ON THE DEFINITION OF MARKETING

Can a penetrating interpretation of the American Marketing Association (AMA) definition of marketing lead closer to a concise theory of the discipline? Is it possible that the AMA has overlooked something important? And could a theory be able to contribute to other structures for the organization of work and the allocation of resources to the development of branded products and their value?

Every day vast sums are invested in marketing worldwide. Everywhere colleges and universities research and teach; the scope of the literature is overwhelming. For an area this size a solid theoretical foundation would be expected but it is missing, surprisingly. A solid theory should be useful for the practical activities of companies and organizations, as well as legislation and consumer information. A comprehensive range of related concepts and theories, which has emerged in the marketing area, constitutes the discipline. But many of them suffer from the lack of a consistent common denominator.

A generally accepted definition of marketing has been developed in the country of origin by the American Marketing Association. It has been modernized and reworked over the years and is widely published in educational literature and courses:

> ***Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.***
> *(Approved October 2007)*

Can such a circumstantial definition become the basis for a theory? If you read it carefully, there is both an important message hidden beneath the surface as well as some apparent, superfluous information.

The transaction may have commonly been seen as trivial and obvious, but here the analysis would logically start. “Exchanging offerings”, is the obvious hub, and thus the starting point, for any attempt at a deeper analysis.

Price or Value?

If you want to stick strictly to the definition, every buyer in a supermarket always buys every item that, there and then, is considered to be worth its price, confirming it by the transaction. One day, fillet of beef may be worth the money, another day just black pudding. Consequently, none of the thousands of items that are not purchased could be considered to be worth their price – for that person, then and there. Nobody tries to sell anything there; marketing has given the buyer the capacity to value according to the demands of the moment.

This is what I want to see as the starting-point for a theory.

When the buyer faces a branded deal, a jar of mustard, an hour of cleaning service or a holiday trip, the price is usually predetermined. To buy, he must himself believe that the product (goods and/or services) is worth its price, right then, and right there. The definition of (economic) value, "***the amount of***

any commodity for which a given object is replaceable," (Oxford Dictionary 1933 – 1964) means that the moment when you would rather have a copy of a daily newspaper in your hand than € 2 left in your wallet, you will be buying, because its value for you, right then and there, is (at least) € 2. And, as the seller has set a price, he would rather have your € 2 in the till than the newspaper left in place – wishing that many people will think like you.

That the value becomes real only when the transaction is performed is a linchpin. In everyday speech price and value are often confused for the same thing. But, by definition: the price is the seller's expectation, and until the transaction, value is not more than an unconfirmed perception by the potential buyer. Few seem to recognize that neither a product's price nor its value depends on the cost of production, or its supply and demand; the price is the more or less qualified guess by the seller, and the value the buyer's subjective perception. These are the conditions for marketed, branded products.

Marketing and brands

In the middle of the last century, it was first realized in the United States that corporate organizations lacked a function. Mass production and mass sales on distance demanded advanced distribution and mass communication ("communicating" in the AMA definition) that could reach the buyers when direct, local selling was no longer possible. The sales organization received a superstructure of *marketing*. Marketers got a higher status than sales people and could now take a seat at the same conference table as product development, production, and finance.

That brands were required by marketing to make mass communication work was not readily realized. Brands had certainly been around for a century, but their great commercial importance and value was not seriously observed before the latter part of the 1900s. Theories about brands and how their value originates and could be managed came high on the agenda (Kapferer 1992, Aaker 1995). That brands thus are a principal prerequisite of marketing does not seem to have been observed by AMA; even their latest definition still (2007) lacks any reference to them.

