

## **CHAPTER 3**

### **MARKETING TACTICS FOR SMALL BUSINESS:**

#### **THE THEORY**

## **CHAPTER 3**

	<b>Page</b>
<b>3.1    MARKETING - AN INTRODUCTION</b>	<b>58</b>
<b>3.2    THE MARKETING CONCEPT</b>	<b>62</b>
<b>3.2.1    INTRODUCTION</b>	<b>62</b>
<b>3.2.2    DEFINITIONS</b>	<b>63</b>
<b>3.2.3    THE EVOLUTION OF THE SCOPE OF THE           MARKETING CONCEPT</b>	<b>64</b>
<b>3.2.4    CRITICISMS OF THE MARKET CONCEPT</b>	<b>66</b>
<b>3.2.5    COMMENDATIONS OF THE MARKETING CONCEPT</b>	<b>71</b>
<b>3.2.6    CONCLUSION</b>	<b>75</b>
<b>3.3    THE MARKETING MIX</b>	<b>75</b>
<b>3.3.1    PRODUCT</b>	<b>76</b>
<b>3.3.2    PRICE</b>	<b>80</b>
<b>3.3.3    PROMOTION</b>	<b>86</b>
<b>3.3.4    PLACE (DISTRIBUTION)</b>	<b>91</b>
<b>3.3.5    SUMMARY</b>	<b>98</b>

### 3.1     **MARKETING - AN INTRODUCTION**

This study analyses the extent to which hawkers in the EL CBD implement generally accepted marketing principles. This chapter aims to give an overview of these elements of marketing theory. Great care is taken to ensure that **all** relevant aspects are covered and debated thoroughly.

A society, producing more than is necessary for subsistence can use this surplus to trade for other goods and services. Initially this trade was direct and used a barter system exchanging goods for other goods or goods for services. As this trade grew, the number of exchanges became excessive, the bartering process became more complicated, and a medium of exchange became necessary – money. “A gap created by differences in place, time, space and knowledge – developed between those who had something to barter and those who needed them. This gap could only be bridged by someone supplying additional services”, Marx (1993:2). Essentially marketing developed through this trade and exchange.

“Broadly viewed, the essence of marketing is a transaction – an exchange” (Stanton et al 1992:6) Within this context it is important that the following three conditions exist:

1.     There must be at least two parties.
2.     Both parties must be voluntarily involved.
3.     There must exist a value for value exchange.

By definition, marketing is seen as “a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others”, Kotler and Armstrong (1990:5).

Stanton et al (1992:7) states that their definition of marketing, applicable in business or non-profit organizations is very similar to one recently developed by the American Marketing Association (AMA).

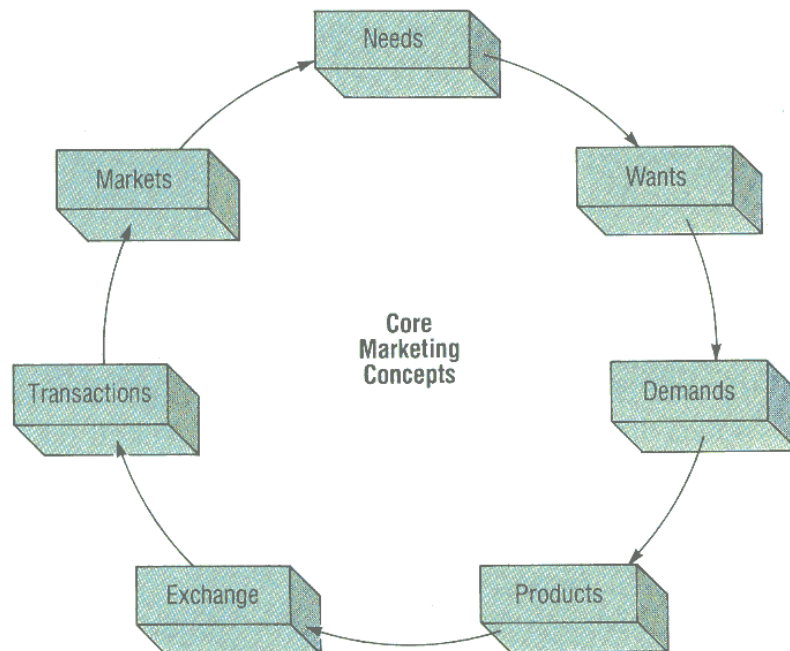
The AMA’s definition; “Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create

exchanges that satisfy individual and organizational objectives” (Bennett 1988 in Stanton et al 1992:7).

Stanton's definition; “Marketing is a total system of business activities designed to plan, price, promote and distribute want-satisfying goods, services and ideas to target markets in order to achieve ongoing social objectives”.

Besides defining marketing it is also necessary to understand some core marketing concepts. Kotler and Armstrong (1990:5) depict these in figure 3.1 below. Understanding these concepts and definitions of marketing form the starting point of gaining insight into the study of marketing.

**FIGURE 3.1: Core Marketing Concepts**



Source: Kotler and Armstrong (1990:5)

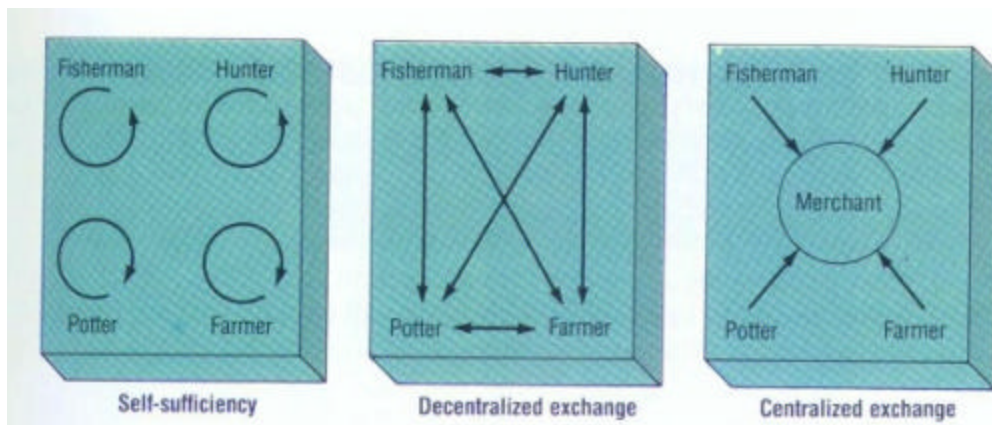
As shown in figure 3.1 each of the core marketing concepts are linked with each building on the one preceding it. The most basic concept underlying marketing is that of a human **need**, which Kotler and Armstrong (1990:5) explain as “a state of felt deprivation”. This state will motivate an individual to do something about this need – either satisfy it or

reduce it. It is marketing's task to satisfy needs. The second concept, human **wants**, is “the force taken by a human need as it is shaped by culture and individual personality,” and the third are human **demands** which are wants “that are backed by buying power”, Kotler and Armstrong (1990:6). Generally people have to make choices between a wide range of products. Essentially they buy the benefits the products offer and they choose the products whose benefits add up to the most satisfaction. The term, **product**, is broadly defined and as is described by Stanton et al. (1992: 188) as “an umbrella term that includes tangible goods, services, places, persons and ideas.” In marketing when the term **product** is used, it is used in its broadest sense.

Jobber (1995:246) says, “a product is anything which is capable of satisfying customer needs”. “In order to distinguish a company's product from its competition, a brand may be developed through developing a distinctive name or logo, colour package or design which essentially is a marketers' attempt to influence customer perceptions rather than offer a distinctively new product.”

The term's **exchange** and **transaction** simply refer to the act of obtaining a desired object by offering something in return and thus trading. The term **market**, “is the set of actual and potential buyers of a product”, Kotler and Armstrong (1990:8). In figure 3.2 below, they show the evolution toward centralized exchange moving from self-sufficiency to decentralized exchange to centralized exchange.

