

The Growth and Development of Marketing Theory, in Search of Roots: Economics and Psychological Perspectives

Didia, J. U. D. & Adiele, K. C.

Department of Marketing,
Faculty of Management Sciences,
Rivers State University of Science and Technology,
Port Harcourt.
didia_jud@yahoo.com

Abstract

Marketing has undoubtedly become the flagship of the corporate world. Marketing drives business and is often described as synonymous with business which owes its success to it. The continued practice and success of this all important discipline rest on its theoretical foundation and the growth and sustenance of same. However the ancestry of the theoretical foundation of marketing seems cloudy. This paper traces the economics and psychological roots in the growth and development of marketing thought and notes from extant literature the enormous presence and contributions of economics and psychology to the growth and development of marketing theory.

Introduction

Marketing is both a unique and interesting discipline despite its late entry into the organizational lexicon. Its fundament is to bridge the gap that separates production and consumption and ultimately to ensure that the organizational process directed at satisfying consumption needs starts with the consumer for the mutual benefit of both the supplier and the buyer.

The success of this process is predicated on a thorough insight of the consumer, his wants, needs, preferences, deprivations and inadequacies that influence and moderate his behaviour, at least consumption wise thus justifying the approximation of marketing as human behaviour (Foxall, 1990).

However, contending with human behaviour in its varied contexts; economics, cultural, physical, social, psychological etc, is a complex undertaking. In the light of this complexity, it becomes imperative for an academic enquiry into the contextual rationality and insight that govern and predict human behaviour as a basis for corporate operational efficiency.

Consequently, scholars from different and differing academic background started proffering reasons, presenting facts, and theorizing on human behaviour or precisely, consumer behaviour with regards to exchange relationships and associated phenomena. This process midwifed the birth of theories in marketing.

Marketing, as it were, has a recent historical air as a social science discipline and therefore owes its theoretical evolution and foundations to other disciplines which is why marketing has been described as a borrowed discipline (Cox, 1964) especially from the social sciences where it claims ancestry in the development and growth of theories.

Though the contributions of social science disciplines in the theoretical development of

marketing are legion, we aver that we are yet at the first rungs of the intellectual and academic response to the myriad of problems and social realities confronting marketing as a discipline.

Marketing Theory: Literary Perspectives

Several perspectives exist that provide useful insight as to the meaning of theory. Ikeagwu, (1998) posits that theories are synthesized facts, or hypothetical conjectures for the purpose of providing explanations and predictions or to give reasons for, purpose of, or grounds for certain things happening and the way they happen. It is seen as an attempt at synthesizing and integrating empirical data for maximum clarification and unification (Osuala, 1982). A theory provides explanations and predictions and attempts to give reasons for, purpose of, or grounds for certain occurrences. Social scientists apply theories to concepts that although untested, are potentially testable. A statement must therefore seek to explain or predict a phenomenon to qualify as a theory (Bailey, 1980).

In our everyday life, we have a number of individual theories based on postulations and assumptions of varying degrees of adequacy and truth from which we make deductions of differing degrees of cruciality and of course accuracy.

In marketing, there are theories and theoretical underpinning that explain phenomena in several areas of the discipline such as marketing planning, communication, strategy, product, pricing, promotion, advertising, distribution etc. Marketing theories provide, explain, synthesize and integrate empirical data for maximum clarification and unification of marketing phenomena. It seeks to, through the combination and analysis of generated marketing data and facts, explain the bases for the happenings and occurrences in marketing in a replicable manner.

But whether this wholesomeness and unification intended to provide a central theoretical basis for marketing, has been achieved, is being achieved, will be achieved or can be achieved remains a subject of academic enquiry in the unending search for the status of marketing theory growth and development.

Purpose of a Theory

The purposes served by theory can be summarized as;

Theory synthesizes isolated bits of empirical data into a broader conceptual scheme of wider applicability and predictability. It permits deeper understanding of data and translates empirical findings into a more readily retained and more readily adaptable form; Theory permits the prediction of the occurrence of phenomena and enables the investigator to postulate and eventually to discover hitherto unknown and unobserved phenomena; Theory acts as a guide to discovering facts: it pinpoints crucial aspects to be investigated and crucial questions to be answered. By identifying areas in need of exploration, it stimulates research in areas that are lagging; Just as facts underlie theories, theories underlie facts, each raising the other on a spiral to ever more precise scientific formulations. Research and theory go hand in hand: theory guides and stimulates research while research tests and stimulates theory development, resulting in more adequate theories and better and clearer facts (Osuala, 1982).

