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MECHANISMS STIMULATING ACTIONS CUSTOMER - DECISION MAKER ON THE MARKET: MARKETING MIX INSTRUMENTS

Review

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Abstract

One of the marketing aspect are its instruments, which are used in the process of making strategic decisions both from the perspective of customers and decision makers. Indeed, this issue is considered in the literature, but usually separately for each market exchange entity. The consequences of such an approach to the analysis provide a gap research. Accordingly, the author has attempted to identify marketing mix instruments dedicated to customers and decision-makers on the market. This article is the first in a series of publications in the specified scope. The purpose of this particular article is to identify a background research for the identified scientific problem concerning the analysis of the symbiotic relations between the customer and decision maker in terms of mechanisms stimulating their decisions and behavior on the market. In the article, the author presented selected compositions engaging mechanisms to stimulate market behavior of customers and decision makers. Among the recognized concepts, the simple construction marketing mix is distinguished, which, depending on the adopted perspective of the analysis differ from each other. The study has attempted to identify and compare these mechanisms, which is the author's original contribution.

Keywords: marketing mix, perspective of customers and decision makers, mechanisms to stimulate market behavior

1. INTRODUCTION

The market in the economic terms is a specific mechanism for coordination plans and actions (Balcerowicz, 1995: 186). Wherein both the intentions and actions are implemented by all market participants at the same time, although with varying intensity (Hys, 2014). Meanwhile, the discussion in the literature on identifying the problems in this area is usually conducted separately in relation to various market entities.

The parties are, in this article, the customer and decision maker. Using simplified models of economic reality on the one hand, scientists have the opportunity to conduct in-depth research, on the other hand, there is a risk of eliminating from the analysis key issues, which disappear while treating these issues separately. This situation affects the formation of a gap in the research included in the existence of a limited analytical perspective for relations between entities of exchange market.

Therefore, the article discusses the identification of mechanisms that stimulate the process of undertaking purchase-sale activities. The relevant research problem is positioned in the field of economic sciences in the discipline of management science in the scope of marketing mix strategy. In the literature, one can distinguish various simple compositions that synthetically capture mechanisms to stimulate market behavior of listed entities. The study has attempted to identify and compare these mechanisms.

2. THEORETICAL FRAMEWORK

The need to comprehend consumer-buying behavior was distinguished in the marketing literature almost seventy years ago (Clover, 1950). It is crucial to identify the stimuli and understand decision-making process of both customers and entrepreneurs. Undertaking market activity (purchase or sale) by both of these groups generally have exactly the same aim - to maximize resources and results (Bickhoff et al., 2014: 3-15).

However, the key role is played here by adopted perspective of analysis and priorities that set the direction of activity, its intensity and potential. The structure of marketing mix for the adopted problem can be implemented in numerous ways. Depending on the adopted perspective, i.e. customer and decision maker, even though they have a convergent goal - implementation of actions in practice is different. Attempts to quantify the behavior of customers led to propose a number of valuable concepts in the literature. The first attempts date back to the thirties of the twentieth century. Although the original marketing mix concept based on the idea of action parameters was presented in the 1930s by Stackelberg (1939), Culliton is considered as a precursor of the concept of the so-called marketing mix (1948). After then, Rasmussen formulated the parameter theory. He stated that four determining factors of sales and competition are following - quality, advertising, price and service (Rasmussen, 1955). Frey proposed that the marketing mix factors have

to be divided in two categories. These categories are complementary. Frey distinguished following categories - offering (i.e. brand, product, service, price and packaging) and the tools (i.e. (publicity, advertising, distribution channels, sales promotion and personal selling). By means of these elements, the company communicates with customers in the market (Frey, 1961). Lazer and Kelly proposed general formula in which mentions three components i.e. services and goods mix, communication mix and distribution mix (Lazer & Kelly, 1962). In the early 1960s, McCarthy blended marketing mix with four variables known as the 4P classification that included: product, price, distribution (place) and promotion (McCarthy, 1964). He proposed a set of basic instruments regulating relations between the entrepreneur and the customer as a system of interrelated elements. 4Ps delimits four distinct, well-defined and independent management processes. McCarthy pointed out that this composition can be carried out selectively and complementarily through the selection and adaptation of appropriate instruments of influence on the exchange processes in a given time. It concerns the interaction of actors of exchange on the market, depending on the economic situation. The introductory marketing mix texts suggest that all parts of the marketing mix (4Ps) are equally important, since a deficiency in any one can mean failure (Kellerman, Gordon and Hekmat, 1995). Bennet stated that marketing mix known as 4P's, moves marketing mix plans into practice (Bennett, 1997). However, this composition, despite the utilitarian value is treated as a conceptual agenda and is not the scientific theory (Palmer, 2004; Popovic, 2006; Goi, 2009). Borden suggested extended composition of marketing mix factors. His original theory of marketing mix was composed of a set of 12 elements namely: product planning; pricing; branding; channels of distribution; personal selling; advertising; promotions; packaging; display; servicing; physical handling; and fact finding and analysis (Borden, 1965).