**FIGURE 3.2: The evolution towards centralized exchange**

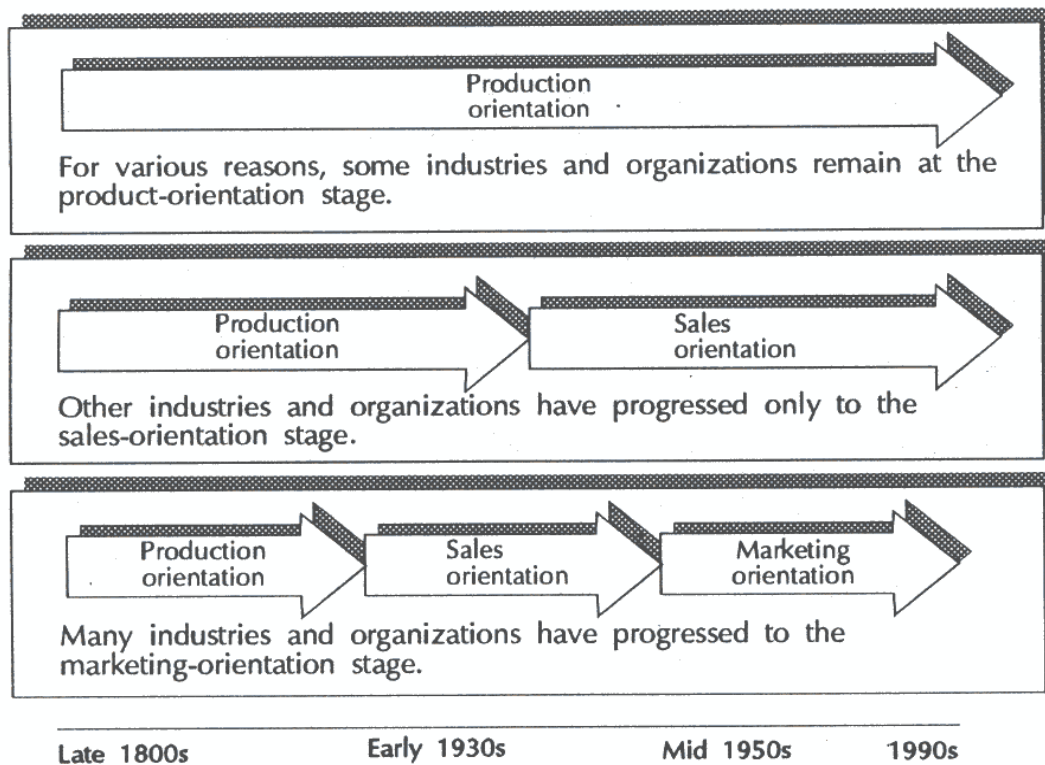


Source: Kotler and Armstrong (1990:9)

The full circle is thus complete with marketing being the catalyst working at creating exchanges in order to satisfy needs.

Marketing in business has evolved through 3 stages. These are depicted well in figure 3.3

**FIGURE 3.3: Three stages of marketing evolution**



Source: Stanton et al (1992:9)

In a market where there are many products on offer all competing for a limited consumer buying power it becomes important for enterprises to do all they can to ensure that consumers choose their product instead of that of their competition. In order to achieve this goal it is important for consumers to perceive and experience need satisfaction at a level greater than that of their competition. As Nilson (1995:10) explains, "the role of marketing becomes : To constantly improve the perceived relative value for money of the company's products and services." "The marketing departments overriding objective

becomes one of maximizing the products or services tangible or material and intangible or abstract values”. (Nilson, 1995:11) He argues that it is impossible to achieve relative advantage if one does not know the criteria by which the potential customer will measure the product or service. “The first step in effective marketing is to understand the total market environment”. (Nilson, 1995:11)

Looking at the above understanding of marketing it can be argued that one needs to know your customers needs, know your market, decide on your target market, decide on your positioning strategy and then plan the details of your marketing mix. All these occur under the umbrella and philosophy of the marketing concept.

For the purpose of this study it is important to see marketing from the context of this brief introduction so as to be able to focus on those elements relevant to the study. i.e. The Marketing Concept and the Marketing Mix.

## **3.2 THE MARKETING CONCEPT**

### **3.2.1 INTRODUCTION**

The marketing concept is regarded as an important ‘philosophy’ and as such it is the intention of this chapter to cover a relatively broad discussion on this topic. It is the author’s opinion that without a thorough in-depth look at the marketing concept / marketing, a good understanding of its use and application would not be achieved. Throughout this chapter the words ”marketing” and “marketing concept” are used synonymously.

Marketing is both versatile and dynamic and over time its scope has widened substantially. As the scope has broadened, so too has marketing’s universal relevance become more apparent. For example, the application of social marketing to stop ecosystems collapsing and animal species from disappearing is desirable in any context.

Marketing has become an applied behavioral science directed at understanding consumer behaviour and directed towards the disciplined task of creating and offering values to others for the purpose of achieving a desired response. (Kinsey, J. 1982). This is in stark contrast with its original perceived scope, - a study of distribution

channels, to a management discipline concerned with increasing sales. Seen simply from its incredibly rapid adoption and diverse applications, it is clear that marketing, both as a business philosophy and as a societal 'tool', is invaluable to today's business environment and to society in general.

### 3.2.2 DEFINITIONS

Bell and Emory (1977:39) stated that the marketing concept has three basic elements:

1. **Customer orientation.** A thorough knowledge of the customer, his needs, wants and behaviour should be the focal point of all marketing action.
2. **Integrated effort.** Ultimately, the marketing effort should be integrated into all management functions, be it research, sales or advertising, the result being an increase in the firm's total effectiveness.
3. **Profit direction.** The marketing concept is intended to make money for the company by focusing attention on profit rather than sales volume.

A definition by Kotler (1972:17) also emphasizes these three key points embraced in the marketing concept:

"The marketing concept is a customer orientation backed by integrated marketing aimed at generating customer satisfaction as the key to satisfying organizational goals."

Stanton et al (1992:10) explains the Marketing Concept to be "a business philosophy that emphasizes customer orientation and co-ordination of marketing activities in order to achieve the organization's performance objectives". They take this one step further to show the compatibility of the marketing concept and an organization's social responsibility. They explain that the key to this compatibility lies in **extending the breadth** (recognizing that an enterprise's market includes not only consumers and suppliers but also other people directly affected by the firms operations), and **time** dimensions of the marketing concept. The time dimension refers to ensuring satisfied customers in the **long run**. Organizations that prosper in the long run must be doing a



good job of satisfying customer's social and economic needs. Stanton argues that this revision in effect give us the **societal marketing concept**.

### **3.2.3 THE EVOLUTION OF THE SCOPE OF THE MARKETING CONCEPT**

Exactly what scope does marketing cover?

Kotler (1972:47-49) suggests that three different levels of consciousness can be used to describe the evolution of the scope of marketing. The traditional consciousness, that marketing is essentially a business subject, he calls "consciousness one". It maintains that marketing is concerned with the buying and selling of "economic" goods and services. The key concept behind marketing consciousness one is that of market transactions. Consciousness one is the most widely held view of marketing in the mind of practitioners and the public.

The marketing concept then evolved to what Kotler calls "consciousness two". Consciousness two is accepted by some marketers who believed that marketing is appropriate for all organizations that have customers. This is the evolution of the original broadening proposal where marketers do not see payment as being necessary to define the limits of marketing. Marketing is seen to be relevant to all organizations producing goods and services for a customer group, whether or not payment is made. All organizations face marketing problems with respect to customer groups and products. Therefore, marketing evolved from the concept of market transactions to the broader concept of organization – client transactions. "Marketing consciousness two stated that marketing is relevant in all situations where one can identify an organization, client group, and products, broadly defined." Kotler (1972:48).

Kotler then goes on to argue that even consciousness two expresses a limited concept of marketing. He proposed "consciousness three" that holds that marketing is a relevant subject for all organizations in their relationship with all their publics, not only customers. Consciousness three contends that marketing can be used to sell ideas to and influence suppliers, employees, government, the general public, agents

and other key publics. Here marketing is seen to apply to all of an organization's publics not just its consuming publics.

The above three consciousness levels summaries the way in which marketing has evolved from one consciousness level to the next. Much debate took place prior to reaching this point. In 1960 the American Marketing Association's definition of marketing employed the performance of business activities that direct the flow goods and services from producer to consumer whereas the Marketing staff of Ohio State University (1965:43) describe marketing as "the process in a society by which the demand structure for economic goods and services is anticipated or enlarged and satisfied through the connection, promotion, exchange and physical distribution of goods and services." Note how they excluded the notion that marketing consists of a set of business activities (as in the AMA definition). They considered marketing to be "a social process".

Next to fuel the debate was Kotler and Levy (1969:10-45) with their article "Broadening the marketing concept" in 1969. They suggested broadening the marketing concept so as to include non-business organizations. They pointed out those organizations such as unions, the Defence Department, the Catholic Church and universities perform the classic business functions. Kotler and Levy wanted to broaden the scope of marketing to include not-for-profit organizations, while Lazar wanted a broader definition which included "marketing beyond the profit motive" so as to recognize disciplines expanding social dimensions.

Later in the same year Luck (1969:53-54) criticized Kotler and Levy by insisting that marketing be limited to those business processes and activities that result in a market transaction. Luck contended that 'attempting to expand marketing's definition to make it almost universal, will result in it wholly losing its identity". Luck (1969:54). He disagreed with Kotler and Levy's examples saying that churches do not sell religious services.

In a second article Kotler and Levy (1969:55-57) accuse Luck of a new form of myopia and suggested the "the course of marketing lies in a general idea of exchange rather than the narrower thesis of market transactions". Kotler and Levy (1969:55).

They also argued that by defining the marketing concept in the narrow sense would be inhibitive.

Lavidge (1970:29) called on marketers not only to consider whether a product could be sold, but after taking into account the impact on society whether such a product **ought** to be sold.

“The movement to expand the concept of marketing probably became irreversible when the “Journal of marketing” devoted an entire issue to marketings changing social/environmental role”. (Hunt 1976:18).

Kotler and Zaltman (1971:5) at this time introduced “social marketing”, which they defined as “the design, implementation and control of programs calculated to influence the acceptability of social ideas and involving considerations of product planning, pricing, communications, distribution and marketing resource.”

It is clear that the scope of marketing covers not only economic issues but social issues as well.

### **3.2.4 CRITICISMS OF THE MARKETING CONCEPT**

It is important to be aware of possible shortcoming of the marketing concept and thus to be sure to always confidently apply good theory.

