Carl Eric Linn

GENERAL THEORY OF MARKETING

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A GENERAL THEORY OF MARKETING

INTRODUCTION

Marketing is, conventionally, an empirical discipline based on a number of minor concepts and reasoning. There are several definitions but no actual, fundamental theory. I propose a definition, in essential confirming to the conventional view that would be generally acceptable:

> ***"Marketing is a discipline uniting activities aimed at enhancing the potential for sales of goods and services."***

The lack of fundamental theoretical definitions has been one complicating factor in the understanding and, consequently, relations between different functions in companies, especially product development, marketing and sales.

Besides marketing "as such", according to accepted definitions, many activities are marketing driven, like product development and industrial design/styling.

The understanding of the activities in a market, money and products incessantly changing hands, can be traced back to the main principles, originally suggested by Adam Smith in his work "Wealth of Nations" in 1776.

The following attempt to form a General Theory of Marketing relates existing concepts and reasoning by means of the common denominator of value. The theory takes off from the undisputed objective of all commercial activity – *the transaction of selling and buying*.

Value is the subjective judgement by a buyer, according to universal definitions, and the reason for realizing a transaction. As the perceived value is a function of his/her needs, economy, and general motivations, we have to consider the effects of psychology as well as biology. Here I confirm to the theory of *evolutionary psychology* and, consequently, regard this theoretical attempt as a contribution to *evolutionary marketing*.

In organisations, there are several functions involved in the creation of buyer-appreciated value. All resources and activities having any influence on this should be seen integrated in the commercial efforts of the organisation.

It is the author's hope, that this theory will increase the mutual understanding between key functions in companies.

Research and practical experiences as a consultant since the first edition of my theory of 1999 have given me insight and inspiration for its continuous development.

Carl Eric Linn

Stockholm, August 2010

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GENERAL THEORY OF MARKETING

Crucial Definitions, Evolutionary Marketing:

To start with, some definitions have to be stated:

Marketing: An analysis of a number of current definitions results in this lowest common denominator: "Marketing is a discipline uniting activities aimed at enhancing the potential for sales of goods and services." This implies that communication is a major component of the discipline, which in its turn implies that *marketing applies to branded goods and services only*.

Value: The universal definition of (economic) Value as of Webster's Dictionary is applied: "The amount of another commodity for which a given thing can be exchanged. [...] A fair return in goods, services or money for something exchanged.[...]". Also monetary cash or monetary credit is such a commodity. Older definitions (e.g. Marx) have to be discarded. Consequently the creation of value is a process in the mind of the observer – potential buyer.

Evolutionary psychology: The application of the principles and knowledge of evolutionary biology to psychological theory and research.

Product. In this context I consistently define *products* as "goods and/or services" as there is virtually no difference between them in their commercial sense and they frequently appear in synergic combinations.

The components of the theory

1. **The Transaction forms the hub**
2. **Operative Value and Evolutionary Psychology**
3. **Value/Price relation triggers transaction**
4. **Evolutionary Marketing is excited by Metaproducts**
5. **Full value exists in a specific Audience only**
6. **Marketing for Brands only**
7. **The unique fourth-dimension Metaproduct**
8. **The Price/Value Hypothesis**
9. **The dynamic two-sided Transaction Model**
10. **The one-picture Summary**

1.