Works on the universal concept of marketing mix continued for the next few years. Especially from 1980s onward, a number of researchers proposed new 'P' into the marketing mix. For example, Judd proposes a fifth P: people (Judd, 1987). Booms and Bitner add 3 Ps i.e. participants, physical evidence and process (Booms & Bitner, 1980). Kotler adds: political power and public opinion formation (Kotler, 1986). MaGrath suggested the addition of 3 Ps i.e. personnel, physical facilities and process management (MaGrath, 1986). Baumgartner suggested the concept of 15 Ps, i.e. product/service, price, promotion, place, people, politics, public relations, probe, partition, prioritize, position, profit, plan, performance, positive implementations (Baumgartner, 1991). Rozenberg and Czepiel suggested that maintaining existing customers is as important as acquiring new ones. The approach towards existing customers has to be active, based on a separate marketing mix for customer retention: product extras, reinforcing promotions, sales-force connections, specialised distribution, post-purchase communication (Rozenberg & Czepiel, 1992). Vignalis and Davis proposed adding S (service) to the marketing mix (Vignalis & Davis, 1994). While the 4Ps dominate the marketing mix management activities, most marketing mix practitioners would add two more elements in this mix in order to position their products and achieve the marketing mix

objectives. Two more factors must be added to the 4P mix: services and staff (Doyle, 1994). The trend towards personalization has resulted in an increasing contribution of services to the marketing mix of products. Personalization has to become the basis of the marketing mix management trajectory. The personalized marketing mix plan includes 4 more P's next to the traditional Ps of the marketing mix: personalisation, personnel (participants), physical assets and process (Goldsmith, 1999).

The marketing instruments analyzed from the perspective of the decision maker are widely considered in the literature. However, there are also number of references to the instruments seen from the perspective of the customer. Works on the market orientation focused on this perspective were referred in publications from the 60s of twentieth century. Lauterborn proposed 4C formula, the structure of which consists of the following elements: consumer wants and needs, cost to satisfy, convenience to buy and communication (Lauterborn, 1990). The formula in the following years was redefined and complemented by other concepts. Kotler noticed that external and uncontrollable environmental factors are crucial elements of the marketing strategy programs. Marketing mix should include: customers, environmental variables, competitive variables. Two additional Ps are added to the 4 traditional ones: political power, public opinion formulation (Kotler, 1986). Yet another composition captivating customer perspective was Sheth proposal. He proposed a set of elements that is also based on customer perspective. Marketing mix has moved toward 4A. This structure is created of : affordability, accessibility, awareness and acceptability (Sheth, 1996).

According to Bennet marketing mix is focused on internal variables hence an incomplete basis for marketing mix. Customers are inclined to buy products from the opposite direction to that suggested by the marketing mix. There are five Vs that are the criteria of customer disposition: value, viability, variety, volume, virtue (Bennett, 1997). One of the most important factors to be considered are the customers or the target market and their behavior in order to align with how each aspect of marketing mix is seen by the organizations. Accordingly, they proposed formula of 8O (Czinkota & Ronkainen, 2004). The Eight Os are composed of: occupant, object, occasion, objective, outlet, organization, operations and opposition. While, only the first four of the eight Os will be given emphasis. These include: object, objective, organization and operation. Therefore, it is known and recognized as 4O.

To sum up this topic - the literature has proposed many useful compositions containing groups of factors that influence decision-making processes of entrepreneurs and customers. Described marketing mix formulas contain from three to several elements. Finally, 4P and 4C formulas have been adopted for widespread use. But one should not forget that these records are only systems of variables, which are subject of mainly analyzes of management practitioners, they are useful, but they are not strictly scientific. One of the most important aspect is that the proportions in the marketing mix can be altered and differ from the product to product and from customer to customer (Hodder

Education, 2008). The marketing mix management paradigm has dominated marketing mix thought, research and practice (Grönroos, 1994), and “as a creator of differentiation” (Van Waterschoot, 2000). Kent refers to the 4Ps of the marketing mix as “the holy quadruple...of the marketing mix faith...written in tablets of stone” (Kent, 1986). Marketing mix has been particularly influential in notifying of the development of marketing theory and practice (Möller, 2006).