If the concept itself is to be questioned then it must be questioned along the lines of its three key components; customer orientation, integrated effort, goal/profit direction.

The philosophy of customer orientation was first voiced many years ago by Adam Smith, who proposed that the purpose of production was to serve consumption. The philosophy, as it developed before the 1950's stated that a business functions to satisfy the needs of consumers and that this function is its primary measure of success. If an operation is not in the interests of consumers it is unjustifiable, no matter how profitable. “He profits most who serves best”, reflects the philosophical ideals of early theorists of the marketing concept, and as such the concept does not provide

much ground for criticism. The problems with the concept appear therefore to have arisen with its articulation into operational business terms, during the 1950's. Instead of basing decisions on what could be manufactured to satisfy the needs and wants of society, they were based upon what could be sold at a profit to such customers. In other words, business comes to use its customer orientation merely as a guide to what may be sold profitably, rather than to serve the needs of the customers themselves. Thus, the marketing concept as it was practiced did not imply a commitment to the kind of customer satisfaction that is now being demanded by society, and is an operational concept, not a philosophical one. (Bell & Emory. 1971)

Another defect on this concept is apparent when it is noted that the marketing concept with its 'customer orientation' totally ignores the stakeholder concept. Employees, employers, distributors and all other stakeholders earn absolutely no recognition from the marketing concept. As a business philosophy, this could be a rather narrow outlook?

It is recognized however, that even as a means to business profits the marketing concept can serve the interests of consumers. Good products, creatively promoted, well distributed and fairly priced might result from an operational approach to customer orientation. But what if the seller consciously compromises product quality in order to improve profits? How is the consumer protected from inferior product, misleading promotion, and exploitative prices? Bell and Emory (1971) felt that it was abusive marketing practices such as these which led to the rise of consumerism. Their feelings are clearly reflected in their definition of consumerism: "In the very broadest sense, consumerism can be defined as the bankruptcy of what the business schools have been calling the marketing concept". (Bell and Emory, 1971:39-40). Since its origin, consumerism has been regarded as both an irritant to business, a threat to profitability and a creator of market imbalance. The efforts of consumers seeking redress and remedy for dissatisfaction regarding products or services strongly suggest that the marketing concept has failed, and that business have been unable to adequately satisfy consumer demands. The mere presence of consumerism must lead us to ask why marketing has failed to satisfy consumer needs. One important reason must be that the aspect of the marketing concept which attempts to provide customer satisfaction, a goal which conflicts directly with the most basic operational goal of

business – to earn a satisfactory rate of return on shareholders' investment. Could it not therefore be stated, that it is not possible for a firm to compete vigorously, and at the same time, adhere faithfully to customer's needs? Is it not ironical too, that the third aspect of the concept proposes a profit direction by the firm!

The true test of any philosophy is the results of its implementation. Bennet and Cooper (1979) argue that the results of the implementation of the marketing concept can be looked at in two key areas. The first is product innovation. It has been argued that the marketing concept is partly responsible for the lack of true product innovation in North America. The second area of focus is business planning. The marketing concept has been widely used as a guide to the selection of business strategies.

New products are becoming more and more important to the long-term survival of many firms. It is precisely in the new product area that a staunch adherence to the marketing concept is argued to have its worst effect. In short, the implementation of the marketing concept in product development is the "market-pull" approach to product innovation.

It is therefore surprising to note that many of the great product innovations throughout history have been the result of a technological breakthrough or an invention with little or no knowledge of a market needs. The danger of too much reliance on the marketing concept has become apparent. As Bennet and Cooper (1979:77) have put it: "Inventors, scientists, engineers and academics in the normal pursuit of scientific knowledge, gave the world in recent times the laser, xerography, instant photography and the transistor. In contrast, worshippers of the marketing concept have bestowed upon mankind such products as new-fangled potato chips, feminine hygiene deodorant and the pet rock". These may be extreme cases but they do make the point that true product innovation does stem to a large extent from scientific discovery, which often occurs in the absence of a knowledge of customer needs or wants. "Technology push' is the antithesis of the marketing concept's 'market pull' in product innovation. Yet history shows that the truly innovative products are often the result of 'technology push'". (Hayes and Abernathy 1980:67).

Marketing research is the tool used to define consumers' needs and wants for generating new product ideas, but consumers describe their needs and wants in terms of existing products. As one executive puts it, "whenever we do market research to generate new product ideas, all we get back are descriptions of minor improvements, on our competitors' features". (Bennet and Cooper 1979:68).

The marketing concept does not merely discourage product innovation, it actually encourages minor product changes. The result is that existing products are "repositioned" to meet the needs of the market. Although product modification is far less costly, as a long-term strategy it is not strongly advocated.

(Reitz 1980). It is common knowledge that the ultimate long-term survival of a business is highly dependent on it having a good, constructive and comprehensive long-term strategic philosophy. The marketing concept however is known to coerce corporate focus towards the realization of short-term goals and objectives. It is because of this conflict in approach that the marketing concept receives further criticisms. It is argued that marketing deals more with operations rather than with long-term corporate strategy and as is seen in the discussions on product innovation, it is only the truly new innovative products which a business can continually generate which will keep it ahead or at least abreast of competitors. It is these new innovations which will give a business a temporary monopoly enabling it to reap good profits and keep competitors at bay. Crucial here is the fact that these innovations are generated solely by a strategic philosophy whose emphasis is on the long term and in this regard, the marketing concept is a hindrance.

This view is supported in a study by Webster (1981) in which it was found, inter alia, that marketing orientated managers are not sufficiently innovative and entrepreneurial in their decision making and are generally unsophisticated in their understanding of the financial dimensions of their marketing decisions. Also, the productivity of marketing expenditure appears to be decreasing as marketing costs increase.

"The value of the **satisfied customer** in the **short run was dubious** as this was achieved at the expense of **unnecessary product proliferation, inflated cost, unfocussed diversification and a weak commitment to R & D**". (Hayes and

Abernathy 1980). Similar concerns are voiced by Bennet and Cooper (1982), who argue that the “marketing concept has shifted the emphasis from R & D and product innovation towards the supporting elements of the marketing mix, which do not offer a basis for long-run competitive advantage”. (Day and Wensley, 1983:80).

Other criticisms support the argument that the implementation of the marketing concept in the true sense of its complex nature is yet to be fully realized. Thus, the question of its value to organizations is dubious. From a strategic business point of view it can be queried as to whether it is worth supporting a concept whose implementation is unclear. Strategic decisions require certainty, confidence and clear direction so as to offer an organization distinct and worthy goals and objectives.

The next criticism of the marketing concept must be directed at the second basic element of the whole, which states that the marketing philosophy must be integrated into and pursued by the entire firm. As part of a philosophical idea, an integrated marketing effort sounds like a wonderful, infallible proposition. But once again, the practical implications of incorporating this element of the marketing concept into operational business terms has proved, through history, to be a virtually impossible task. One problem here also has its roots in financial considerations, because in practice the activities of all departments are governed by the budgets given to them, the result of which is strong competition between such departments as they vie for greater financial support for their specific purposes. Viewed in the light of organizations facing limited resources, an integrated marketing effort is seen as an unrealistic proposition.

The third criticism aimed at the marketing concept to question its validity as a business philosophy, is directed at its final element; that being its ‘Profit Direction’. This ‘Profit Direction’ means that the marketing concept is intended to make money for the company by focusing attention on profit rather than sales volume.

Essentially, the marketing concept implies dual goals i.e. Profit maximization and customer orientation. Although these goals are rooted at the very heart of the marketing concept, the problem obviously lies in their implementation. Is it perhaps a constrained goal that is being prescribed? I.e. “Consumer satisfaction subject to a

profit constraint or profit subject to a consumer satisfaction constraint?” (Stampfl, 1978:6). If dual goals are prescribed, the marketing philosophy cannot be implemented, since no “single unique solution is present when the goals are in conflict” (Stampfl, 1978:6). The uncertainty displayed above makes the implementation of the marketing concept a confusing task.

It can also be argued that the marketing concept is too general and vague to be of much use in today’s business. In the past, not only was marketing general enough to fit many different circumstances, it was also manageable. “But today the demands of marketing are for specifics not generalities.” “Senior management is asking the same for marketing as from production – demonstrable evidence of efficiency and effectiveness.” “As of now, the marketing concept contributes little to an explanation of demand functions”. (Sachs and Benson, 1978:74).

If one looks closely at the criticisms of the marketing concept it is possible to correlate the theories inefficiencies with the more advanced, technologically competitive organizations. However, **this** study centers mainly around micro enterprises which may be found to correlate positively with the principles of the marketing concept. Alderson (1968) noted the apparent relevance of the marketing concept to developing nations. Essentially the basic principles appear to remain relevant and possibly more so in small, less technologically advanced enterprises.

Consider the **contributions** of the marketing concept.

### **3.2.5 COMMENDATIONS OF THE MARKETING CONCEPT**

“Marketing, a function which is concerned with and operates within a social system, finds its primary strength in its ability to identify opportunities and promote economic transformation so that it corresponds with society’s values. It is also very versatile in that it can be applied usefully in countries at all levels of development” (Kinsey, 1982:73). Marketing’s strength lies in the fact that it can help identify the opportunities, whatever the situation.



