information systems	Attribution theory
Product positioning and perceptual mapping	Perceptual processes
Segmentation Strategies	Distribution theory
New marketing organization concepts(e.g. Brand management)	Theories of diffusion, new product adoption and personal influence
Territory design and sales force compensation	Prospect theory
Marketing audit	
Refinement in test marketing approaches	
Demand-state strategies	

Broadening of Concept of Marketing

Marketing was essentially considered as a business activity both within the old sense of pushing products to consumers and new sense that relied on customer satisfaction engineering (Kotler and Levy, 1969). By late 60's, some scholars explored noncommercial organizations in the context of marketing like situations that could be addressed with application of marketing concepts. Kotler and Levy (1969) responded to this call and what followed was a broadening movement that was an effort to unshackle the transactional marketing from the confines of commercial marketing and apply the marketing concept in various noncommercial contexts in which exchange and relationship activities take place. However, as they advanced their logic for broadening of marketing concept, many scholars believed that this will dilute the essence and purpose of marketing. This matter was settled through a survey which took opinions from the members of academic community that supported the idea of broadening movement (Kotler, 2005). Kotler and Levy (1969) defended the broadening by offering arguments in its favor such as:

- Practitioners in noncommercial sectors will benefit a lot and will be more successful by applying marketing concepts in pursuing their goals.
- Marketing as a discipline will benefit as the application in noncommercial sectors may bring up new issues leading to development of new concepts.
- Marketing will gain more attention as a pervasive societal activity.
- Marketing will be more attractive to people who have little interest in commercial world and thus will have acceptance from a wider audience.

Despite opposition from the old guards in noncommercial sectors, marketing as a concept made significant inroads into different domains and marketing textbooks started having chapters on ; social marketing, educational marketing, health marketing, celebrity marketing, cultural marketing, church marketing and place marketing (Kotler, 2005).

One of the key factors that was unique to evolution of transactional marketing paradigm was in it's origins from a highly specific business environment and this factor limited it's acceptance as a universal theory of marketing. Also, theory and practice of transactional paradigm assumed that consumers are available in great numbers and marketing could be used effectively to optimize profits from these customers. However, growth of B2B and services sector where customers were required to complete the exchange through interactive participation and the numbers of customers were static, transactional paradigm was not effective. Transactional paradigm led the firms to create attractive proposition for customers and once done, the exchange was considered complete. There was a growing sense of belief that since setting up a service needs considerable investments and therefore, the marketing objectives should be not only to attract customers but to retain them and develop long term relationships with them. (Harker and Egan, 2006).

This phase of marketing uncertainty was palpable at the end if third era and beginning of era IV in 1980. The mainstream marketing thought was under severe stress to develop knowledge through scientific approaches that was more relevant to the managerial perspective, and over the years enforced the belief that the key purpose of academic work was to enhance managerial effectiveness(Wilkie and Moore, 2003).

Theoretical Foundations

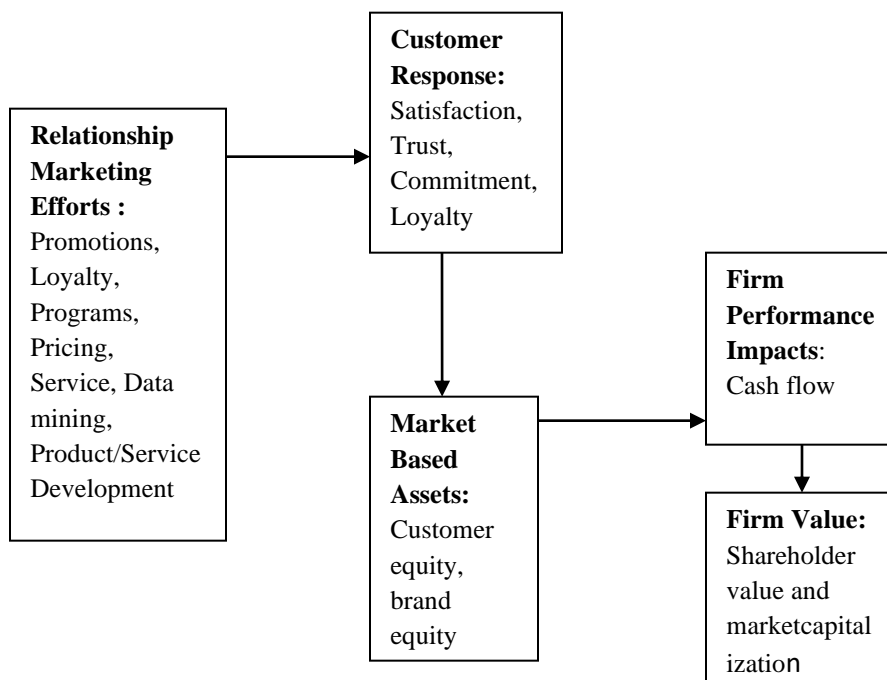
Study of relationships and networks is not a new stream of research in economics, political science, sociology and law, however, evolution of relationship marketing paradigm and its understanding is largely based on these theoretical frameworks (Eiriz and Wilson, 2006).

