PRINCIPLES OF MARKETING

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This paper clarifies the relationship of marketing principles to marketing generalizations and shows how principles can be found using marketing logic.

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WHAT ARE MARKETING PRINCIPLES?

Principles of marketing are normative statements about marketing that specify a condition followed by a suggested action (Armstrong and Schultz 1993, p. 253). The word "normative" simply means explicating a norm, where norm is an authoritative rule. Thus, principles are action steps or rules that are authoritative in the sense that they work in a given situation.

Another way of looking at marketing principles is that they are operational guidelines, telling managers how to act in a given situation. These definitions are entirely consistent with the concept of *principle of action*, defined by Dray (1957) as follows:

> When in a situation of type $C_1 \ldots C_n$ the thing to do is *x*.
> (p.132).

Hempel (1965) picks up this idea in his classic *Aspects of Scientific Explanation*, but, while accepting the concept per se, goes on to extend it (inappropriately, some may say) to rational explanation. We do not need to know that a manager who did *x* did so because of situation C. It is sufficient to use the concept of principle of action (or guideline for action) to mean only that a manager *should* do *x* in situation C.

PRINCIPLES AND EMPIRICAL GENERALIZATIONS

The relationship between principles and empirical generalizations is that all principles are necessarily based on generalizations, but not all empirical generalizations can be reduced to principles of action. This is why it is not useful to equate principles with empirical generalizations, as was done by Cierpicki, Wright and Sharp (2000) (CWS). CWS demonstrate that an example given by Armstrong and Schultz (1993) could be deduced from premises that were empirical generalizations. But this is not surprising since Armstrong and Schultz said that principles "incorporate marketing knowledge" and Leone and Schultz (1980), cited by CWS immediately after the demonstration, said that "marketing generalizations *are* marketing knowledge" (p. 10) (italics in original). So this is not controversial.

What is controversial (wrong, we think) is the redefinition by CWS of principles as "statements of marketing knowledge derived from previous research and experience" (p. 772). This is wrong because there are empirical generalizations in all branches of science that cannot be reduced to principles. They may be laws of nature but they are not principles of action. Indeed, there is nothing in them that could be controlled.

Ignoring obvious examples such as the laws of planetary motion and just sticking with examples from the work of Ehrenberg can make the point. Ehrenberg (1968) shows that children's weight (w) and height (h) are related by

$$\log w = 0.78h + 0.42.$$

This is clearly an empirical generalization since it holds across many conditions (different genders, ages, nationalities and so forth) but just as clearly *not* a principle of action since weight cannot be controlled to produce changes in height or the reverse. Thus it is not useful to define principles as equivalent to generalizations.

THE SEARCH FOR MARKETING PRINCIPLES

In searching for marketing principles there are four initial places to look: marketing textbooks (often titled "Principles of Marketing), marketing managers, marketing professors and books and articles on marketing theory and thought. Principles may also be reported in individual research papers but there are simply too many of those to investigate. We can suppose that marketing professors who think they have identified a principle would lay claim to that.

A final source of marketing principles may have been right in front of us for many years: the inherent logic of marketing decisions. If certain marketing concepts and strategies are logically related, they would provide a basis for deducing principles. While the principles would be *synthetic*, they still could be enormously useful to marketing managers and provide something to write about in "principles of marketing" textbooks.

The record of finding principles in textbooks, from marketing managers or marketing professors or in the marketing literature is not good.

Marketing textbooks. Armstrong and Schultz (1993) could find no principles in marketing textbooks that were rated as correct, supported by empirical evidence, useful and surprising. Their study showed that not only did the textbooks contain no principles, the statements that they did contain were judged to be nearly as correct *when their wording was reversed*!

There is little indication that things have changed. Even a casual perusal of a new marketing textbook reveals statements that are not based on empirical generalizations and thus inadmissible as marketing principles. Armstrong and Schultz's suggestion that authors and publishers incorporate principles into textbooks titled "Principles of Marketing" has so far been ignored.

Marketing managers. Cierpicki, Wright and Sharp (2000) looked to marketing managers to find principles of marketing that were used in practice. Using a panel of Australian practitioners, they found that of a dozen potential marketing principles, only three statements were not empirically contradicted or required further evidence. The three that remained were:[1]

> Sheer weight of marketing dollars increases the probability of new product success.
>
> The main reason that products fail is lack of uniqueness.
>
> To pick a winning product, researchers should look at trial and repeat purchase rates, not just raw sales numbers.

[1] Recall that these authors inappropriately equated marketing principles and empirical generalizations.

While there is ample opportunity to do a more comprehensive study of practitioners, there is also every reason to believe that the results would not be terribly different—mainly due to the imperative that any valid marketing principle must be based on an established empirical generalization.