The element of marketing which is concerned with a “customer orientation” enables it to deal with cultural complexities. In this context, marketing seeks to understand the situations of both the individual and of society itself, such understanding which would enable it to suggest the best way to achieve change. Marketing takes cognisance of lifestyles, attitudes, values, habits, and customs when assessing such situations.

The application and strengths of marketing do not end here. This philosophy has found broad and varied application in social issues around the world. “Advertisements” appearing on television saying, “Aids is Deadly” or “Look, Think and Stay Alive” and “Save the Cheetah” are commonplace today. In this role marketing has for many years been and will remain to be instrumental in successfully conveying an awareness of hazards or dangers, which are threatening to society and to the environment in which we live.

It is clear therefore, that in its role both as a catalyst in economic development, and as a tool to serve the well-being of society and our environments, marketing is an invaluable function whose applicability can be broadened and enhanced by the changing needs of a dynamic society.

Kinsey (1982) focusing on methods in which modern marketing could be infused into developing countries noted the importance of the right kind and quality of management. He argued that should management be unable to organize economic efforts and energies to bring together resources and capacities, a country was likely to remain under developed. Even when capital is injected, if the responsible managerial environment to direct and use resources effectively is lacking, waste and dependence rather than growth and development are likely to result.

On the international level, marketing skills are even more central to the development of a country for, as a country develops, industrial development depends more and more on marketing performance in world markets. Protective tariffs and export incentives are only short-term resources. In the longer term, products, which meet customers’ needs most effectively and have a record of service and reliability, are those most likely to succeed.

Kinsey proposed that these corporations provide an even more powerful complementary stimulus for economic development. As well as demonstrating effective management techniques, (including of course, marketing expertise), these corporations necessitate the learning of such skills by local management. The author goes so far so to say that Multinational Corporations alone may well be the most effective means in the generation, application and global transfer of technology and marketing skills in young, developing countries.

Furthermore, Multinational corporations provide marketing institutions, which are essential as facilitating agents in economic development. Such marketing institutions are both necessary – since without their presence, development will be inhibited, and efficient – because when present, they will aid development if it is economically feasible. (Kinsey, 1982). Thus, in this sense, marketing provides both the stimulus for development and the means by which development can progress.

The following references show further support for the principles of the marketing concept:

Peters and Waterman (1982) support the view of “staying close to the customer” as being a secret to success.

Lawson (1983) illustrates the interaction of an organization and the environment. He argues that by adopting the marketing concept a firm monitors the environment which in turn enables the firm to anticipate change from the market place and make better decisions. The firm, by monitoring the environment can then also gauge its effectiveness.

Baligh and Burton (1972:12) criticize the marketing concept because staying “close to the customer” involves changing the organizational structure which has high costs. According to Lawson (1983:91), Baligh and Burton make the mistake of assuming that the implementation of the marketing concept means that an organization changes its structure to meet every change in the market environment. The marketing concept is useful in enabling an organization to identify new market segments that arise due to a changing environment, and does not involve ignorance of all costs. Lawson

(1983:92) argues that “marketing is the tool used to monitor the environment so as to ensure that an organization can continue to meet its objectives by changing its product mix, or in certain instances it may be appropriate for the organization to revise its objectives in line with the new environmental conditions”. Only by adopting the marketing concept is an organization likely to recognize that the environment has changed to such an extent that the organization needs to change its structure with all the costs and difficulties involved.

In criticizing the marketing concept, it was condemned inter alia on strategic grounds for stifling **long-term** innovation. Day and Wensley (1983:85) argue that marketing offers the base from which strategic decision-variables are gathered in order to make the ultimate strategic choices more comprehensive and substantial.

In the area of resource allocation and particularly the information system to support such decisions, although a number of implicit and critical strategic moves are incorporated, marketing theory and practice has a key role to play because of the close contact it has with these issues. This will allow decisions to be made which include market-based information. Once again, this means a broadening of the decision-variables to include very relevant “hands-on” experience opinions (Day and Wensley, 1983).

In summary, marketing’s involvement in strategic issues in the following areas makes for a more comprehensive overall organization outlook because of the close contact it has with the “foundation” elements of the decision-variables on which strategic choices are based.

- Use in strategic planning.
- Use in understanding the markets.
- Use in finding market niches.
- Use in product positioning.
- Use in product or service planning.
- Use in distribution channel selection.
- Use in supporting strategies (integrated marketing programs comprised of product, distribution, price and promotion strategies).

Consider the following quote: “Long-term success does not lie in concepts. It depends on an organization’s ability to pool the **small incremental insights of the “antennae” of an organization**” (Cravens, et al 1987:6). The marketing function, it is felt, is one of the critical **“antennae”** of an organization.

### **3.2.6 CONCLUSION**

The complexity of the marketing concept must be clearly understood in order to reap the most benefits from its use through the implicitly clear application thereof. Thus it was deemed necessary to dig deep into the archives of recorded academic theory to provide a balanced perspective of all opinions expressed.

It is clearly evident that marketing concept principles cover an extremely broad spectrum of diverse applications, not only in business but also in non-profit organizations and society as a whole.

In conclusion, it is apparent that appropriate and ‘educated’ use of marketing principles is essential. Certain business situations may require a strong marketing emphasis while others may require a strong technological emphasis. These different “proportions” of the various business functions need meticulous attention in order to create the most effective combination. All this will create the necessary targeted emphasis towards specified goals in the form of a well balanced, combined, and integrated effort.

### **3.3 THE MARKETING MIX**

“The marketing mix is the mix of product, price promotion and distribution that best satisfies the needs of the target market.” (Machado, 1996:10).

These four variables (expressed in the form the Four P’s) are the heart of a marketing plan. They are highly interactive and a decision relating one variable is likely to have an effect on the other elements of the mix. Thus, a highly co-ordinated approach is needed if the enterprise is to arrive at the most effective blend of factors. Of primary

concern to all businesses is the identification and analysis of markets to gain insight into how consumers behave and how they are motivated and then, as suggested by Machado (1996:11), “to get the right product to the right place at the right time at the right prices and let the customer know about them”. “In order to build the link between the business and its customers requires the development of an appropriate marketing mix”. (BPP Publishing, 1995:11). Elements of the marketplace are regarded as controllable and uncontrollable. Where elements such as general economic conditions, government policy and competitors actions may be regarded as uncontrollable, the 4 P’s are regarded as the controllables.

The concept of the marketing mix was first used by Neil Bordon in 1965 (BPP Publishing 1995:12) that summarized the concept as: “a schematic plan to guide analysis of marketing problems through utilization of:

- (a) a list of the important forces emanating from the market which bear upon the marketing operations of an enterprise; and
- (b) a list of the elements (procedures and policies) of marketing programs.”

“Borden formulated a check list of the market forces bearing upon the marketing mix, changes in any one which should lead to a review of the marketing mix and adjustments to take account of new market conditions” (BPP Publishing, 1995:12).

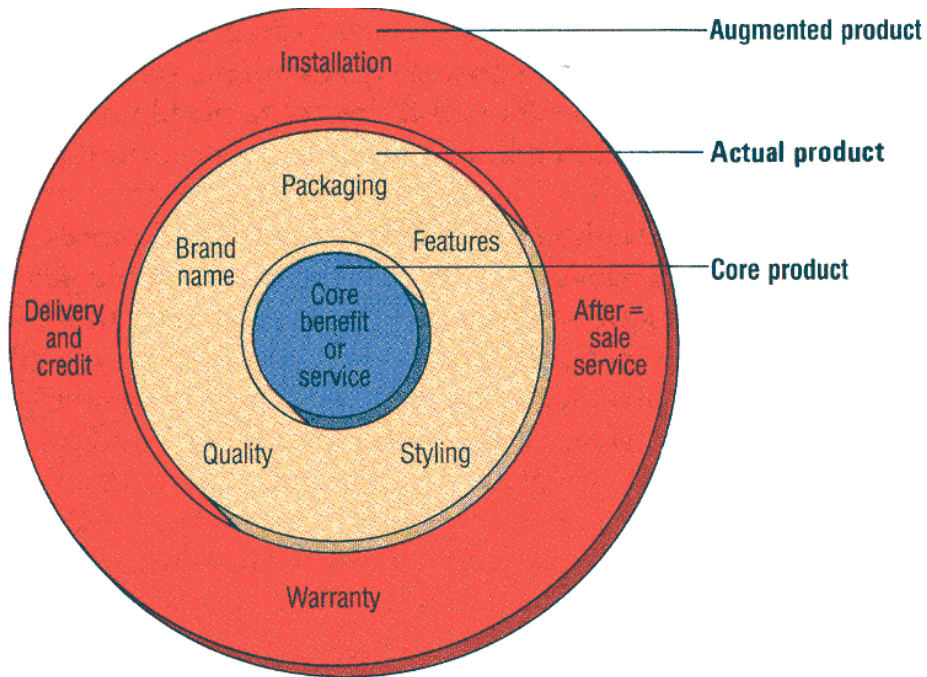
The current, most common, definition of the marketing mix concentrates on the variables under the firm’s control that marketing managers manipulate in order to achieve tactical marketing objectives.

