

A. Scope of Marketing

There is a growing debate about the nature and scope of marketing. It rests upon the following dimensions.

First, what are the boundaries of marketing applications? Is marketing a useful or relevant framework for nonprofit organizations and for regulated public services such as electricity, gas and water? Some scholars believe that the fundamental axioms of marketing such as exchange of values are broad enough to encompass virtually all human interactions. Others argue that if marketing is so broadly defined as to encompass all human behavior, it is likely to lose its identity as a separate and distinct field of enquiry. Perhaps the best compromise is to delimit marketing to all exchange transactions which have economic value. This will, therefore, exclude friendship, charity, gift giving and other noneconomic exchange of values.

Second, can we develop one grand theory of marketing which is so universal that it is able to encompass all areas of applications? Most scholars tend to believe that such a grand theory is both impossible and impractical. They cite the attempts in sociology and buyer behavior areas as evidence of this conclusion. Instead, they recommend that marketing scholars develop distinct and separate theories for each domain of marketing such as consumer, industrial, services, and international marketing. This, of course, presumes that the context is more important than the concept in theory development. It also supposes that we need to be more empirically

driven in our theory construction by observing the realities of a specific context.

There are some scholars who do believe in the grand theory of marketing. We have included a sample of these in this book. Once again, it may be more pragmatic to allow each context-driven theory to develop, and then attempt an integration by some overarching concepts and constructs.

Finally, what are the unique concepts of marketing to be qualified as a distinct discipline? In other words, how do we distinguish ourselves from social psychology, economics, and consumer behavior disciplines? This is probably the hardest question to answer. The basic concepts of exchange of values is common to so many disciplines including the ones cited above that it blurs rather than distinguishes marketing from other disciplines.

Exchange of values focuses on the outcome agents (middlemen) of marketing or on the activities (functions) or on the objects (products) of marketing. Earlier schools of marketing thought have done that in order to distinguish marketing from other disciplines. The jury is still out, and we really know what is likely to be an accepted framework to define marketing as a distinct discipline.

B. Requirements of Marketing Theory

Recently, there has been a growing interest in establishing a set of metatheory or scientific criteria for evaluating and generating marketing theory. This reflects a growing interest in the philosophy of science issues in marketing.

Although there are several alternative paradigms for marketing considerations, marketing has limited itself to the traditional notions of philosophy of science. These include a focus on description, explanation and relevance.

Description relates to the reality dimension. In other words, is it possible to test the theory and to obtain empirical evidence which validates the outcomes of the theory? In marketing, it seems that unless we demonstrate some empirical basis for the theory (case study, casual observation, past evidence or actual testing), the theory is labeled at best a speculation.

The explanation refers to the organization dimension of the theory. In other words, how good is a theory depends on the deductive logic and consistency with which the constructs of the theory are organized and specified as rationale or explanation for the phenomenon described in the theory. The key issues in explanation are lack of alternative explanations and consistency among the constructs chosen by the theory. Marketing like many social sciences seems to have too many explanations for the same

phenomenon. A number of alternative explanations can be offered for the same observation. This results in a sense of plurality which is often frustrating.

The final area is relevance. It refers to the richness and simplicity of the theory. If a theory can explain all types of marketing phenomena with only a handful of constructs, it is best from relevance point of view. For example, cognitive dissonance theory in psychology offered by Leon Festinger is often considered a very relevant theory because it explains a large domain of human behavior with a very basic proposition of cognitive consistency. Similarly, perceived risk theory proposed by Raymond Bauer is also considered a very relevant theory in consumer behavior because it tends to describe and explain lots of buying behavior with a simple construct.

The papers in this section discuss the philosophy of science issues in marketing.

C. Marketing and Science

Is marketing a science? This is an age old question. Furthermore, it is part of a broader discussion whether business management is amenable to scientific rigor or is it more creative and problem-solving in nature.

Underlying this debate whether marketing is a science or an art, there are three issues.

The first is the context of marketing. If the context is nonchanging or invariant, it is likely to be amenable to scientific rigor associated with description, prediction and control. On the other hand, if the context is dynamic or highly variant, it is likely to generate only a contingency framework. We are forced to use the phrases like "it depends" or "ceteris paribus" when presenting our theory. Most scholars believe that the marketing context is dynamic and, therefore, at best we can generate contingency theories.