Features of a Good Theory

A theoretical system must permit interpretations and deductions which can be tested empirically – that is, it must provide the means for its own interpretations and

verification.

Theory must be grounded in empirical data which have been checked and verified and must rest on sound postulates and hypotheses. The better the theory, the more adequately it can explain the phenomena under consideration and the more facts it can incorporate in a meaningful structure of ever greater generalizability. Theories must be stated in simple terms; that theory is best which explains the most in the simplest form. This is the law of parsimony. Scientific theories must be based on empirical facts and relationships. The more accumulation of empirical data however, constitutes neither theory nor science until the data have been organized into general principles that permit the interpretation of particular phenomenon on the basis of the operation of more fundamental underlying factors (Osuala, 1982).

Economics Roots and Perspectives

The history of the development of marketing and marketing thought cannot be narrated without recourse to economics. As Bartels (1988) observes, economic theory has provided more concepts for the development of marketing thought than has any other social discipline.

We may not be alarmed by this revelation knowing that early marketing scholars are economists to the extent that both Harvard and Winconsin Universities considered two of the original centres of influence in the development of marketing thought in U.S.A., built their marketing departments around German-trained economists (Jones and Monieson, 1990). And early courses of study in marketing were based on the study of economics (Ferrell *et al*, 1991).

This theoretical economics influence in the development of marketing and marketing thought is not coincidental but followed a logical and natural sequence. Economics is concerned with the rational utilization of scarce resources for production and distribution of commodities for consumption (Samuelson, 1961). Inherent in this concern therefore, are the production and distribution functions. And since customer satisfaction is premised on four kinds of economic utilities – form, time, place and possession (McCarthy and Shepiro, 1983), marketing comes in naturally and automatically because of its provision of three kinds of utilities aforementioned, notably, time, place and possession. Not surprising then that early concepts and definitions of marketing portrayed it as distribution.

Economics contribution to the development of marketing thought and practice is rather pervasive touching on almost every aspect of marketing. Central to the notion of marketing is exchange which is the defining concept underlying it (Kotler and Turner, 1993). Economic man rationalizes his choices through exchange. As we know, the concept of rationality has its origin in economics. In addition, marketing assumes that the producer seeks to maximize profits (Anderson, 1982) while the consumer seeks to maximize utilities (Honston and Gassenheimer, 1987). Maximization is an economics concept, whether profits or utilities.

There is a manifest presence of economics in all major areas of marketing ranging from consumer behaviour, marketing strategy, product, price, promotion, distribution (place) to international marketing.

Consumer behaviour theories could be explained and analyzed through positive economics (Lipsey, 1996). The economic theory of consumer behaviour is one of the most completely refined bodies of theory in the social sciences. In microeconomics, the law of diminishing marginal utility governs consumer choice. Ultimately, as posited by Bartels (1988), it is

largely because of Adam Smith's notion that the objective of all economic activity is the satisfaction of consumption that led to marketing's proclamation of the consumer as king.

The marketing strategy of segmenting, targeting and positioning represents the heart of modern strategic marketing (Kotler and Turner, 1997). This important area of marketing has economics underpinning. As Dickson and Ginter (1987) point out, the economics theory of monopolistic competition is the basis behind market segmentation and product differentiation.

Indeed the economics of segmented pricing provides much of the rationale behind the idea that the market-place consists of various segments which can be appealed to differently.

Economics made early in-road into the development of distribution as an element of marketing. Infact, distribution as an early economic activity that completes production was seen as marketing. From the point of view of the economic system, the basic role of marketing intermediaries is to transform the heterogeneous supplies found in nature into assortments of goods that people want to buy (Kotler and Turner, 1993). In addition, Lipsey (1966) notes that production and consumption are two of the fundamental problems facing economists. The contribution of economics to the development of marketing thought is therefore limitless. Market itself, the ancestor of marketing can also be seen as an economic process that facilitates the exchange of goods and services (Samli and Bahn, 1992) and exchange, as we know, is the fundamental unit of analysis in marketing, the interaction of demand and supply is the basis of the economic process. Thus, production and consumption are facilitated by an intermediate process of primary importance.