### **3.3.1 PRODUCT**

“A product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need; it includes physical objects, services, persons, places, organizations, and ideas” (Kotler and Armstrong, 1990:226). Thus, in marketing terms, the term product must be seen in its broadest sense. Kotler and Armstrong (1990) advocate that product planners need to think about the product

in terms of the core product, the actual product and the augmented product. Figure 3.4 illustrates the three levels clearly.

**FIGURE 3.4: The Augmented product concept**



Source: Kotler and Armstrong (1990:227)

A product is said to satisfy consumer needs by possessing tangible attributes; quality, performance, price, design, and intangible attributes; image and perceived value. Of perceived value, Nelson (1995:10) states that the role of marketing is “to constantly improve the perceived relative value for money of the company’s products and services”. On page 13 he states, “Value for money has always been the final arbitrator when deciding when to buy or not to buy”.

Thus, there are various inter-linking features a product may possess which will influence the perception of a product’s value. A “hard to find” expensive French perfume, at ten times the price of an equally good local brand, may give consumer satisfaction as a result of the added image and status value of the product.

Each product then develops its own characteristics and through several product-classification schemes based on these characteristics, marketers are able to develop marketing strategies for individual products.

Kotler and Armstrong (1990) noted the following product classifications:

<b>DURABLE GOODS</b>	<b>NON DURABLE GOODS</b>	<b>SERVICES</b>
Tangible goods that survive many uses, e.g. <ul style="list-style-type: none"> <li>• refrigerators</li> <li>• machine tools</li> <li>• clothing</li> </ul>	Tangible goods normally consumed in one or a few uses, e.g. <ul style="list-style-type: none"> <li>• beer</li> <li>• soap</li> <li>• salt</li> </ul>	Benefits, activities or satisfactions offered for sale, e.g. <ul style="list-style-type: none"> <li>• haircuts</li> <li>• repairs</li> <li>• conveniences (Mr Delivery)</li> </ul>
<b>A. COSUMER GOODS</b>	Goods bought by the final consumer for personal consumption	
<b>A.1 CONVENIENCE GOODS</b>	Bought frequently, immediately and with a minimum of caparison and buying effort	
<b>A.1.1 STAPLE GOODS</b>	Bought on a regular basis e.g. <ul style="list-style-type: none"> <li>• toothpaste</li> <li>• bread</li> <li>• vegetables</li> </ul>	
<b>A.1.2 IMPULSE GOODS</b>	Bought with little planning or search effort e.g. <ul style="list-style-type: none"> <li>• chocolates</li> <li>• magazines</li> <li>• chewing gum</li> </ul>	
<b>A.1.3 EMERGENCY GOODS</b>	Bought when a need is urgent e.g. <ul style="list-style-type: none"> <li>• umbrellas</li> <li>• puncture repair kit</li> </ul>	

<p>A.2 SHOPPING GOODS</p>	<p>Convenience goods that customers usually compare on such bases as price, quality, suitability and style e.g.</p> <ul style="list-style-type: none"> <li>• furniture</li> <li>• major appliances</li> <li>• used cars</li> <li>• clothing</li> </ul>
<p>A.2.1 UNIFORM GOODS</p>	<p>Similar quality but different enough in price to justify comparisons, e.g.</p> <ul style="list-style-type: none"> <li>• music CDs</li> </ul>
<p>A.2.2 NON-UNIFORM GOODS</p>	<p>Here product features are more important than the price. Sellers need to carry a wide assortment of products e.g.</p> <ul style="list-style-type: none"> <li>• tailored suits</li> </ul>
<p>A.3 SPECIALITY GOODS</p>	<p>These are goods with unique characteristics or brand identification for which consumers are willing to make a special purchase effort e.g.</p> <ul style="list-style-type: none"> <li>• up-market hi fi equipment</li> <li>• jewelry</li> </ul>
<p>A.4 UNSOUGHT GOODS</p>	<p>These are goods that customers do not know about or may know about but do not willingly go out to source and buy e.g.</p> <ul style="list-style-type: none"> <li>• life insurance</li> <li>• grave stands</li> <li>• time share</li> </ul>



B. INDUSTRIAL GOODS	Goods bought for further processing or for use in conducting a business	
B.1 MATERIAL AND PARTS	These goods enter the manufacturers product completely either through further processing or as components e.g. <ul style="list-style-type: none"> <li>• farm products</li> <li>• natural products</li> <li>• manufactured component materials e.g. yarn, cement</li> <li>• parts e.g. tyres, castings</li> </ul>	
B.2 CAPITAL ITEMS	Enter the finished product partly e.g. <ul style="list-style-type: none"> <li>• installations (offices)</li> <li>• accessory equipment (generators, computers)</li> </ul>	
B.3 SUPPLIERS AND SERVICES	Industrial goods that do not enter the product at all e.g. <ul style="list-style-type: none"> <li>• suppliers: lubricants, coal, typing paper</li> <li>• services: maintenance, legal / management consulting</li> </ul>	

Product decisions require a thorough understanding of the product classification in order to tailor the most appropriate marketing strategies. Choices regarding branding, warranties, packaging and related services which should accompany the product offering need careful thought (Jobber, 1995). Products also require labeling for identification purposes and possible grading and promotion. Larger organizations would give thought to their product lines and ultimately devise a well-planned product mix.

### 3.3.2 PRICE

Price is the only element of the marketing mix which generates revenue. All the other elements create costs. Thus pricing decisions ultimately affect the profit the enterprise makes and as such is regarded as an extremely important element. While it is regarded as important, it is not necessarily regarded as the predominant factor.

During the production-oriented phase of marketing development, the typical reaction of competition would be to cut prices. The response to competition currently is to interpret more precisely consumer wants and needs and to satisfy these needs through either new products or product modifications. The idea is to attempt to add value to the product offering-order to ensure that the choice between the products is not based only on their price differences. Joffer (1995:326) argues that “no matter how good the product, how creative the promotion or how efficient the distribution, unless price covers costs the company will make a loss”. Managers need to understand how to see prices in order to avoid overcharging and achieve lost sales or undercharging and achieve lost margins. “There are two facts in every market. One charges too little; the other charges too much.” Russian proverb. (Jobber 1995:326).

Marx and Van der Walt (1989:657–658) noted that the behaviour of the consumer in respect of prices is bewildering because:

- ◆ Some consumers purposely select expensive products
- ◆ Other consumers patronise only those retailers known for their exclusivity and high prices
- ◆ Another group of consumers is brand loyal and buys the more expensive products even if the cheaper trademarks of the same type of product are available.
- ◆ Other consumers are born bargain hunters. Should the retail price of a product represent a bargain to them, they will buy the product, even if it is not really required for the satisfaction of an immediate need. In this case it is the low price itself which actually offers the consumer need-satisfaction.
- ◆ Yet another consumer group will refuse to buy a particular product if its selling price is in their opinion too low – the product is then considered to be of dubious quality.

Ultimately the consumer attached two meanings to the price and these depend on his interpretation of value. “The return value is the need-satisfaction which the product provides to the consumer and the replacement value is the amount of money which he has to pay in exchange for the product”. (Marx and Van der Walt, 1989:459).

Kotler and Armstrong (1990:282) define price as “the amount of money charged for a product or service or the sum of the value consumers exchange for the benefits of having or using the product or service”.

Thus, the price of a product plays two major roles in marketing for a small business:

- ◆ “it influences how much of a product customers purchase
- ◆ it influences whether selling the product will be profitable” (Van der Walt et al (1995) in Machado (1996:84).

Although price in economic theory is related to utilities (the attribute of an item that makes it capable of satisfying human wants) and value (the quantitative measure of the worth of a product to attract other products in exchange), it indicates the ability of price to be stated in terms of money or another product or service. Essentially money is the means by which value is measured and is used more frequently than bartering in today’s modern developed economy.

Other forms of price include tuition for education, rent for the use of an asset, fare for a taxi ride, fee for a consultant, commission for someone’s service, salary for a monthly paid employee and wage for a weekly paid employee.

Where suppliers see price in terms of costs, volume sold and profit margins, customers see price in terms of benefits gained, needs met and affordability. Machado (1996:86) argues that “to be successful the small business person will have to address the issue of price from both these points of view”.

The ultimate objective of pricing is to produce the required level of sales in order to achieve specified objectives – possibly to cover costs and a reasonable profit, i.e. a focus on profit or return on investment, or to maintain or to increase market share which may require a more competitive approach to pricing.

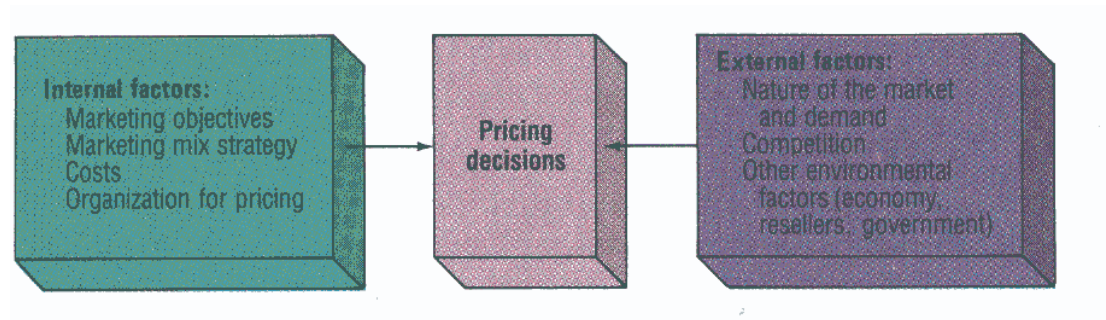
Stanton et al. (1992:266) gives us the following pricing objectives:

- Profit oriented -
  - To achieve a target return
  - To maximise profit
  - To increase sales volume
- Sales oriented -
  - To maintain or increase market share
  - To stabilise prices
- Status quo oriented -
  - To meet competition

Management should always ensure that the pricing objective selected should be entirely compatible with the objectives set for the organisation.