The transaction forms the hub

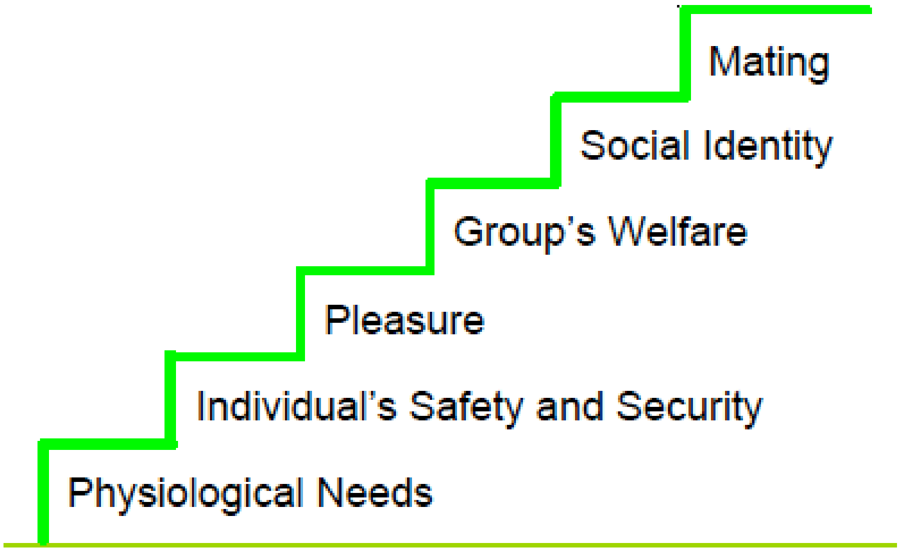
The transaction of selling and buying is the objective of all commercial activity, the hub for all these activities, and the moment when the wealth-building profit is produced, of crucial importance to both the seller and society at large. The transaction is effected in the moment, when the buyer, in his self-interest, realizes that the value of the offer (to him) is higher than the price asked.

2.

Operative Value and Evolutionary Psychology

The value of any utility is only hypothetical or potential in any situation, except in the actual moment of the decision to buy, exchange or sell, when the exchange rate between money and the object is set in the transaction. This applies to a free market, where buyer and seller both act from their *self-interest* to gain from the transaction. The *operative value* thus is, in every occasion, a consequence of the immediate situation of the valuing buyer.

Consequently, a behavioural model is needed to understand the value perceived by the buyers. The *Paradigm of Survival* is based on the theory of *evolutionary psychology*, and is, consequently, a keystone model of this marketing theory. It has proved itself in practice during more than 20 years.



The Paradigm of Survival (Linn, C. E. 1990)

The steps of the Paradigm of Survival:

- **Physiological needs**: conditions necessary for the bodily survival – eating, drinking, sleeping, keeping warm, etc.
- **Individual safety and security:** the need to protect ourselves to survive, from predators, illnesses, competitors – and, in modern society, financial insecurity.

- **Pleasure:** the ability to co-operate with other individuals in self-interest. The sense of freedom or comfort, tastes and aromas.
- **Group's welfare**: contributions to the efficiency of the group as a support for the well-being and safety of the individuals.
- **Social identity**: social status meaning priority in situations of scarcity. The ability to convey an impression of being unique.
- **Mating**: success in mate acquisition and in reproduction – choice of partner and survival of offspring.

3.
Value / Price relation triggers transaction

Price and value are, in principle, the same phenomenon regarded from the opposite positions. The price of commodities depends on supply and demand, when the supplier's price follows the value decided by the market. In the case of branded products, price is the level where the seller is willing to exchange the product for the money of a sufficient number of buyers. The buyer's personal and subjective opinion on the value of the product in relation to its price is expressed by his/her willingness to buy. The transaction will be performed at the moment when both parties realise that they gain from it. In marketing, price is independently set by the supplier, value is decided by the buyer.

4.
Evolutionary Marketing is excited by Metaproducts

The value of a (hypothetic) generic product could be assumed based on substance and utility values. The outcome of its sales can be described by a price-demand diagram. For the generic product, or commodity, the price elasticity ($E = \Delta Q/\Delta P$) is negative. We assume here that it follows a curve according to $R = Q \times P$, a ”classic” price-demand curve.