Hence, as Jones *et al* (1990) point out, the original scholars of marketing were basically concerned with the problems of distribution. Little wonder then that a lot of attention was and is still being paid to distribution channels, its design and management. However, the impact of economics theory appears strongest on the design stream.

The economics idea of specialization, which manifest in division of labour, has greatly affected marketing thinking, especially in the area of marketing channels. Anderson (1967) suggest that attempts at maximization of productivity leads to specialization which leads, in turn, to various marketing agencies working together to form a channel for a given product. This channel, then, facilitates the exchange or flow of resources within an inter-organizational network (Ghoshal and Bartlett, 1990). It is therefore to the interest and benefit of channel members, in the interest of profit maximization, to act as a unit (Mallen, 1973).

In the promotion of goods and services where economics contributions seem diminished, economists have written quite extensively about the efficacy of advertising in informing and influencing attitude and behaviour. Economists, being concerned with efficient resource allocation, are understandably worried and anxious at the potentially staggering wasteful advertising budgets and practices. The protagonists of these expenditures on promotion (and advertising in general) argue that it serves a vital informational role. By conveying information to the consumer, advertising makes complete the economist's postulate of perfect knowledge (Backman, 1968).

Economists and worldwide economy provide the foundation for the evolution and practice of marketing. Effective marketing not only improves the life-style and well-being of people in a specific economy, it also upgrades world markets; after all, a developed country's best

customer is another developed country (Cateora, 1993). Heeler et al (1992) investigated the state of evolution of the organization of marketing in China and note that a formal bureaucratic approach to marketing exists... (but) will certainly change as the Chinese economy evolves towards a market orientation.

Economics theories have generally impacted international marketing thought. According to Levitt (1983), because technology is driving the world to a point of convergence of wants, it behooves the global firm to become standardized in its offerings and marketing practices. By doing so, the firm is able to offer products of an acceptable quality at a lower cost than competition, on account of greater economies of scale. Levitt further contends that two vectors shape the world-technology and globalization. The first helps determine human preference; the second economic realities.

Psychological Roots and Perspectives

We have observed earlier that, marketing is human behaviour and psychology is the science of behaviour, which application to marketing is intended to aid understanding of the activities of buyers, users, and managers that contribute to the fulfillment of economic objectives. This understanding and knowledge is important in the sense that it can be built upon by present and future marketing managers who wish a more elaborate picture of the specific market considerations with which they are engaged. Psychological concepts and frameworks permeate the marketing literature, implicitly and explicitly (Baker ed. 1995).

The entire marketing super structure is rested on human or more directly consumer behaviour and psychology as we know, is the science of behaviour. It implies that psychology has more to contribute in the achievement of marketing goals and sustenance of its foundation than many disciplines. The contribution of psychology to the discipline comes from different aspect of the course – social psychology; the interactions of buyers and sellers. the structure and dynamics of groups of consumers each of whom is influenced by one thing or the other; - cognitive psychology; the information processing capabilities of consumers that determine purchase and consumption; - physiological psychology; consumers physical characteristics which stem from genetic endowments which may have effect on choice and consumption e.g. body size and build, athletic prowess, some forms of disability and sexual attractiveness; etc.

The importance of these variables is evident from the extent to which they form the basis of marketing programmes. Of course all these theoretical perspectives contribute to the superstructure of marketing psychology. However, they do not provide the psychological basics of marketing. One shortfall in these perspectives is that they beam their search light on consumer behaviour mostly to the exclusion of marketing managers.

In seeking the psychological fundament of marketing, therefore, one should be concerned with elementary social behaviour (Homans, 1974). This requires focusing on the behaviour of social units and factors that are directly responsible for them and not on the characteristics of the organization.

This is important because there are costs and rewards associated with exchange. For instance, opportunity cost for the consumer and costs of acquisition, production and marketing costs for the producer. There are obvious rewards; rewards to a consumer may be intrinsic or extrinsic. Producers enjoy their profit. Repeat purchases depend on antecedents, and consequences of previous behaviour.