Determining the optimal price requires a close look at all factors affecting price. These factors include; costs, competition, type of product or service, image, supply and demand, and environmental factors. Kotler and Armstrong (1990:283) divide these factors into internal and external factors depicted in figure 3.5.

**FIGURE 3.5: Factors affecting price decisions**



Source: Kotler & Armstrong (1990:283)

In economic theory, price is the major determinant of demand and brings together supply and demand to form an equilibrium market price. “In practice this is applicable in either perfect competition or in a monopoly. The emphasis here is on price competition whereas the significance on non-profit or non-price competition

encourages managers to consider the significance of product quality, promotion, personal selling and distribution in order to develop competitive advantage. It is easy to copy a price cut in the short term but it is not so easy to duplicate a successful brand image.

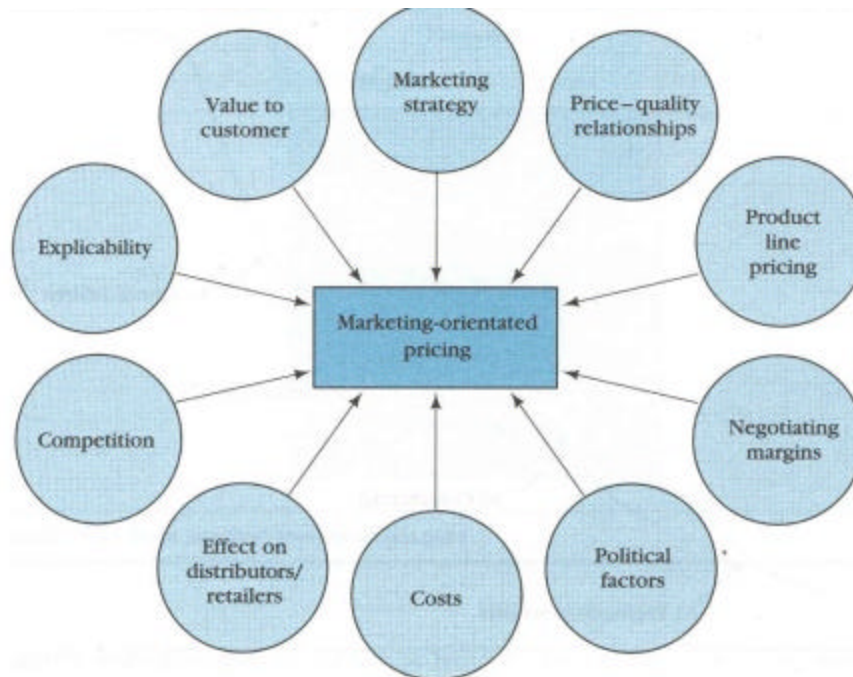
“No practical formula exists to determine an ideal price for a product or service which will simultaneously satisfy the business objectives and also embrace all aspects of the **cost** of the product, the **demand** and **competition**”. (Marx and Van der Walt, 1993:478). Management thus follows different approaches to setting prices. These approaches centre around:

- ◆ A **cost orientation** approach where a “break-even point” (BEP) can act as a starting point for base price setting, or where a “cost-plus” formula would achieve a desired margin, or a “rate of return” price which would satisfy shareholders or investors demand on profit.
- ◆ A **customer orientation** approach where the price is set according to what the customer would be willing to pay.
- ◆ Van der Walt et al. (1995:490) in Machado (1996:94) list the following methods:
  - Backward pricing (the base price plus the distributors margin)
  - Prestige pricing (assume the association between high price and quality)
  - Odd-number pricing (eg R14,99 instead of R15,00)
  - Price lines (using only a few prices for each product line)
  - Skimming pricing (to maximise profit)
  - Penetration pricing (to gain market share)
  - Bundle pricing (combine groups of products at one single price)
- ◆ **Pricing relative to competition** approach where prices are set at exactly the same level as competition, lower than competition or higher than competition.

Reductions to the basic price are given in the form of discounts. Marx and Van der Walt (1997:506-511) note the following discounts:

- Trade or functional discounts (discounts granted to middlemen)
  - Quantity discounts (to promote large orders)
  - Cash discounts (to encourage speedy settlement of accounts)
  - Seasonal discounts (to encourage turnover during low seasons)
  - Discounts for special price offers (e.g. to encourage a retailer to offer well positioned shelf space)
  - Discounts for co-operative advertising (where middlemen incur advertising costs on your behalf)
- ◆ A **marketing orientation** approach where the price of a product is set in line with marketing strategy. Jobber (1995:333) argues that "the pricing decision is dependent on other earlier decisions in the marketing planning process". He shows in Figure 3.6 ten factors which need to be considered when adopting a marketing-oriented approach.

**FIGURE 3.6: Marketing orientated pricing**

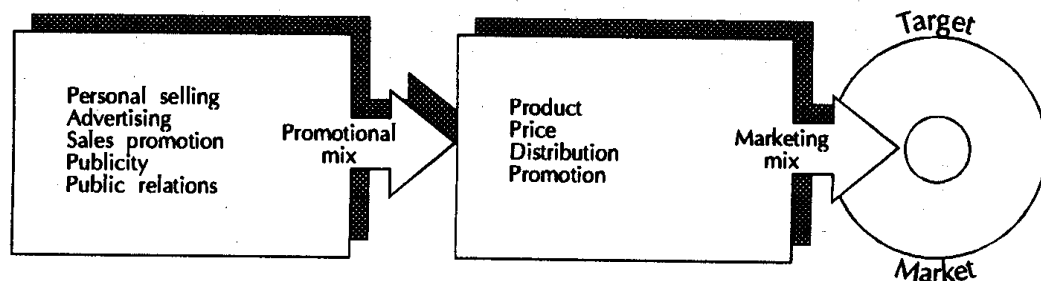


Source: Jobber (1995:333)

### 3.3.3 PROMOTION

Promotion or marketing communications is concerned with communication between the seller and the buyer. Stanton et al (1992:430) defines promotion as “the element in an organisation’s marketing mix that is used to inform, persuade and remind the market regarding the organisation and/or its products”. Stanton shows five methods of promotion in figure 3.7.

**FIGURE 3.7: Role of promotion in the marketing mix**



Source: Stanton (1992:430)

An organisation’s total marketing communications program, (promotional mix) is made up of a blend of advertising, sales promotion, public relations and personal selling. In order to reach a target market, it is the role of promotion to co-ordinate the elements in the promotional mix and co-ordinate promotion with the other elements in the marketing mix. Longenecker et al. (1994:359) in Machado (1996:132).

Longenecker also proposes four main factors to consider in relation to communicating with customers when deciding on a promotion mix. These factors include: (Logenecker, 1994:359) in Machado 1996: 132).

- How widely customers are scattered
- The characteristics of the target market
- The type of product
- How much budget is available.

Promotion needs a focussed approach and as such setting promotional goals such that it is clear as to what one wants to achieve is important. Machado (1996:134) outlines examples of possible promotional objectives that may be of help in deciding what promotional objectives to set. (See figure 3.8)

**FIGURE 3.8: Examples of promotional objectives**

<p><b>1. Inform</b></p> <ul style="list-style-type: none"><li><input type="checkbox"/> tell the market about a new product/service</li><li><input type="checkbox"/> suggest a new use for your product/service</li><li><input type="checkbox"/> tell customers about a price change</li><li><input type="checkbox"/> explain how the product/service works</li><li><input type="checkbox"/> describe available services</li><li><input type="checkbox"/> correct wrong impressions about your business</li><li><input type="checkbox"/> build up a good image</li></ul> <p><b>2. Persuade</b></p> <ul style="list-style-type: none"><li><input type="checkbox"/> build up a preference for your brand</li><li><input type="checkbox"/> try to get customers to switch to your brand</li><li><input type="checkbox"/> get customers to buy now</li><li><input type="checkbox"/> get customers to let you call on them to sell</li><li><input type="checkbox"/> change how customer thinks of your product/service</li></ul> <p><b>3. Remind</b></p> <ul style="list-style-type: none"><li><input type="checkbox"/> remind customers that they may need your product/service</li><li><input type="checkbox"/> remind customers where they can buy your product/service</li><li><input type="checkbox"/> remind customers about your product/service during off-seasons</li><li><input type="checkbox"/> keep customers aware of your product/service</li></ul>
--

Source: Machado (1996:134)

Essentially promotion is an attempt to influence a target market's feelings, beliefs or behaviour.