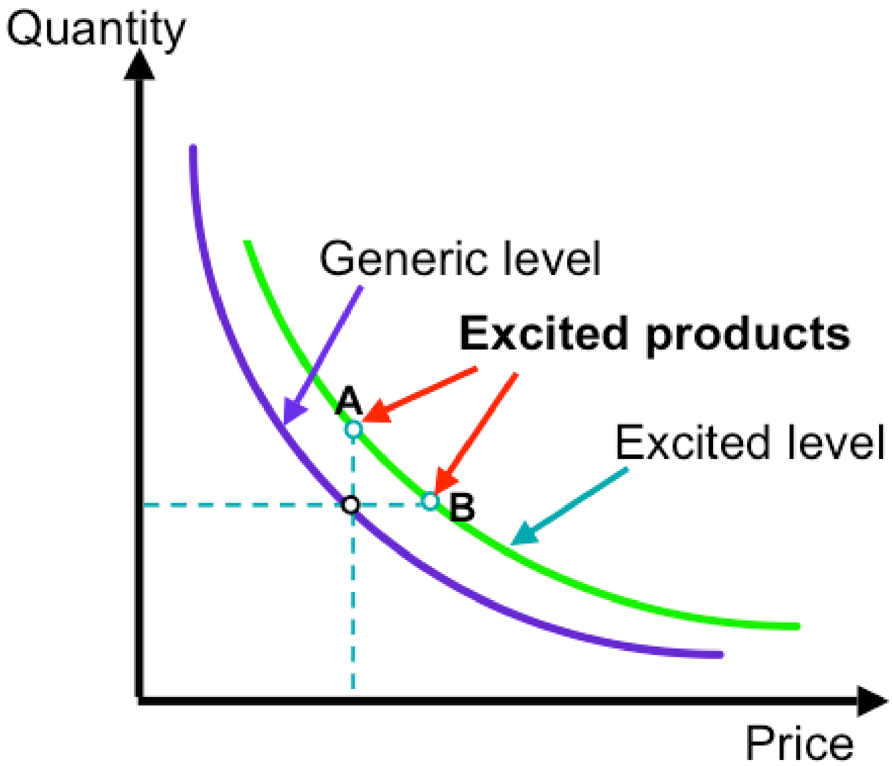
Without affecting the substance or utility values, marketing driven values can be added. (With the help of marketing communication, design/”styling”, branding, etc.) By this, the product is moved to a higher value potential; it is *excited* to a new level of value. The value of an intangible phase of the product, a *metaproduct*, has been added, *but only according to the buyers' perception*.

This added *metavalue* of the product is limited to a finite population, defined by its discriminating knowledge of product and brand – its *audience*. We are now studying a *functionally branded* product.

Any attempt to describe the price-demand relations of this product will be affected by the fact that its metavalue is limited to its audience. This is the main reason why the economical behaviour of branded products only can be discussed in terms of empirically founded degrees of price elasticity.

Nothing indicates, consequently, that sales of the excited product would follow a new ”classic” price-demand curve when its price is changed. Even positive price elasticity is conceivable for a branded product.

In the illustration, the product in the position A has gained a pure *volume premium* whereas B gained pure *price premium* over the original generic product.

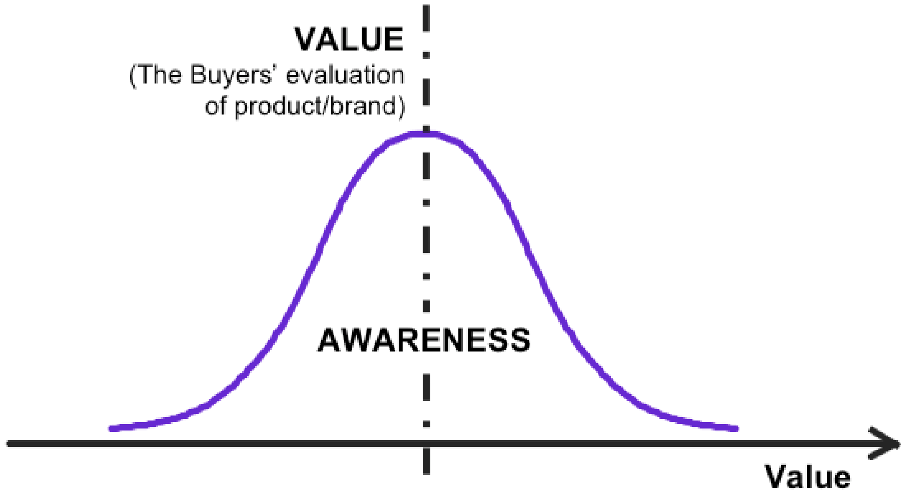


The excited product differs from a hypothetic, comparable generic product by the value of its metaproduct. Its higher competitive power is demonstrated by higher transaction prices and/or quantities sold.

5.