A second issue is the standardization output. Hard sciences are capable of replicating outputs such as production units, with far more precision so that there is a stream of standardized outputs. To what extent marketing can again and again generate the same sales or profit effects based on a marketing mix such as advertising is highly tenuous. Indeed, no advertising agency has guaranteed a specific sales or even attitude result prior to accepting the client. To that extent, marketing is much closer to other professional services such as medicine and law.

Finally, there is a third issue or process. Is the marketing process homogeneous or highly diverse? In other words, can we offer a single solution to the practitioners for a consumer objective? Do our processes converge to a common outcome? Generally, most scholars agree that marketing tends to generate divergent rather than convergent processes, and to that extent it is more an art rather than a science.

So, is marketing a science or an art? Only the marketing practitioner knows for sure.

D. History of Marketing Thought

History of marketing thought is almost 75 years old. This is relatively young for a discipline in the social sciences when you compare it with economics, psychology, sociology and anthropology. On the other hand, the history of marketing practice is ancient and predates the Biblical age. It is surprising to note that scholars did not attempt to offer a theory for the marketing practice for thousands of years.

It is interesting to note that the same thing has been true for another oldest profession, namely prostitution. Only recently, scholars have given their attention to a theory of prostitution. Perhaps a common explanation could be that both marketing and prostitution were regarded as antisocial and morally degrading activities to be left to those who are not part of the social elite. Whatever the reasons, the fact remains that history of marketing thought is relatively young.

History is at least fascinating if not useful. It gives people a sense of security, pride, and motivation. Security comes from knowing that you are not alone in your endeavor to theorize whether it is fashionable or not. Pride results from the fact that history provides a sense of fraternity with other pioneers who were as curious as you are about a phenomenon. Finally, a historical perspective gives motivation to create something new and different - - so tht you can secure your place in history.

This section provides historical narratives of various schools of

marketing thought which have emerged over the years. In general, we can classify various schools of thought based on the following framework.

		Focus	
		Economic	Behavioral
Process	Noninteraction	1. Commodity 2. Functional 3. Regional	4. Buyer Behavior 5. Industrial Buying 6. Activist
	Interactive	10. Institutional 14. System 12. Exchange	7. Buyer-Seller Interaction 8. Interorganizational Theory 9. Managerial

This framework suggests that some theories have focused on the economic perspectives whereas others have focused on the behavioral perspectives on marketing. Similarly, some theories have adopted an interactive process in which the emphasis is on both parties of a market transaction, whereas others have chosen to focus either on the seller or the buyer.

Section II: Economic Schools of Thought

Since marketing was a subset of economics, it is not surprising that the early schools of marketing thought relied on the micro economic concepts of demand theory and competition. At the same time, there was a strong interest to create something unique and different rather than simply apply the economic principles to marketing phenomena. This resulted in the emergence of four separate schools of marketing thought.

The commodity school of marketing thought decided to focus on the objects of market transactions such as products and goods. It, therefore, proposed a classification of goods based on some fundamental characteristics. This has resulted in the popular convenience-shopping-specialty goods classification.

The functional school of marketing thought decided to focus on the activities performed to achieve the market transaction rather than the objects. In particular, the emphasis was to identify and categorize activities performed by the middlemen such as wholesalers and retailers. This resulted in such basic functional categories as grading, sorting and collecting.

The institutional school of marketing thought chose to focus on the agents of market transactions namely the wholesalers and retailers rather than the activities or objects of market transactions. In particular, the emphasis was on why and how middlemen emerge in the market place when

production and consumption are separated by time and space. The institutional school of thought resulted in our knowledge of channels of distribution and vertical as well as horizontal distribution arrangements.

The regional school of thought focused on the place of market transactions rather than objects, institutions or functions of market transactions. It was interested in understanding how and why geographical markets are created and what makes markets compartmentalized in terms of people's shopping patterns. Much of the interest was directly related to economic geography and the concepts of the bazaar or the market place.

We strongly believe that these classical schools of marketing thought have lots of good concepts which need to be rediscovered and revitalized.

E. Commodity School

The commodity school of marketing thought has focused on the objects of market transactions. It has generated a classification of all products into convenience-shopping-specialty categories which are still popular terms in marketing practice.

There are at least three distinct issues associated with the commodity school of marketing thought. First, is the classification exhaustive? For example, a number of scholars in more recent times have suggested a fourth category of goods called preference goods. A related issue is whether the classification is too broad to be meaningful or managerially relevant.

A second issue is the identification of underlying dimensions on which products range from the convenience to shopping to specialty goods. While a number of attributes have been suggested especially by Aspinwall, there is no real test or a consensus among scholars about these attributes. In other words, what is the underlying theory and a specific construct to which these attributes relate either in a unidimensional or a multidimensional way? Is it based on turnover, loyalty, store patronage, economic value, or physical display?