Marketing professors. We are unaware of any study of marketing professors per se with the intent of identifying marketing principles from their teaching, research or consulting. Scott Armstrong, however, has identified a set of advertising principles that he reports on a Web site called advertisingprinciples.com. While Armstrong lists 224 principles, he does not state what empirical support exists for any of them. By our strict definition of what constitutes a principle, these may be more accurately called guidelines. Even so, Armstrong's initiative is both welcome and appreciated.

MARKETING PRINCIPLES IN WRITING ON MARKETING THEORY

For more than 50 years papers and books have been published debating the scientific basis of marketing as an academic discipline. Some of that work discusses or purports to present principles of marketing. While it is not feasible to assess every paper written on the subject, it is possible to look more closely at the studies that have the *intent* of presenting marketing principles.

STUDIES

We look at three monographs that deal explicitly with marketing principles: Bartels (1962), Schwartz (1963) and Lockley (1964).[2]

Bartels. The first study examined was a history of marketing thought from about 1900-1960 (Bartels 1962). This book was considered to be a good starting point since it explicitly covered

[2] Ironically, marketing theory publications since these "golden years" have not focused on principles per se.

the first textbooks to be titled "Principles of Marketing." In the first instance where Bartels states a principle, however, it is what we call a generalization, and a loose one at that:

> … the middleman himself can be eliminated, but his function cannot.
> (p.167)

The main section of the book on principles lists them in five categories: operational principles, principles involving institutional relationships, principles relating to the marketing task, hypothetical principles and truisms. Discounting the latter two for obvious reasons, we examined the 18 statements in the other three categories. All of the statements are at best non-empirical generalizations and at worst tautologies. Only a few of the statements allow marketing principles to be derived and these require restatements to get there. One principle was reported as:

> The leasing of departments of a department store tends to be most desirable when skill, specialized knowledge, and extreme style risks are involved in handling goods in question. (p.189)

Assuming specialized knowledge embodies a skill (at using it) and ignoring extreme style risks, which is undefined, the statement can be rewritten as:

> Goods involving specialized knowledge are best sold through leased departments.
> which is a generalization but implies the principle:

> If you have goods involving specialized knowledge, sell them through leased departments.

Only one other of the 18 statements of principles can possibly be considered to be a non-empirical generalization and none are directly stated as principles. The conclusion we reach from examining Bartel's study is that there are no principles of marketing identifiable from the 1900-1960 period through this book.

It is unfortunate that Bartels' lack of distinction between the concepts of law, theory, principle and generalization, first made (more correctly, not made) in 1944 (Bartels 1944) so hindered the advancement of marketing science. Twenty six years later he would still define a principle as "a statement of causal relationship between two or more phenomena" (Bartels 1970, p. 60). This tradition of confusion continues among marketing scholars to this day.

Schwartz. Schwartz (1963) reports on several contributors to marketing theory, notably William J. Reilly's (1931) law of retail gravitation,[3] which not only is remarkable in and of itself, but also shows that laws or generalizations are not necessarily principles. Reilly's main law is:

> Two cities attract retail trade from any intermediate city or town in the vicinity of the breaking point approximately in direct proportion to the population of the two cities and in inverse proportion to the square of the distances from these two cities to the intermediate town.
> (Schwartz 1963, p. 11).

Clearly this is a generalization but not a principle, i.e., reducible to a principle.

Of more relevance to the current task, Schwartz reports on Cox and Goodman's (1956) study of housebuilding in which and two principles derived from that study:

1. Under the principle of massed reserves, goods are held for a group of distributors and users b a few agencies. This principle results in a reduction in the cost of storage because total stocks can be smaller when they are centralized than when they are dispersed.
   (Schwartz 1963, p. 127)

2. The principle of postponement was developed by Reavis Cox and Wroe Alderson. This principle states that marketing efficiency is enhanced if business entities postpone changes in form and identity of products to the latest possible point in the

[3] Actually a set of laws.

> marketing flow and postpone changes in inventory location to the latest possible point in time. This principle is designed to avoid or reduce the cost of mistaken commitments.
> (Schwartz 1963, p. 128)

Lockley. Lockley (1964) discusses principles that are more properly generalizations. Each “principle” is supported by reasoning but not (naturally, given the times) by empirical research. While we are concerned here about principles that are rules for action, Lockley’s statements help to clarify why it is a bad idea to equate principles with generalizations since each of these clearly lacks an actionable implication.

Here are Lockley’s five generalizations:

> The Principle of Drift. There will always be a tendency of merchandise to drift down from a “specialty” to a “shopping” to a “convenience” goods classification.

> The Principle of Diminishing Sales Effort. As competition forces a greater supply of more nearly equivalent merchandise onto the market, the sales aggressiveness of individual vendors decreases.

> The Principle of Institutional Proliferation. As a particular field of merchandise reaches a state of competition where reasonable parity exists among competitive offerings, there will be a tendency for the proliferation of intervening institutions or middlemen to take advantage of the economics of specialization.

> The Principle of Brand Proliferation. When selective demand cannot be developed or becomes infeasible to maintain for a product class for which primary demand exists then additional brands may be expected to develop or to be offered by other vendors until an equilibrium is reached.