Full value exists in a specific Audience only

In consequence with this reasoning it is obvious that the full value of the functionally branded product only exists within a population characterized by a discriminating knowledge of the product/brand enabling an evaluation against competing alternatives. This *"Audience of Marketing"* is recruited from the gross market by means of marketing activities (e.g. communication). In this context it will be called *"The Evaluating Audience"*. We assume for the sake of this discussion that the population has the shape of a normal distribution. *Consequently "The Evaluating Audience" would be a central model in a science of marketing and branding.*



Because of the constantly changing evaluation by the individuals of the population (See 2.!) due to their knowledge, experiences, needs, tastes, etc., the Evaluating Audience is a dynamic model. The individuals change positions incessantly within the boundaries like the molecules of a gas, according to their *momentary* valuation of the product as the object of a transaction.

6.

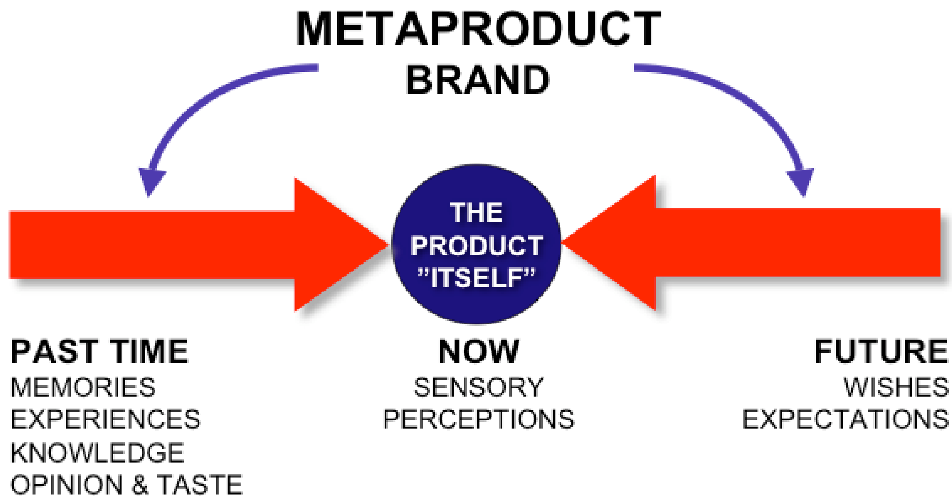
Marketing deals with branded products only

Due to its dependence of communication, *marketing* demands a discriminating name or trademark to identify the products (i.e. goods and/or services!) it deals with. A product excited to include an amount of metavalue may thus be identified as *functionally branded.* (This does not mean, however, that all of its metavalue has to be related to its brand!)
Sales, however, is not involved in creating a metavalue but exploiting it, being directed towards single buyers. Consequently it should be regarded as a discipline separate from marketing.

7.

The fourth-dimension Metaproduct is unique to every individual buyer

Practically no buyer is capable of valuing a just the tangible, branded product. The buyer will always be influenced in his judgements by his personal memories, experiences, knowledge as well as opinion and taste. And when he is considering buying, his subjective wishes and expectations will also affect his appraisal. These personal and social grounds for valuing the offer thus are thus considerations transcending time, based on past time as well as an imagined future. *This additional aspect or phase of the product corresponding to this intangible value is called the Metaproduct.* As Time is generally accepted as the fourth dimension, the metaproduct can be considered to be the fourth-dimensional part of any branded product.