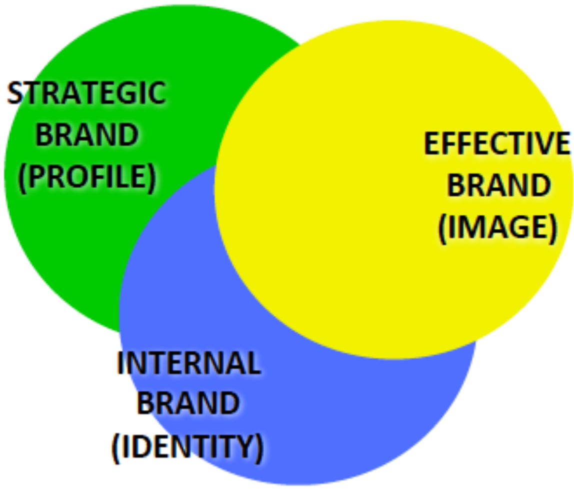
Now we come to the most important difference between non-branded and branded products – the intangible value. The differentiation of branded products means an ambition to make them perceived as unique by the buyers and thus being receptive for an increased value (Porter 1980). The intangible, perceived, aspect of the product, the *metaproduct*, (Linn 1985) is typical of branded products, and is more or less – rarely exclusively – constituted by the brand. The metaproduct has a value that may be considerable for established brand products.

Since the brand's meaning and value are individual conceptions, they vary between different groups according to their relationship to the brand. Three different groups are of interest:

> **1. Buyers** (effective): Their valuation is the commercially decisive one. A brand that more people buy and / or pay a premium for generates revenue and, in consequence, becomes valuable.
>
> **2. Management**, corporate or organizational (strategic): Designs strategies for influencing the buyers' perception of the brand.

3. Employees (internal): The organization's employees realize management's intentions in product development, marketing, and customer contacts.

Buyers' brand, the *effective brand*, affects the number and value of transactions. Management's strategic brand sets the direction of the company's activities. The *internal* brand of the employees brings power to the realization. All these aspects of the brand are more or less overlapping.



***The three brands**. In conventional marketing, they have been given names (profile, identity, image) without relevance for their function.*

The brands bring us to the crucial difference that actually exists between marketing and sales – despite selling conventionally being said to be an integral part of marketing (Linn 1992). Brands are created by marketing efforts, that come into effect only when the internal communication in the social community (target group/audience) is in operation. The effective brand thus means that a segment of the market, the *audience*, has a basic consensus of value characterized by its knowledge and familiarity of the brand.

The internal brand is the employees' relative consensus about what the brand stands for.

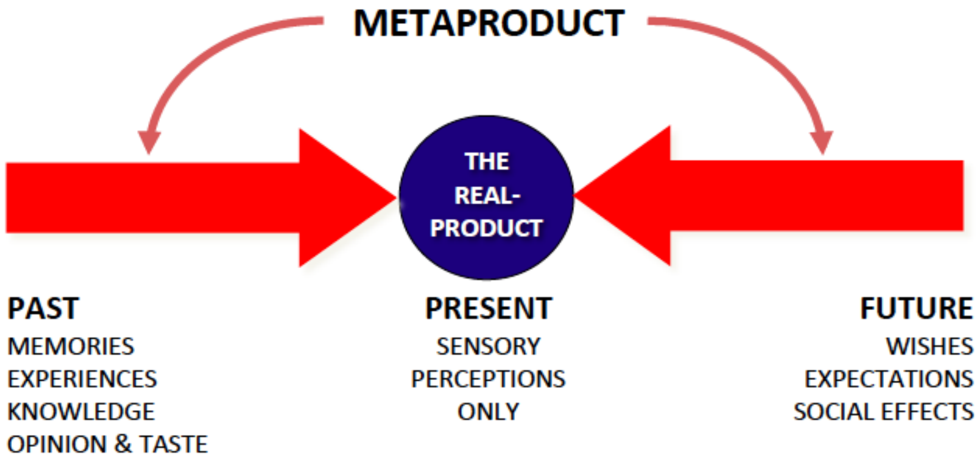
Marketing and sales differ in that marketing affects a collective that jointly determines the brand's meaning and value, while sales basically just communicate with one individual at a time. Typically, because marketing can even increase sales thanks to a higher price, offering a higher status value. Even a premium product bought on sale is still a premium product.