A third and even more fundamental issue is whether the traditional classification primarily developed for consumer goods is equally relevant for industrial goods and even more significantly for services. For example, is the convenience good the same as the commodity product in industrial

marketing? What is the counterpart of shopping goods in industrial marketing? Is it the purchase of assets such as machinery, equipment or computers? Finally, how do we translate the classification of goods into the classification of services? Are there also convenience-shopping-specialty services? What about the issues of intangibility and perishability of services?

To us, the commodity school of marketing offers excellent opportunities for fresh new research and thinking.

F. Functional School

The functional school of thought is presumed to be the oldest school of thought of marketing. It has focused on the functions performed by institutions with which marketing was associated in the early nineteenth hundreds. Although the functional school of thought is probably the most fundamental perspective, it has attracted very little attention among marketing scholars in recent years. We believe there are several reasons for this low involvement.

First, the functional school has focused on the operations of the marketing organization. As such, it is a very descriptive school of does not seem to provide any rationale or theory for why functions are performed by institutions the way they are performed. In other words, it is lacking in a strategic perspective. It would be extremely important if we generated some fundamental constructs which suggest who should perform what functions. For example, it is possible to suggest that functions should be performed by different institutions including the consumers and the producers based on their expertise and cost/benefit analysis. Then it is possible to allocate functions using these two criteria and achieve an optimal distribution of various functions.

Second, the functional school of marketing has been bogged down in generating lists of functions and their groupings. While this classification scheme is good to know, it does not enable the managers to decide what to do

with them. Even the excellent classification of demand generation and demand satisfaction as two major objectives of marketing function seems to be not as useful for managerial purposes.

Finally, the functional school of marketing has not borrowed any concepts from other disciplines such as microeconomics (theory of the firm) to create a scientific basis for the theory. For example, the older concepts of value chain recently revitalized by Michael Porter in terms of competitive advantage can become extremely useful frameworks for enhancing the importance and image of the functional school of marketing.

G. Institutional Structures School

The institutional school of marketing with its emphasis on the agents of market transactions is often considered the heart of marketing. In other words, role of intermediaries between the producers and the consumers and flow of goods, transactions and information through them is considered the domain of marketing. Just as product occupies lots of time and energy of the manufacturing department in a company, channel arrangements and channel management occupies lot of time and energy of the marketing departments.

In recent years, the channels of distribution and, therefore, the institutional school of marketing thought are going through significant changes due to a number of emerging technological and social changes.

First, there is almost a revolutionary impact on the channels of distribution by the information age of electronics communication and electronic shopping. For example, it seems for the producer to reduce the time and space gaps between himself and the consumer by telemarketing and videotex technologies. This should impact on the importance of wholesalers and retailers who bridged the time and space gap in the older days. In other words, direct marketing may significantly revise and even challenge the institutional school of thought.

Second, there is an increasing tendency among consumers to make their own things rather than buy them in the market place. In the industrial markets this have been already true, especially in printing, chemicals and

more recently telecommunications, health care and financial services. There is a similar trend among consumers in terms of self-help, self-service, and do-it-yourself phenomena. These are likely to impact the institutional school of thought.

Finally, the markets are becoming international and competition is becoming global. The institutional school of thought must incorporate the impact of internationalization of marketing. For example, who should perform the value-add functions on a product or service?

In our opinion, the institutional school of thought is likely to undergo significant changes, and therefore, will become an exciting area of research and theory.

H. Regional School

The regional school of marketing thought has focused on the place of market transactions. It has generated such concepts as retail gravitation, wheel of retailing, and one stop shopping.

Regional school is also likely to undergo significant changes as a consequence of technological, competitive and market changes.

First, it will become increasingly difficult to define a market or trading area based on geographical or spatial considerations. This is due to the emerging capability of customers to order from their homes through electronic shopping technologies. As the boundaries for market and home get blurred by technology, the concepts of retail gravitation, one stop shopping and wheel of retailing are likely to be revised.

Similarly, as the markets become international the definition of what constitutes the market and who competes in that market also become more difficult. Once again, the spatial foundation of the regional school is likely to be rocked as we extend beyond the domestic markets.

Finally, it is getting very difficult to pinpoint who competes with whom. For example, with the announcement that Sears will provide financial and health care services in the shopping malls, it becomes rather difficult to define the customers and competitors, and hence the market place.