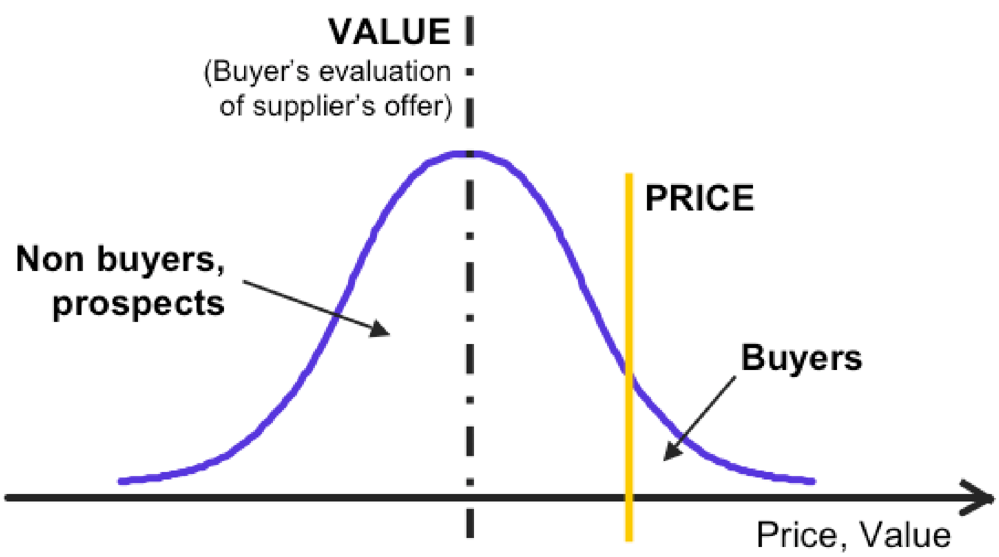


The metaproduct can thus be seen as the extension of the product into the fourth dimension – time.

8.

The Price-Value Hypothesis demonstrates the Dynamics.

The abscissa in the diagram of The Evaluating Audience represents value as well as price (See 3.!) both being measured in currency. The valuing of the buyers is shown as a distribution, whereas the price asked is momentarily set. With the two actors in the same diagram, the distribution of buyers will be cut by the seller's price line: *the Price-Value Hypothesis*, PVH. The part of the population to the right of the price line represents actual buyers in this very moment (See 3.!), while the one to the left is merely potential buyers (See 7.!). The population to the left of the price line would have a number of reasons for not finding the product being worth its price; it is not available, they just bought one, it is functionally non-satisfactory, it is just not attractive, they don't have the economic resources or priorities, etc. *The PVH can be used for a systematic, dynamic analysis of the consequences of changes in price, evaluation and awareness.*

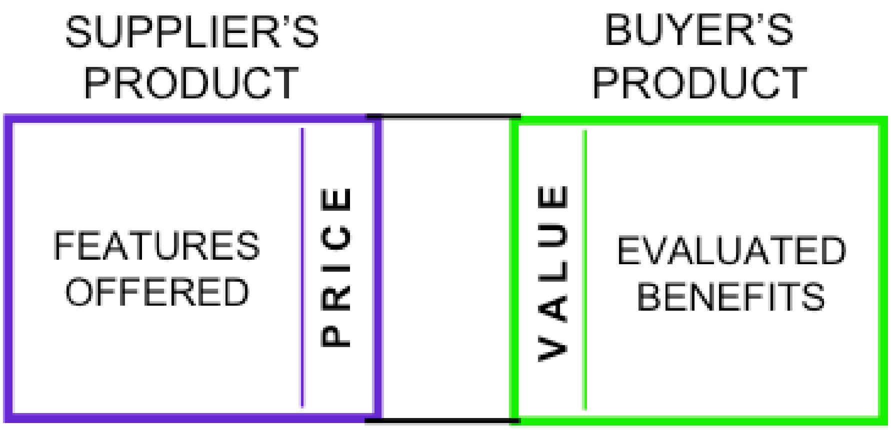


9.

The dynamic, equational Transaction Model

From the Price-Value Hypothesis follows that the object of the transaction – the product – has to be explained with *two* descriptions according to the principles for an equation. One showing the properties and features the seller/supplier offers as a foundation for the price he asks for *the Supplier's Product*. One showing what benefits they offer, resulting in the buyer's valuation: *the Buyers' Product*. This dynamic model is the commercial *Transaction Model*. The Value factor in the Buyer's Product also has to observe all possible costs added in the process of acquisition. The condition for the transaction being performed is, in principle, that the buyer values the product to equal or more than the price asked:

PRICE ASKED ≤ PERCEIVED VALUE



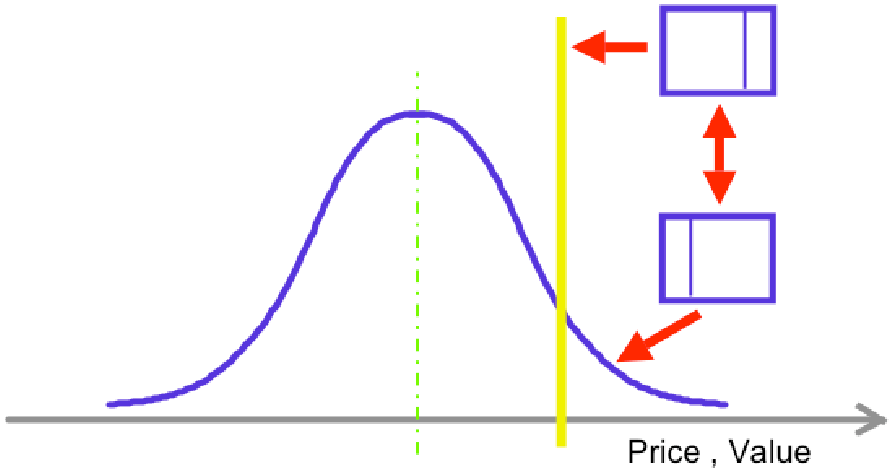
From the buyer's point of view, the decision of finalizing the transaction depends on a value perceived as high or higher than the price asked.

10.

Summary:

The one-picture Summary

This theory makes it possible to summarise the essentials of marketing in one picture. The product is developed in an interaction between conscious and unconscious, explicit and implicit demands, wishes, and ideas of supplier and buyers. When the product is presented to the audience, it responds by its evaluation of the offer, resulting in the division of the audience in actual buyers and merely non-buyers.


Price , Value

III. APPENDIX 1.

The keystone model of behaviour:

The Paradigm of Survival

The understanding of human behaviour has always been looked upon as a compulsory basis for practicing the discipline of marketing. So far, though, most economic and psychological models have failed to offer a versatile understanding of the factors forming the basis for valuation. It is readily obvious that a reasonably simple model for judging the seller's and the buyer's valuation of the objects of exchange in a business deal would be greeted with enthusiasm by all marketers.

The outstanding pioneer to explain human/animal behaviour is, of course, Charles Darwin with his theories on the natural selection (1859) and the sexual selection (1871). These have influenced Sigmund Freud in his psychological theories and, more recently, psychologists of our era, now using the designation of evolutionary, or developmental, psychology.

Maslow's contribution

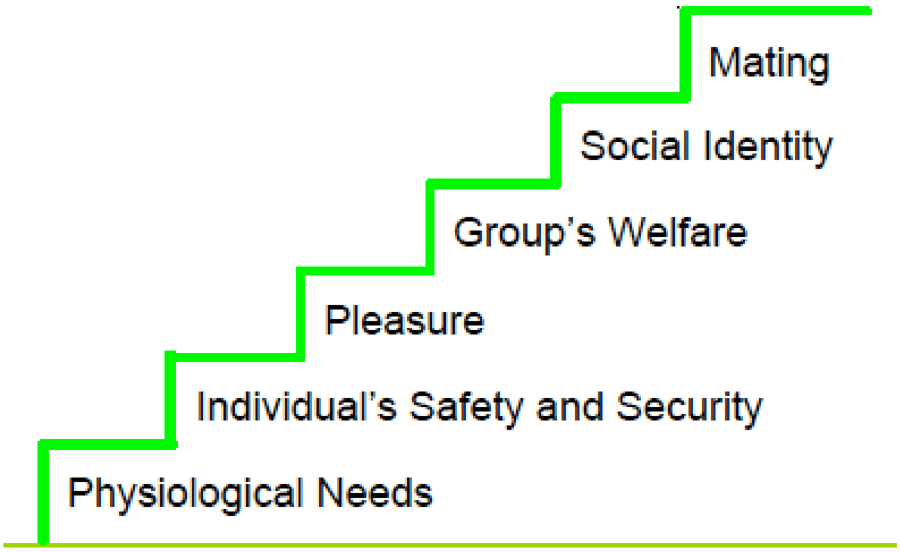
In this context, it is, mildly put, surprising that psychologist Abraham Maslow as late as in the 1943 introduced his Hierarchy of Needs, since then the dominating behavioural model applied to marketing. His most positive contribution was, however, only to offer a model for the normal behaviour of human beings. Its seemingly simple and easy to use explanation of human behaviour, attracted marketers of the time. Today it is typically disposed of as "seriously outdated" by authorities like American Professor Geoffrey Miller.