In addition to arguing for the product, the seller, on the contrary, just increases the number of transactions by means of discounts, sales, and other price reductions. The difference has long been obvious to practitioners, who noticed the problems when marketing managers were recruited from the sales side without understanding the fundamental difference.

The intangible product – the metaproduct

The tangible form of the product, the one that you perceive with your senses, we may identify as the physical *realproduct*. The intangible values, including aesthetic and status values, existing and generated in the viewer's brain, constitute the *metaproduct*. The brand is part of the metaproduct – but far from it all. The total product we understand is the sum of the realproduct and the metaproduct (Linn 1992).

The all-important question is: should we refer to the purely theoretical realproduct or the commonly accepted, self-evident total product when analysing marketing theory? Are we not trying to put the activities of real buyers with their natural reactions into a discussion of the workings of marketing?



The composition of the total product*. The product can be said to have an extension in time in the buyer's mind.* (Linn 1990)

Among the disparate part theories, concepts and models accumulated during many years, is one labelled Marketing Mix (McCarthy 1960). Generations of marketing students learned to describe and summarize offerings using the "4 P" model – Product, Price, Place, and Promotion. This model, however, contains a common misconception: it is always the buyer's perception of the branded product that determines its value, nothing else. And the valuation of the product will be amended as soon as any of the other P's is changed. One P after another has been added over the years, but it does not save an ill-conceived idea.

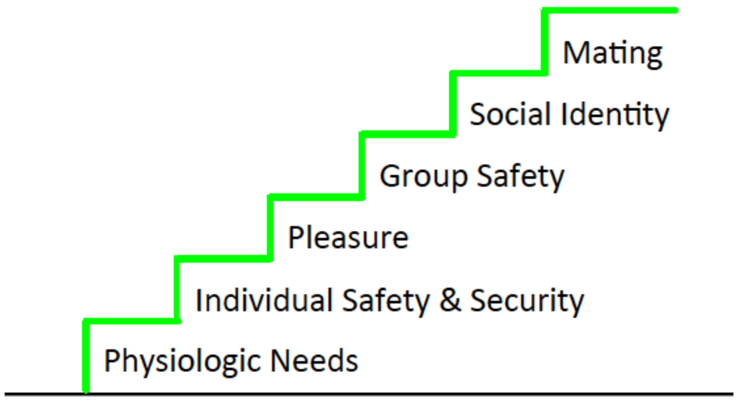
The inevitable biological inheritance

Since communication was a cornerstone of marketing, marketers early understood the importance of psychology. At the same time as the marketing concept was created, Abraham Maslow introduced what is seen as the first model of how normal people function (Maslow 1943). His easy-to-understand hierarchy of needs, ignored, however, as late as that, both Darwin and Freud's already well-known teachings. His pyramid, or staircase, crowned by *self-realization*, was uncritically accepted by teachers at schools, colleges, and universities worldwide. And still sticks there.

A strong objection to the notion of self-realization topping the pyramid is its close resemblance to the more extrovert *social identity* but with its evident connection to sexuality denied. This is the reason for Maslow's theory to be characterized as seriously out-dated (Miller 2009).

Now, 150 years post Darwin (Darwin 1859), research on our biological heritage has come a long way, threatening (especially politically) the popular view that our personality and our behaviour entirely are a consequence of the environment. Now compelling evidence is presented that at least half of what makes us who we are, is derived from our biological heritage (Kenrick, et al.). That we should be guided by our instincts to that extent was unimaginable just a few decades ago.

Our consumption of everything from religion and popular music to sports, commodities to luxury goods, is explained in a radically different way. In his famous book "The Selfish Gene" Richard Dawkins (Dawkins 1976) emphasizes that the meaning of life, biologically speaking, is to transport genes from our parents to our children. Naturally, we are programmed for this, and consequently *mating* should occupy the highest level in the hierarchy. Our fundamental desire to see ourselves as being a worthy partner in a relationship is in fact one of our strongest driving forces behind everything from consumption to careers. Instead of self-realization, *social identity* is a better notion, now for the second highest level.