“The South African market place operates under conditions of imperfect competition. This means there is product differentiation, emotional buying behaviour and less-than-

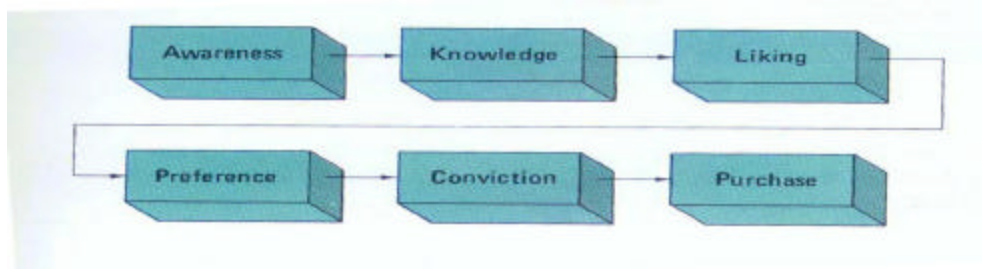


complete market information. Under these conditions promotional activities are essential.” (Stanton et al, 1992:431) the organisation needs to bring more information to the buying-decision process in its attempt to change the location and the shape of the demand curve for its product.

From a practical point of view, marketers need to make the following decisions:

1. **Identify the target audience.** This will influence the decision as to what will be said, when and where it will be said and who will say it. Kotler and Armstrong (1990:385) identify six buyer readiness states which consumers usually pass through on their way to purchasing. These are indicated in Figure 3.6 below.

**FIGURE 3.9: Bio-Readiness states**



Source: Kotler & Armstrong (1990:385)

In determining the buyer-readiness states, the marketer needs to focus on the second decision to be considered;

2. **Determining the response sought.** This will assist to develop a communication campaign that will move the consumer from one stage to the next of the buyer-decision making process, e.g. from awareness to knowledge.
3. **Choosing a message.** Essentially the message should follow the AIDA model postulated by Strong in 1925. This proposes that a consumer be moved “along

a continuum stretching from complete unawareness of the product to regular usage (brand loyalty)”. (BPP Publishing 1995:169).

**A**wareness      **I**nterest      **D**esire      **A**ction (AIDA)

The marketer can use three types of appeal to produce the desired response; (Kotler and Armstrong 1990:387-388)

- **Rational appeal** – relate to the customer’s self-interest and show that the product will produce the claimed benefits.
- **Emotional appeal** – stir up either negative or positive emotions that will motivate purchase.
- **Moral appeal** – directed at the consumer’s sense of what is right and proper.

The message content should show why consumers should buy your product instead of your competitor’s product by emphasising its benefits and differences.

4. **Choosing the media through which to send the message.** The following options can be considered: (Kotler and Armstrong 1990:389-390)

- **Personal communication** either face to face, person to audience, telephonically or through the mail or e-mail.
- **Word of mouth** influences occur between target buyers, family, friends, neighbours and associates. This form of promotion is very effective especially where opinion leaders are used to positively influence consumers to select your product. In small businesses this is also attractive in that costs are minimal.
- **Mass and selective media** can capture a large audience in a short period of time and includes print media, radio/TV media and display media, e.g. on billboards, bus shelters, rubbish bins or street signs.
- **Atmospheres** that create a positive reinforcement towards the organisation and its product.
- **Events** staged to communicate a message e.g. the opening of a restaurant.

5. **Selecting the message source.** The more credible the source of the message the easier the consumer will succumb to the persuasion. The three important factors in this regard are expertise, trustworthiness and reliability.
6. **Collecting feedback.** Here it is important to determine the effect of the promotion in terms of attitudes and behaviour towards the products **after** the promotion as opposed to **before** the promotion.

The extent of promotion activities correlates positively with the extent of the budget available for promotion. Deciding on the budget is no simple matter and it is advisable to consider the following ways of setting one: (Kotler and Armstrong 1990:392-394).

- ◆ **Affordable method.** Setting the promotion budget at what management thinks the company can afford.
- ◆ **Percentage-of-sales method.** Setting the promotion budget at a certain percentage of current or forecasted sales or as a percentage of the sales price.
- ◆ **Competitive-parity method.** Setting the promotion budget to match competitors' outlays.
- ◆ **Objective-and-task method.** Developing the promotion budget by defining specific objectives, determining the tasks that must be performed, and estimating the costs of performing these tasks.

The organisations next step is to divide the total promotion budget among the promotion tools to create the appropriate blend of advertising, sales promotion, public relations and personal selling. They will be guided by: the characteristics of each promotional tool, the type of product/market, whether they should opt for a push or a pull strategy, the buyer's readiness state and the product life cycle. Each of the different promotion activities requires strong co-ordination in order to achieve the optimal impact.

### 3.3.4 PLACE (DISTRIBUTION)

The fourth “P” in the marketing mix’s 4 P’s stands for “Place” and is concerned with the distribution of products from producer to consumer. It is essentially concerned with the processes by which the product is made available to the consumer in a particular place. Marketing effort would not be very effective if the product is not made available to the consumer at a place convenient to him. On the other hand, by making a product conveniently available to consumers at the right place and at the right time, the enterprise can enjoy a competitive edge.

Stanton et al (1992:330) states that “a distribution channel consists of the set of people and firms involved in the flow of the title to a product as it moves from producer to ultimate consumer or business user”. Thus the parties involved include the producer, the consumer and the middleman involved in the flow from producer to consumer. Should the form of the product be altered in any way, a new product emerges and thus a new distribution channel is started.

The flow of products from producer to consumer also require the aid of a number of institutions performing various functions such as insurance, finance, storage, packaging and transporting. Other functions include promotion, often as a joint venture with local stockists, display and presentation ensuring optimal layout decisions and the offer of local knowledge, which is particularly important in international markets. These institutions do not take title of the products and as such are not included in the formal distribution channel.

Those that are included are:

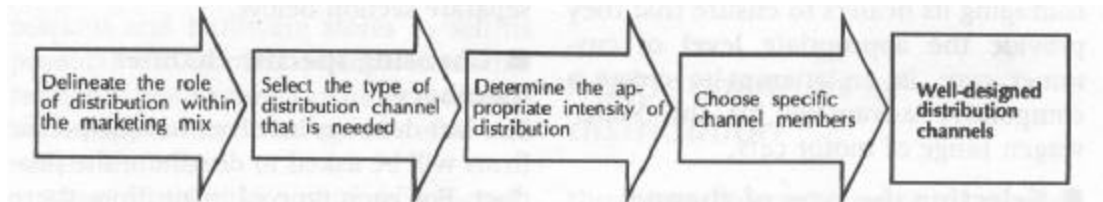
- **RETAILERS.** These are traders operating outlets, which sell directly to consumers. They are classified in terms of the type of goods they sell, the type of service they offer, their size or their location. Examples include hypermarkets, supermarkets, chain stores, departmental stores, general dealers, speciality stores and spaza shops.

- **WHOLESALEERS.** These are intermediaries who stock a range of products from competing manufacturers and then sell these to retailers. Machado (1996:112) notes four different kinds of wholesalers:
  1. Cash and carry wholesalers. Here shop owners' purchase and transport their own goods from the wholesaler.
  2. Rack-jobber. This wholesaler manages the shelf space in a retail outlet.
  3. Truck-jobber. This wholesaler delivers and manages the perishable products of retail outlets.
  4. Mail order wholesaler. This wholesaler uses catalogues to sell products on a COD basis.
  
- **DISTRIBUTORS AND DEALERS.** Their function is similar to that of a wholesaler but offer a narrower range of products and usually also promote their product and provide after-sales service.
  
- **AGENTS AND BROKERS.** They do not purchase the manufacturers goods but earn a commission on their services.
  
- **FRANCHISES.** These are independent operators who pay an initial fee plus a percentage of their sales revenue in order to trade under the name of the franchisor.
  
- **MULTIPLE STORES.** These buy goods for retailing usually under their own brand names.
  
- **DIRECT SELLING.** This can take place through mail order, telephone selling, door-to-door selling, hawking, multi level marketing, computer or TV shopping.

Once a decision is made regarding the distribution channel it is very expensive and not easy to change. Thus, the designing of a distribution channel is important and requires careful thought. Stanton et al. (1992:331) offer a sequence of decisions for designing a distribution channel. This is depicted in figure 3.10 Following such a

sequence generally enables marketers to structure their thinking in planning the optimal strategic and functional option.