We believe that the regional school will become extremely critical for

physical distribution and logistics functions but less and less relevant for defining markets. Furthermore, additional considerations such as traffic patterns, parking and other support services will become marginally more important than distance and population density as the determinants of retail gravitation.

Section III: Behavioral School of Marketing Thought

Soon after World War II, marketing began to search for disciplines other than microeconomics and sociology in order to borrow and adopt concepts. To some extent, this was a reflection of similar changes which were taking place in microeconomics. For example, there was the emergence of the behavioral theory of the firm which attempted to displace the classical theory of the firm. Similarly, demand theory was also increasingly threatened by the emerging discipline of economic psychology which was based on consumer expectations.

At the same time, there was a significant shift in the marketing concept. It now began to emerge as understanding the customers and working backwards into the production as opposed to the older marketing concept of working forward from factory to the market place. Indeed, this began to be labeled as the difference between marketing and selling.

Both of these factors encouraged marketing to borrow concepts and theories from psychology including social, clinical and general psychology. Also, the focus of research and understanding shifted from marketers to consumers.

This section has identified several schools of thought which are highly influenced by the behavioral sciences.

I. Consumer Behavior School

Consumer behavior school has attempted to understand and theorize the buying behavior of consumers especially with respect to brand loyalty and brand choice behavior.

There are several important aspects related to this school of marketing thought which we must point out.

First, consumer behavior theory gave marketing a clear push toward a discipline and away from practice. A number of theories developed for understanding consumer behavior and their testing by scientific procedures raised the respect of marketing in the eyes of allied disciplines. Market research became highly analytical and operations research techniques as well as multivariate methods began to be used in marketing.

Second, consumer behavior theory began to shift the focus of marketing away from the marketer and toward the consumer. Indeed, it became fashionable to suggest that consumers must be researched and theorized for its own sake rather than for the managerial purposes of marketing. This led to a chasm in the discipline and it culminated in the formation of a separate academic organization called the Association for Consumer Research (ACR), and eventually the creation of a separate journal called the Journal of Consumer Behavior (JCB).

Finally, consumer behavior theory also shifted its focus away from

understanding the aggregate markets and began to focus on the individual consumers. This has resulted in the development of numerous theories of consumer behavior, probably to explain the complexity and diversity of individual consumers. Unfortunately, this has also resulted in a void for a theory of market behavior. What we need very urgently is a behavioral theory of markets.

organized into a buying center.

At the same time, we believe that there are more similarities than differences between industrial and consumer buying behavior. Therefore, each can learn from the other.

K. Buyer-Seller Interactions School

Buyer-seller interaction is the heart of marketing. It represents the market transaction with its inherent issues of exchange and values. Surprisingly, buyer-seller interaction has not been as well studied in marketing. Sure, we have lots of research and theory on salesmanship and sales management but only limited knowledge which is focused on the interaction between the buyers and the sellers. Except for the classical thinking of Evans only recently buyer-seller interactions have become interesting to marketing scholars. This is further enhanced by more recent interest in negotiations and bargaining.

There are several interesting aspects to the buyer-seller interaction process.

First, it is not very clear who is the buyer especially in the industrial setting. It is a major intelligence task to find out the true decisions makers in the industrial buying in view of the fact that buying is often performed by a committee or by the buying center. It is also challenging in many consumer choices. For example, when shopping for a car or a house, it is very desirable for the salesperson to identify who is the buyer and whether the family is out there primarily to recreate or to buy the product. - -

Second, it is not only the substance of the transaction but also the style which is equally important. It is possible that the seller offers the right merchandise or service which the buyer wants at that price but the

K. Buyer-Seller Interactions School

Buyer-seller interaction is the heart of marketing. It represents the market transaction with its inherent issues of exchange and values. Surprisingly, buyer-seller interaction has not been as well studied in marketing. Sure, we have lots of research and theory on salesmanship and sales management but only limited knowledge which is focused on the interaction between the buyers and the sellers. Except for the classical thinking of Evans only recently buyer-seller interactions have become interesting to marketing scholars. This is further enhanced by more recent interest in negotiations and bargaining.

There are several interesting aspects to the buyer-seller interaction process.

First, it is not very clear who is the buyer especially in the industrial setting. It is a major intelligence task to find out the true decisions makers in the industrial buying in view of the fact that buying is often performed by a committee or by the buying center. It is also challenging in many consumer choices. For example, when shopping for a car or a house, it is very desirable for the salesperson to identify who is the buyer and whether the family is out there primarily to recreate or to buy the product. - -

Second, it is not only the substance of the transaction but also the style which is equally important. It is possible that the seller offers the right merchandise or service which the buyer wants at that price but the

manner in which the transaction is carried out is not compatible between the two sides. Unfortunately, there is not much research on this style dimension except perhaps on the importance of atmosphere in retailing.