***The Paradigm of Survival**. The meaning of key innate motivations inspired by Charles Darwin and Richard Dawkins.* (Linn 1990)

An attempt to illustrate this is The Paradigm of Survival (Linn 1990) with the aim to present a practical model for explaining our behaviour based on the "evolutionary psychology" thinking developed from Darwin, now attracting increasing interest (Miller, 2009). The stair shape of the figure points from everyday survival, safety, security, and pleasure (Bloom 2010) towards the meaning of life, described as the transport of genes to the next generation (Dawkins 1976).

The Transaction Equation

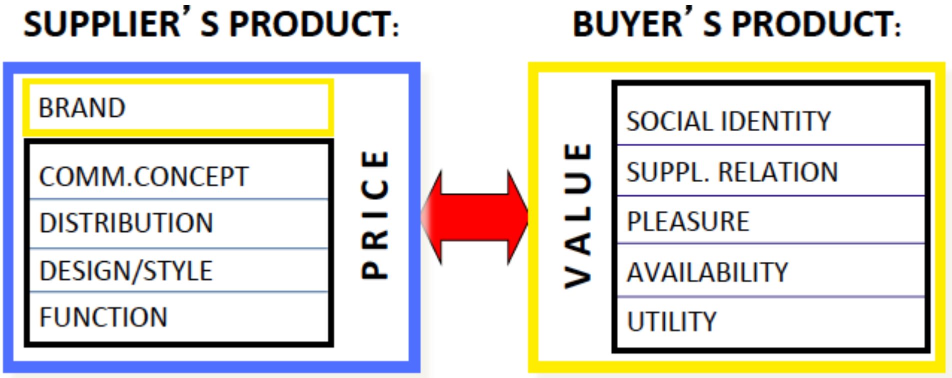
The transaction is an event that can be described by an equation in which the *priced product* is weighed against the *valued* – the seller's total offering against the buyer's needs and wants – and where human beliefs, desires, and motivations become active. (Linn 1992)

A categorization of all aspects constituting the offer is displayed balancing against the corresponding description of the benefits a buyer would consider from the transaction. The object for this, the product, must be seen from both actors' point of view: from the seller's, creating an attractive deal, and from the buyer's, deciding if the value corresponds to the price.

The *supplier's product* is the sum of all efforts making the offer worth its price *plus* the asset of its brand. The buyer's product is the sum of all rational features of the offer *plus* the more ethereal, subjective valuations by the buyer, referring to the Paradigm (above).

Implementation is the operational phase; the product changes hands from sellers to buyers, while the corresponding amount of money is transferred in the other direction – *the value is set*. In the Transaction equation is a balance: if the vendor upgrades his offer with priced properties, the buyer must appreciate the meaning of these as an increase in value if there still is going to be any transaction.

With instruments of marketing the seller can influence the buyer's valuation and thus the demand. The transaction equation is valid for branded products with their often significant metavalue, and thus defines marketing. Here the supplier / vendor as *organization* is positioned against the buyer as *part of a collective*.



The Transaction Equation*. At the moment the transaction is performed, the value is equal to or exceeds the price. Note that the brand on the left hand side is the* effective *as established in the market.* (Linn 1990)