**FIGURE 3.10: Sequence of decisions for designing a distribution channel**



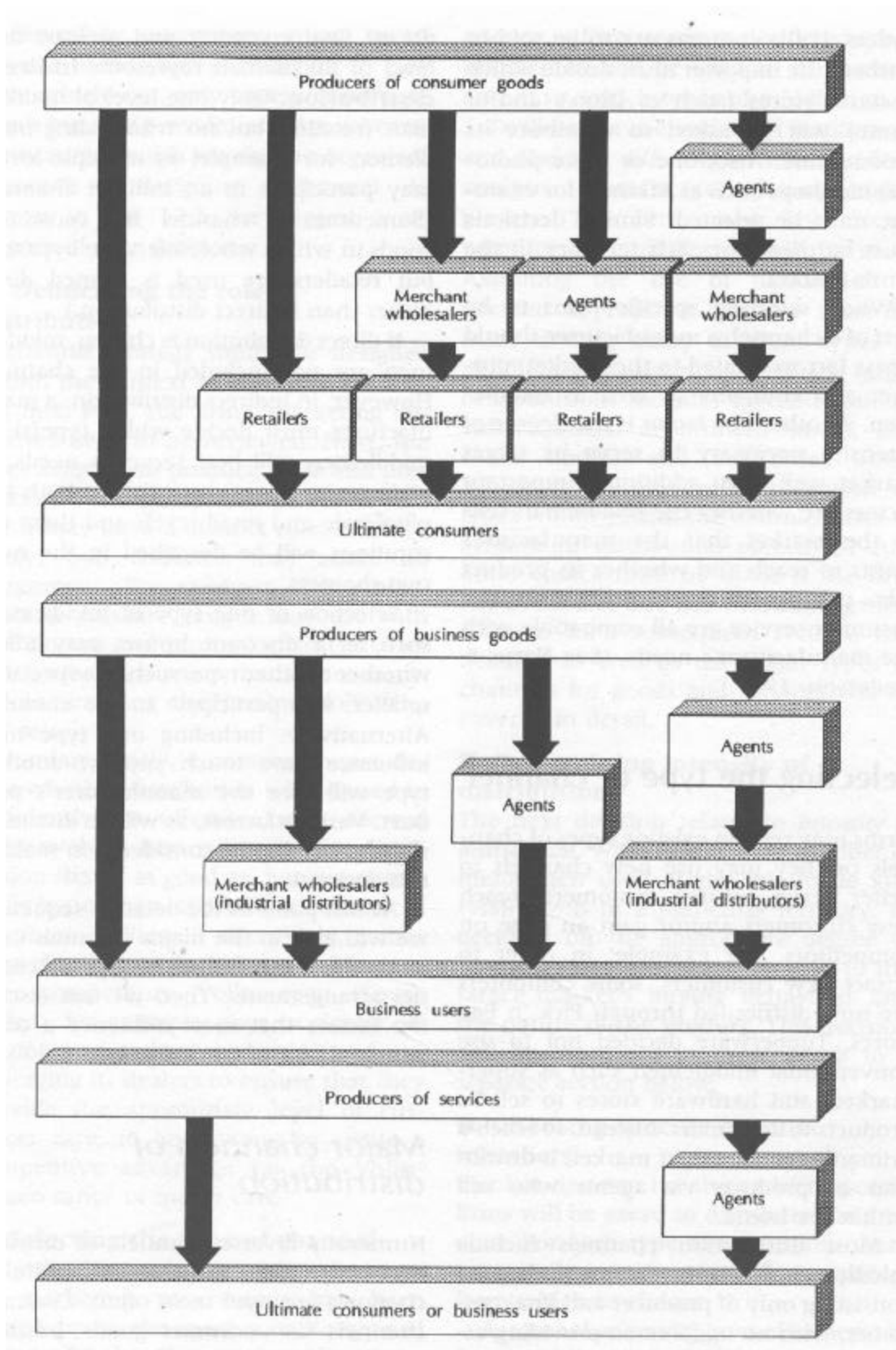
Source: Stanton (1992:331)

Machado (1996:109) argues that one of the first decisions a small business is to make concerns the number of potential outlets. This intensity of distribution depends on the location of the market and the characteristics of the product. The options are a choice between intensive, selective and exclusive distribution. Which distribution option to choose depends on the characteristics of the product:

- How expensive it is (the current value)
- How technically complex it is
- The selling requirements (advice / sales assistance required)
- The service requirements (installing and maintenance)
- The level of perishability

Selecting the type of distribution channel also carries a number of possible options. Stanton et al. (1992:334) offers a handful of channels which are used most often. These are depicted in figure 3.11

**FIGURE 3.11: Major marketing channels available to producers**



Source: Stanton (1992:334)

Most producers want to reach as broad a market as possible and thus they are not content to use only a single distribution channel. They employ multiple channels which enable them to reach different types of markets more effectively. For example they may sell cleaning chemicals to the consumer household markets as well as to the business markets. Also, in fact, a trend is the use of competing channels to sell the same brand to a single market. No-name brands use this strategy.

Further considerations for the distribution decision centre around the middleman and the producing company itself. A careful note of the services provided by middleman must be made to ensure that they match those required by the producer. Is the middleman available and willing to add an additional product to their line?

Either way, the producer will need to “sell” his product to the middleman by pointing out the potential profit the middleman can make, the advantages of the product over competing products, the benefits it has to consumers and thus potential consumer demand, the support he will get from the producer, and then to support these statements with market research statistics or back-up material.

Is the middleman positive towards the new product and the policies of the producers company? From the company’s viewpoint the desire for control over the channel is an important consideration. Should the producer need aggressive promotion they may need tight control. The ability of middleman to support and accept these promotions must be determined. In many cases the expertise of middleman surpasses the ability of the producers management, in which case the decision to employ middlemen is a good choice. Also, the financial resources of the producer may not enable it to establish its own sales force. Needless to say this can be an expensive and time-consuming management function. Good, strong marketing expertise on the part of the middleman is essential and producers can benefit greatly from this marketing knowledge.

In the choice of a specific middleman, Machado (1996:120) lists a number of good factors to consider:

- Does the middleman reach your target market?



- Can he satisfy customer needs in terms of products and services?
- Does he have sufficient stock turnover so that stock does not sit on the shelf?
- Does he have the appropriate and correct storage facilities?
- Can he aggressively promote your product or service?
- Can he deal with competition?
- Will he work with you?
- How creditworthy is he?
- What are his managerial skills?

Ideally, distribution should be characterized by shared goals and co-operative actions and attitudes on the part of producer and channel middlemen. However, when one channel member perceives another to be acting in a way that may prevent him from achieving his distribution objectives, channel conflict will exist. The need for control over a channel member will add to this channel conflict and it becomes essential that management understand this conflict and control and does all it can to negate its negative effects.

Understanding potential tension sources is a good start to becoming aware of areas to avoid or to “tread carefully”. These include knowing that on the one hand producers feel that middleman’s services cost too much, they do not promote products aggressively enough and they also do not provide sufficient and convenient storage or packing space. The middleman on the other hand feel that producers do not understand their primary obligation to customers in their ‘balancing act’ of supporting the producers product as well as the interests of customers. Conflict is fanned by the attempts of frustrated producers to bypass middleman and sell their products directly to consumers.

The struggle for channel control between manufacturers and retailers is best fought by manufacturers by attempting to build strong brand loyalty, and by retailers by building strong store loyalty. Both parties need to understand that they are part of a system designed to provide work/need satisfaction to the final consumer. Their survival is dependent on achieving this objective.

Once the choice of distribution channel is implemented, continued evaluation of the effectiveness of the decision is essential. Machado (1996:122) proposes a number of performance standards by which channel effectiveness and efficiency can be evaluated. He lists the following from which to choose:

- Sales figures
- Costs to you
- How promptly the middleman pays you
- Complaints received from customers
- How much stock the middleman holds
- How often the middleman is out-of-stock
- Shelf space and attention given to your products
- The middleman's sales effort
- Customer attitudes to the middleman

Possibly the most important decision of all is the choice of location of a business. Estate agents argue that there are three important factors to consider when buying a house. These are position, position and position. In much the same way, the location of a business can play an important role in its success or failure. Longenecker et al (1994:219-222) in Machado (1996:128) notes four aspects to consider when choosing a location:

- **PERSONAL PREFERENCES.** Factors playing a role here are familiarity of the people and the neighbourhood, and their ability to support the new business by being customers or offering credit. The saving of a rent cost could be vital to the ability of the new business to establish itself
- **ENVIRONMENTAL CONDITIONS.** Here economic conditions, competition, political and legal considerations and the attitude of the community are important.
- **RESOURCE AVAILABILITY.** It is important to match the resources required by the business to those available in the location options.

- **CUSTOMER ACCESSIBILITY.** Convenience and ease of access to your business for customers is vital, especially if the product you are carrying has strong competition. Your location in this case, if good, will give you a competitive advantage.

As mentioned before, the cost of making major changes to distribution channel systems is usually such that seldom are total system changes made. Instead, parts of the system are modified to improve efficiency. This involves a co-ordinated management effort to ensure a balance of all attributes of the product and the pool of benefits on offer to customers by our product in comparison with those of competing company's products.

### **3.3.5 SUMMARY**

Chapter 3 covered a thorough overview of the generally accepted marketing principles depicted in marketing theory. After defining marketing, the core marketing concepts, needs, wants, demands, products, exchange, transactions and markets were explained. The evolution of the scope of the marketing concept was explained and thereafter a comprehensive view of criticisms and commendations of the marketing concept were noted. Finally, a detailed look at the marketing mix and a description of the four p's, Product, Price, Promotion and Place (Distribution) were explored.

Although the marketing academic theory covered in this chapter may appear to be lengthy, it was felt that the theoretical background covered needed to be comprehensive. It was with this theory in mind that the analysis of its application in the hawker market was questioned. Thus, to exclude any portion of this theory would limit one's ability to make adequate comparisons of this theory as hawkers apply it.

Having covered the market in theory above, we will now explain the research methodology in detail in Chapter 4.