Amongst the marketing mix formulas - the literature presented also these, which represent an attempt to define the issue in a universal way. Ohmae claimed that no strategic elements are to be found in the marketing mix. The marketing mix strategy can be defined by three factors. Three Cs define and create the marketing mix strategy: customers, competitors, corporation (Ohmae, 1982). The 4Ps marketing mix is excessively internally oriented. The four Cs express the external orientation of marketing mix: customers, competitors, capabilities, company (Robins, 1991). Therefore, the traditional marketing mix has a clearly offensive character as the strategies associated to the 4Ps tend to be function-oriented and output oriented. Well-managed organizations have to shift the emphasis in managing valued customer relationships in order to retain and increase their customer base. Four information-intensive strategies create the “new Cs” of marketing mix: communication, customisation, collaboration, clairvoyance (Patterson & Ward, 2000). The weight of marketing management is clearly leaning towards relationship marketing as the prospect marketing paradigm. The relationship marketing addresses the elements of marketing mix management identified by the marketing relationship trilogy: relationships, neo-relationship marketing, networks (Healy et al., 2001). The 21st century marketing mix developments of the last 50 years require a new flexible platform. While the simplicity of the old model might be extended with additional 4 activities such as: product to performance, price to penalty, promotion to perceptions and place to process (Yudelson, 1999). The analysis of existing concepts influencing decisions of entities operating on the market tends to create integrated solutions intended to create symbiotic space. The space, which differences in the mechanisms stimulating activity of customers and decision-makers are being integrated. They form a coherent entirety (Paul, 2013: 12-22).

2. METHODOLOGY

The constantly increasing role of customers in the marketing mix philosophy has signified the need move from producer oriented into consumer oriented marketing mix. Data analysis presented in the article was carried out using secondary research. Preparation and analysis of data as well as conclusions were carried out based on the desk research method. The data was obtained while analyzing source materials such as: thematic publications available in WoS and Scopus and several other databases. Moreover, the data was gathered by means of an analysis of source materials such as, among others: announcements, press releases, reports for industries, publicly available reports of companies and research institutions, information from the Internet. In the next stage, obtained

data were compared and verified in order to finally complete the process of consolidation and inference.

3. RESULTS AND DISCUSSION

Both the customer and the entrepreneur has at its disposal a set of inherent instruments by means of which they interact with each other on the market. Leading in the literature, 4C and 4P formulas are mutually correlated. This should be understood as follows.

Factor consumer wants is correlated with the product. It is up to decision makers to provide a product that meets customer needs and is purchased by the customer. While at the disposal of customers is to select and purchase a specific product out of range of competitive products available on the market. Choosing product satisfying particular need is conditional upon other elements.

One of them is cost. Customer makes a subjective evaluation of satisfaction with the product on the basis of the costs of purchase. The cost of purchase is naturally the price of the product, but also elements such as the cost of obtaining information about a certain product, benchmark with other generic products, time spent on the acquisition of information. From the decision maker perspective, the price of the product is composed of expenditures and estimated profit.

Another factor - convenience to buy can be interpreted as the comfort of purchase, i.e. product availability, potential barriers in the process of purchasing or form of the transaction. From the decision maker perspective it is the level at which logistics processes are implemented, a set of distribution channels or sale outlets are also of key importance.

The last factor, which is the communication means the possibility to obtain feedback, barriers and distortion in this area. This element is the more important, the more possibilities of telecommunications and hybrid shopping models appear. The decision-maker has in this field an arsenal of instruments supporting promotional activities. If the 4C and 4P formula are treated as a base, in a summary statement one can distinguish a complex combination (Figure 1).