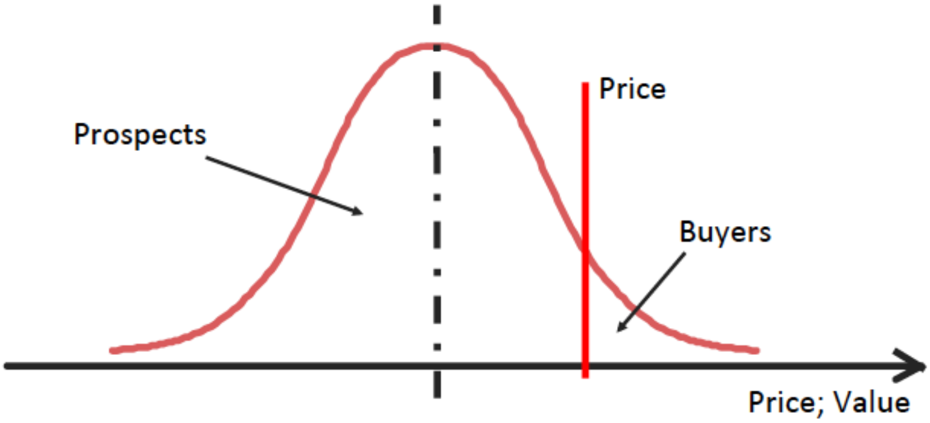
The transaction equation includes the metaproduct and its value, and can play a unique role by being both a powerful working tool for marketers, and simultaneously a simple, logical explanation for all others involved in the commercial process. Note that the brand included in the supplier's offer is the *effective* brand, established in the audience in the market through marketing and the internal positioning of the audience.

The price/value hypothesis of the branded product

That both price and value are measured in the same, monetary, unit provides interesting insights. Price/demand diagrams, a classic feature of Economy, is difficult to apply to branded products. Partly because the product and its value are perceived differently by a change in price (Nagle 1987), partly because the market value is limited to the *audience* – defined by its knowledge of and attitude to both metaproduct and brand. (Linn 1992)

It should go without saying: outside of the audience people are unaware of both the brand and the product, and cannot, consequently, value any metaproduct, typical of effectively branded products.

The price-/value hypothesis for branded products offers, in addition to the transaction equation, an interesting opportunity to analyse how the relationship between *price* and *value* evolves with changes in the design of the supply and the buyers' valuation of this.



***The Price/Value model**. The distribution represents the limited audience. Virtual buyers are those that* in this moment *value the product at least equal to its price. Buyers and potential buyers migrate within the distribution like molecules in a liquid.* (Linn 1990)

Conclusion and vision

Originally, marketing focused on the distribution of products and information. Soon it was realized that communication was essential: both to influence the buyers and to retrieve knowledge of what they wanted and guide the product development accordingly.

In this discussion, it becomes clear that value creation is a core function of marketing. A major, and perhaps the most important, part of the activities is now aimed to influence both product development and buyers to create valuable metaproducts. All in the awareness, that the buyer's valuation of the offers is the key to success and profitability.

It is we, the customers, buyers and potential buyers, who always perceive the entirety – the total of memories and expectations, benefits, desire, taste, what others would think of us if we were seen with the products. We, actually, never see the realproduct.

AMA's definition becomes really interesting as a basis for a theory of marketing when we realize its implicit messages and its abundance of information intended to fathom as many activities as possible.

It is obvious that marketing is exclusively relevant for branded products; and if so, the need for communication is irrelevant to mention. Pricing, on the other hand, is a too important activity not to be mentioned, as it is the counterpart of value. If we then eliminate some parties affected by or marginally involved in the process, we may establish a more stringent definition without reducing its relevance:

Marketing is activities and processes for creating, pricing, delivering, and exchanging branded offers that have value for buyers.

It is obvious that the company's core business is to develop and deliver buyer perceived value. And that the task is shared by more functions than traditional marketing, but also product development, brand development, sales, distribution, and service. If at this higher level of abstraction we allow them to unite under the concept of *Product Value Management* (PVM), this would have significant impact on organizational and budgeting issues.

As a consequence, a Value Manager could be imagined to succeed the present Brand Manager (if any), with a wider, more consistent overall influence on the performance of the company's conditions of survival and prosperity.

If we let ourselves loose from habitual categories and structures, could we imagine a company standing on three legs – organization, economy and value creation?

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