A third important area of understanding in the buyer-seller interaction process is the issue of relationship, friendship and reciprocity. It is not uncommon to find that long term personal relationships among corporate executives is often the critical factor in successful buyer-seller interactions. There is a similar phenomenon prevalent in consumer behavior as witnessed by party selling and pyramid marketing practices.

I. Interorganizational Behavior School

Interorganizational school of marketing has focused on the relationships between channel members in distribution such as retailers and wholesalers. Unlike the institutional school of marketing thought, the emphasis here has been on the behavioral explanations for the channel relationships instead of the economic explanations.

The key issue in interorganizational behavior school is the balance of power between channel members. This power can come from many sources. First, is the product or service a monopoly business? If it is, one would expect greater power in the hands of the manufacturers or providers of the service. Thus, in a seller's economy such as the third world countries, the manufacturer often has absolute powers over the distributors and customers.

Second, what is the value added function performed by the middleman? Greater the value-add in the value chain, greater is the power in the hands of the channel members.

Third, what is the degree of forward or backward integration? The possibility of forward integration generates more power to the manufacturer whereas the backward integration possibly will generate more power to the distributors and the dealers.

Finally, the size of the respective channel members is also likely to be a major factor in balancing the power of channel members. For example, if

manufacturing is highly oligopolistic but retailing is unorganized, it is likely that manufacturers will have more power. On the other hand, if retailing is organized into national chain stores but manufacturing is highly fragmented, it will generate more power for the retailer.

M. Systems School

Recently, there has been a growing interest in a systems perspective of marketing. The fundamental concepts underlying the systems school are as follows:

1. It advocates strong interdependence among components of the system to the extent that change in one component can result in a domino effect on the total system. It also includes the concepts of reciprocal relationship or circular relationship among the constructs or the components of the system.

2. Systems perspective generally assumes a dynamic system which is evolutionary rather than revolutionary or invariant. In other words, a systematic change is inherent in the system but is not a radical shift or discontinuity. For example, the catastrophe theory will be counter to systems perspective.

3. Systems approach tends to be comprehensive. It believes in developing a grand theory which is generic enough to accommodate all aspects of marketing. Of course, this may result in too much generality and loose its applicability or situation-specific relevance.

Systems school is at its infancy. In our opinion, unless there is strong empirical testing and validation, it is not likely to become popular even though it seems to be most relevant to marketing.

N. Exchange School

As one would expect, the fundamental concept of the exchange school is exchange between the buyer and the seller. Although the concept of exchange seems simple, it has generated more controversy in marketing than most other concepts. The basic issues related to this controversy are as follows:

1. How broadly do we define the domain of marketing depends on the breadth of exchange definitions. For example, if exchange is defined in its broadest sense, one must include all interpersonal interactions such as friendship, kinship, and work activities as part of marketing. If it is limited to exchange of values, it becomes a little more restricted and excludes such things as friendship and kinship. Even here, one can argue that both friendship and kinship include exchange of values.

In our opinion, marketing must limit itself to exchange of economic values. If not, it is likely to be blurred with other disciplines such as social psychology and group dynamics.

2. Whether the exchange is dyadic or multiparty is another issue. Although most of the research and thinking has been limited to the dyadic exchange between two parties, it is pointed out that many marketing transactions, especially in international trade, involve exchange of economic values among many parties to complete a transaction.

3. A third area of concern with the exchange school is the object of

exchange. Is it limited to products and services or can it include exchange of ideas? In other words, what is the unit of analysis? Is it the values or the objects which generate those values?

Although exchange is a fundamental concept in both marketing and economics, it is likely to remain problematic unless these issues are resolved.

0. General Theories of Marketing

The interest in developing a general theory of marketing dates back to almost the origins of marketing. Each school of thought can be regarded as an attempt to provide one general viewpoint on the nature and scope of marketing.

In this section, we have provided a sample of such general theories of marketing. They are included here because they transcend any one school of thought. Indeed, all of them attempt to integrate various schools of marketing thought with an overarching perspective.

It is interesting to note that consumer behavior has generated several well known general theories but marketing has tended to focus more on middle range theories. Perhaps the substantive knowledge has finally reached a stage when it will be possible to develop a well respected general theory of marketing.