> The Principle of Nonprice Competition. For products for which product or marketing differentiation becomes difficult, there will be an increasing tendency toward nonprice competition, and the extent of this nonprice competition will tend to be in proportion to the size or resources of the vendors competing.

These generalizations should have been empirically tested long ago.

PRINCIPLES BASED ON MARKETING LOGIC

The fact that marketing has elements of a deductive science is not well known. Consider something as common as the so-called 4 P’s. The tactical marketing mix variables that constitute the marketing mix are discussed in marketing texts in every possible order despite the fact that only one order is logical and, indeed, there are only 3 P's! A review of 21 marketing textbooks published in the past four decades found that all combinations of product-price-place-promotion were represented (see Appendix). Yet only one sequence makes logical sense. This logical order provides an opportunity to *deduce* a marketing principle. Similar reasoning can be used to deduce other marketing principles. These principles can be regarded as synthetic since they do not require empirical evidence; they are logical necessities.

THE MARKETING MIX

The first "P" can be considered to be product or product strategy. But this is nothing more than positioning, which itself includes virtually all aspects of how a product is designed to be perceived by a consumer. Since positioning is strategic in the sense of determining where a brand should be in the minds of consumers vis á vis competition, once the positioning decision is made, there are just tactical marketing mix variables to set. This, then, is the "3 P's." And there is only one logical order for the 3 P's and that is price, then place, then promotion.

As a restatement of a brand's positioning strategy, a brand's core benefit proposition suggests what pricing strategy it should use. If it's offering more "benefit," then a *price skimming* *strategy* (relative to its closest competitor) makes sense; if it's offering more "value," then a *price penetration strategy* would be most appropriate.

From the product strategy, i.e., the core benefit proposition and the pricing strategy, a brand can deduce its distribution strategy. Since a brand's business model is influenced by price and place, a price skimming strategy generally implies selective distribution and a price penetration strategy generally implies intensive distribution. Yet many companies mix this up and try to make a profit selling a few low margin items.

Finally, promotion comes last. Advertising agencies won't like this, but it's the truth. Promotion is communicating the product, price and place strategies to the target market. That's all. Too many companies look to advertising and promotion to rescue a brand in trouble when the problem lies in the core benefit proposition, i.e., positioning. Both push and pull promotion strategies can be used to communicate the core benefit proposition, but with advertising (a pull strategy) it seems easier to forget what promotion is for.

This chain of logic suggests the synthetic marketing principle:

Make the tactical marketing mix decisions in the order of price, place and promotion.

OTHER SYNTHETIC PRINCIPLES

Other synthetic marketing principles can be derived for ways to grow sales, choose a market coverage strategy, deal with competition and make other marketing management decisions. Indeed, an entire approach to marketing based on "logic" is possible.[4] Rather than concede that marketing has no principles or mount an elaborate search for principles that must in the first instance depend on empirical generalizations—which have been so slow in coming—it seems more helpful to turn to logical relationships that may have been poorly examined in the past or simply missed. These statements can then provide a starting point for building up a

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[4] This is the approach taken in the course on Marketing Management at the University of Iowa (http://www.biz.uiowa.edu/class/6m147/).

theoretical framework for marketing management that replaces homilies and tautologies with marketing principles that truly improve marketing decisions.

CONCLUSION

This paper has shown that marketing principles are necessarily based on marketing generalizations but also definable through synthetic means based on marketing logic. In reviewing the sources of marketing principles, it was shown that marketing textbooks, marketing managers, marketing professors and books and articles on marketing theory and thought have not proved to be significant sources of marketing principles. This finding is even more shocking given the fact that many of the textbooks and courses are titled “Principles of Marketing.”

The straightforward relationship between the marketing mix variables of product, price, place and promotion was given as an example of using logic to derive synthetic principles. As with all “self-evident” logic, such examples run the risk of someone saying, “Of course, that’s true. Why is this a contribution?” To this we answer with the simple observation that, if it is so self-evident, why has no one ever discussed it?

Principles of marketing can be found if they are looked at in a fresh light and attention shifted to the logical consistency of marketing decisions. Given the track record of the past, this approach is surely worth trying.

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APPENDIX

ORDER OF DISCUSSION OF 4P'S

Order of 4 P's	"Principles of Marketing" Textbooks
Product-price-place-promotion	Frain; Kotler; Matthews et al.; Dalrymple & Parsons
Product-price-promotion-place	Guiltinan and Paul; Gwinner et al.; Taylor and Shaw; Booth; Urban and Star; Tarpey et al.; Kerin et al.
Product-place-promotion-price	Greer; Lewinson; McCarthy; Peter and Olson; Lamb et al.
Product-place-price-promotion	Buskirk; Holloway & Hancock
Product-promotion-price-place	Bagozzi et al.; Aaker
Place-product-promotion-price	Dickson; Ring et al.

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