The psychological contribution to marketing theory exposes us to several concepts that can be used to map out consumer behaviour in specific marketing settings as a dynamic process that is influenced by the setting in which it occurs and the consequences it attracts.

A great deal of consumer behaviour in interaction with the marketing system can be portrayed, especially with the marketers, as mutually rewarding, each makes a set of responses on the part of the other more probable.

In sum, psychology has been very useful in contributing to the foundations of marketing theory, by the in depth study and analysis of consumption related behaviours be it; maintenance behaviour, accumulation behaviour, pleasurable behaviour or accomplishment behaviour, that provide the plank for better marketing practice.

Conclusion

Marketing as we know it today is a child of history. Production is incomplete and meaningless without distribution. No wonder early scholars described distribution as marketing.

As organizations change their orientation from product, sales, ... to relationship marketing, marketing acquires new status. Today, marketing is everything and everything is marketing.

But even with this improved status, marketing is still in need of a central theoretical definition. Theories are important for the development of any discipline. This explains the reason for the heavy reliance of marketing on the sciences such as economics, behavioural, social, cultural and mathematics, for its theoretical development. These disciplines made and are still making enormous contributions towards the theoretical development of marketing.

Thus, the requirements and need for the development of marketing theories and the need to acknowledge the contributions of other disciplines in the growth and development of marketing thought has become increasingly imperative.

References

- Anderson, P.A. (1982). Marketing, Strategic Planning, and the Theory of the Firm. *Journal of Marketing*, Spring, 15-26.
- Baker, M.J. (ed) (1995). *Companion Encyclopedia of Marketing*. Routledge, London.
- Backman, J. (1968). Is Advertising Wasteful. *Journal of Marketing*, 46 (15-26).
- Bertels, R. (1988). The Identify Crises in Marketing. *Journal of Marketing*.
- Cateora, R. (1993). *International Marketing*. Homewood IL. Irwin.
- Cox, R. (1964). 'Introduction' in R. Cox W. Anderson, and S.J. Shapiro (eds). *Theory in Marketing*. Homewood IL: Irwin.
- Ferrel, J. (1991). *Exchange, Expectation and the Definition of Marketing*. In T.C. Childers *et al* (eds).
- Foxall, G.R. (1990). *Consumer Psychology in Behaviour Perspective*. London N.Y. Routledge.
- Ghoshal, S. and Bartlett, C. (1990). The Motivational Corporation as an Interorganizational Network. *Academy of Management Review* 15(4) 603-25.
- Heeler, R.M. (1992). Organization for Marketing in Contemporarily China. Using the Company Creative Spirit to Serve Society with Your Whole Heart. *Advances in Chinese Ind. Studies* 3. 241-53.
- Houstin, F.S. and Gassenheimer, J. (1987). Marketing and Exchange. *Journal of Marketing*

51 3-18.

- Ikeagwu, K.E. (1998). *Groundwork of Research Methods and Procedures*. Institute for Development Studies Enugu.
- Jones, D.G. and Moniesou, J. (1990). Early Development of the Philosophy of Marketing Thought. *Journal of Marketing* 54 102-13.
- Kotler, P. and Turner, R. (1993). *Marketing Management: Analysis, Planning, Implementation and Control*. Prentice Hall Canada.
- Lipsey, R. (1966). *An Introduction to Positive Economics*. London, Weidenfeld & Nicolson.
- Levitt, T. (1983). The Globalization of Markets. *Harvard Business Review*.
- Mallen, B. (1973). *Conflict and Cooperation in Marketing Channels* in Louis, B. et al (ed).
- McCarthy, E.J. and Shapiro, F. (1983). *Basic Marketing*. Canada. Homewood ILL.
- Osuala, E.C. (1983). *Introduction to Research Methodology*. Africana-FEB Pub. Onitsha.
- Samuelson, P.A. (1961). *Economics: An Introductory Analysis*. N.Y. McGraw-Hill.
- Samli, A.C. and Bahn, K.D. (1992). *The Market Phenomenon: An Alternative Theory and Some Metatheoretical Research Considerations*.