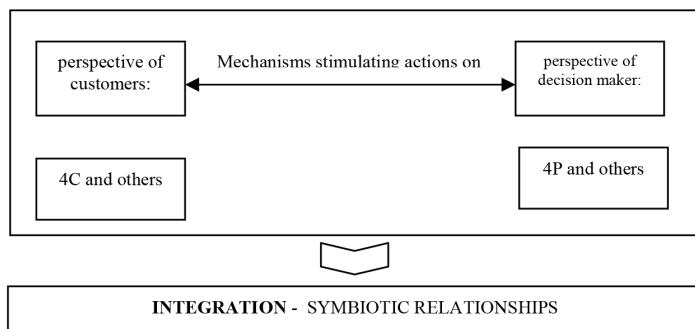


Figure 1. Symbiotic relationships in the decision-making processes of the customer and the decision-maker on the market - initial model

Source: own study

This chart includes the identified mechanisms to stimulate market action undertaken by various entities of exchange, in particular the customer and decision maker. Depending on the adopted perspective, the analysis of issues in the literature allowed to create an overview of marketing mix mechanisms focused on the customer, including components such as:

- political power, public opinion formulation (Kotler),
- 4A: affordability, accessibility, awareness and acceptability (Sheth),
- customers, competitors, capabilities, company (Robins),
- 5V: value, viability, variety, volume, virtue (Bennett),
- 8O: occupant, object, occasion, objective, outlet, organization, operations and opposition (Czinkota & Ronkainen),
- 4O: object, objective, organization and operation (Czinkota & Ronkainen).

From the decision maker's perspective following mechanisms can be mentioned:

- quality, advertising, price and service (Rasmussen),
- offering: brand, product, service, price and packaging and the tools, methods: publicity, advertising, distribution channels, sales promotion and personal selling (Frey),
- services and goods mix, communication mix and distribution mix (Lazer & Kelly),
- product, price, distribution (place) and promotion (McCarthy),
- product planning, pricing, branding, channels of distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling, fact finding and analysis (Borden),
- 4P add people (Judd),

- 4P add 3 Ps i.e. participants, physical evidence and process (Booms & Bitner),
- 4P adds political power and public opinion formation (Kotler),
- 4P add personnel, physical facilities and process management (MaGrath),
- 15 Ps, i.e. product/service, price, promotion, place, people, politics, public relations, probe, partition, prioritize, position, profit, plan, performance, positive implementations (Baumgartner),
- product extras, reinforcing promotions, sales-force connections, specialised distribution, post-purchase communication (Rozenberg & Czepiel),
- 4P add service (Vignalis & Davis),
- 4P add services, staff (Doyle),
- 4P adds personalisation, personnel (participants), physical assets and process (Goldsmith).

In the literature, there are a number of valuable solutions to stimulate the decisions of customer and decision-maker. Prepared summary of these mechanisms demonstrates the concept of fragmentation, duplication of the same idea, different optics of capturing various levels of detail, focusing on a selected market exchange entities or activities. Among the many concepts, there is no common guiding idea. Researchers usually focus on the deepening differences between the world of the customer and decision maker, rather than on the search for common space. All these observations impact on the identification of research gaps in this field. Hence, they set the framework for further research of the author.

The aim of prospect research will be an attempt to integrate these mechanisms, compare and elaborate a model of symbiotic relations. The results will be presented in subsequent articles in this series. Product is stated in the singular but most companies do not sell a product in isolation (Rafiq & Ahmed, 1995). Decision-makers sell product lines, or brands, all interconnected in the mind of the consumer. This does not mention relationship building which has become a major marketing mix focus, or the experiences that consumers buy. The conceptualization of the mix has implied customer and decision-makers are the central element. This is not the case. Marketing mix is meant to be ‘customer-focused management’.

3. CONCLUSIONS

In the 21st century marketing instruments should be transformed, if they are to be effective. Decision-makers have to take into account changes in the structure, customer awareness, customer knowledge and experience. Marketing mix is to create significant added value in the future.

Therefore, instead of management by decision-makers, relationships with customers, through 4ps instruments should be defined anew. In a way to

emphasize the value to the customer on an individual basis. In the economically developed countries, personalized offers are expected, taking into account creation of value for a customer in a unique and individual way. Due to the fact that the customer has almost unlimited access to a wide range of generic products – decision-makers need to make an effort to indicate the superiority of its offer in relation to competing products.

It is expected that the instruments of marketing in 21st century will become not only more sophisticated, but also much more interactive and personalized. This is influenced by the definition of an integrated approach to mechanisms stimulating decision-making process of both customers and decision makers. The findings made in the course of analyzes in the field of marketing mix mechanisms that stimulate decision-making by the above mentioned entities constitutes an introduction for further work and analyzes to be carried out in this area. The article presented selected compositions engaging these mechanisms, in order to outline the research background for further work.

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