Relationship Marketing : Key Theoretical Foundations					
<u>Disciplines</u>	Economics	Political Science	Organizational Science	Sociology	Law

<u>Theory</u>	Transaction Costs Theory	Theories of Power	Resource Dependence Theory	Social Exchange Theory	Relational Contracting Theory

- (i) Social Exchange Theory: Although this theory is in context of interpersonal relationships and social psychology, it can be adapted to conceptualize marketing as a set of different types of exchanges between the buyers and sellers (Bagozzi, 1975 as cited in Eiriz and Wilson, 2006).
- (ii) Transaction Costs Theory: This theory relates to understanding the economic rationality of relationships and networks and transaction costs associated with these that includes cost of negotiating, monitoring, co-ordination and enforcing contracts with external entities (Williamson, 1975 as cited in Eiriz and Wilson, 2006)
- (iii) Power Theory : According to power theory, in an exchange relationships between two entities, the relative power of each of the entity is determined by the resource that one party owns and controls relative to the other party(Emerson,1962 as cited in Eiriz and Wilson, 2006
- (iv) Resource Dependence Theory: This theory states that generally organizations are not self sufficient and they respond to uncertainty and resource dependence through variety of formal and informal links with other firms (Pfeffer and Salancik, 1978 as cited in Eiriz and Wilson, 2006). According to this theory, resource is an important variable that influences the behavior of firms in a relationship or a network.
- (v) Relational Contracting Theory: This theory has been used by several researchers to distinguish relational exchanges from discrete transactions to advance the emergence of relationship marketing paradigm. According to this theory, particular behavior that occur in a relationship continues till the relationship is continued and therefore the relationship will continue as long as it is valued by the parties involved (Macneil, 1987 as cited in Eiriz and Wilson, 2006).

Conceptual Framework Linking Relationship Marketing and Firm Value (Bush, Underwood III and Sherrell, 2007).



- How to adjust the estimation of customer life-time value (CLV) to improve estimation accuracy?
- How to measure market-based assets such as customer equity or brand equity to indicate their long-term potential for impacts on profitability of the firm? Do strong relationships consistently translate into faster product/service introductions?
- How can competitor's action be translated into CLV estimates? How vulnerable are customers to have impacts on their CLV by competitors' actions?

This research agenda clearly indicates significant potential for knowledge development and address one major criticism of relationship marketing: bottom-line justifiability of this evolving paradigm.

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners and society at large.

Conclusion

Gundlach and Wilkie (2009) in their commentary on new definition of marketing suggest that the 2007 definition has the capacity and potential to enhance marketing theory and practice for the future. Over the various eras of marketing thought development, dominant focus of marketing has come to dominate marketing scholarship and practice through managerial marketing and scientific research methods (Wilkie and Moore, 2003). Today, marketing is more based on an aggregated concept

that includes perspectives of different entities and therefore can effectively handle marketing's dependence on these entities and develop commitment to these entities beyond the firm and its managers. Another aspect emanates from the marketers enhanced position to identify opportunities for new businesses through expanded analysis of marketing activities, institutions and processes (Gundlach and Wilkie 2009).

More recently, Reibstein, Day and Wind (2009), raised this question in a guest editorial,

"Why do marketing academics have little to say about critical strategic marketing issues and emerging issues such as the impact of networked examination, the impact and marketing of emerging technologies, the value of open innovation, the blurring of value chains, unethical marketing practices, the role of brands in global markets, the role of marketing when the customers are empowered and the constant struggle of marketing practitioners to get a seat at the corporate strategy table"?(p 1)

Authors further draw attention on various fundamental marketing concepts being imported by various other disciplines to fill up the voids left by academic marketing (e.g product quality, product design is being best studied in operations management and consumer insights are being developed by behavioral economics and no longer by marketing). Accordingly, there is an emergent need to bring greater relevance to research which could be achieved through focusing on four core domains: societal concerns, achieving profitable growth, dynamic resource allocation and the new marketplace. This can be achieved through challenging the prevailing mindset and understanding the implication of four domains for developing.

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