Evolutionary psychology is the application of the principles and knowledge of evolutionary biology to psychological theory and research. Using Darwin's universally accepted theory of the sexual selection as basis, I prefer *mating* at the top of the pyramid or stairs, rather than Maslow's rather ill defined *self-actualisation*. An opinion in shared principle by a research team of Department of Psychology, Arizona State University in a thesis published in Perspectives on Psychological Science in Spring 2010. A strong support could also be found in Richard Dawkins' The Selfish Gene of 1976.

Our programming

To offer a straightforward behavioural model for everyday use in marketing, I created "*The Paradigm of Survival*" in 1990. It has proved itself in practical use to be just the tool needed after the demise of Maslow.

The stair-shape does not necessary imply that one step has to be accomplished before the other, but may offer a more clear overview of our basic motivations. The main objective has been to make it simple, operative and useful for everyday work and analyses.



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The steps of the Paradigm of Survival:

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- **Group's welfare**: contributions to the efficiency of the group as a support of the wellbeing, safety and security of the individuals.
- **Social identity**: social status meaning priority in situations of scarcity. The ability to convey impression uniqueness but also being accepted by the social group. In all to be positively judged by a potential partner.
- **Mating**: success in mate acquisition with reproduction in mind – consciously or unconsciously.

The keystone of Evolutionary Marketing.

All these factors of the Paradigm have a significant meaning in the commercial situation, and consequently for Marketing. In the intense commercial competition between brands and branded products, it is obvious that the exploration of, primarily, Pleasure and Social Identity offer much in the need for understanding buyer behaviour.

This is apparently well in accordance with Darwin's theory on the sexual selection, and is, consequently, in line with the concept of *evolutionary psychology*, where conventional psychology finds a synergy with biology.

Social identity has for a long time been discussed as a phenomenon. Thorstein Veblen (also influenced by Darwin) discussed "conspicuous consumption" already in 1899. Since then, a vast amount of research has been done, proving Darwin's theories, and making it obvious that the need for social identity is based on instincts. Its effects may be strange, sometimes grotesque, but the driving force is nevertheless an inherited, evolutionary instinct.

A recent book by Yale University Professor Paul Bloom, How Pleasure Works, offers a detailed explanation of the Pleasure factor in all aspects, pointing out its importance in our everyday life, giving a strong motivation for its position in the Paradigm.

Now it should be obvious, that the understanding of human behaviour plays a major role in marketing. This is why a behavioural model comes natural as a keystone of the theory. When we accept these prime movers of the human psyche as conditions for modern marketing theory, the term *Evolutionary Marketing* comes readily to mind. Which serves to point out the difference to earlier concepts and theories, less well adapted to the realities of human nature and behaviour.

Recent research tells us that we always want to reassure ourselves of who we are, even when we are alone, which makes the emphasis on our behaviour as buyers and consumers even stronger.

Professional behaviour is no exception. The two most influential reasons for choosing a certain brand or product, apart from its objectively assessable functional utility, are the buyer's need for security and safety, and also his/her aspiration for making a career in business. Which, of course, has a lot to do with social identity.

Marketing in itself cannot, contrary to popular belief create any basic needs. It may, though, be instrumental in suggesting ways of fulfilment of the strivings which are already there, as shown in the Paradigm. Moral and ethical aspects can naturally not be included in the need structure of the Paradigm as such.

In summary, Marketing demands a better theoretical basis than we have had to content ourselves with since the dawn of the discipline. Certain developments are needed to include an approach better adapted to human nature and behaviour.

To arrive at this, the concept has to fulfil certain demands. The transaction is the absolute centre, when seller and buyer agree on the value of its object, and where the relation between price and value is crucial. Their motivations have to be analyzed according to current science and theory. Evolutionary Marketing in the shape of the Meta Management concept offers the viable tools needed.

IV. APPENDIX 2.

Implications: The Forming of a Set of Tools

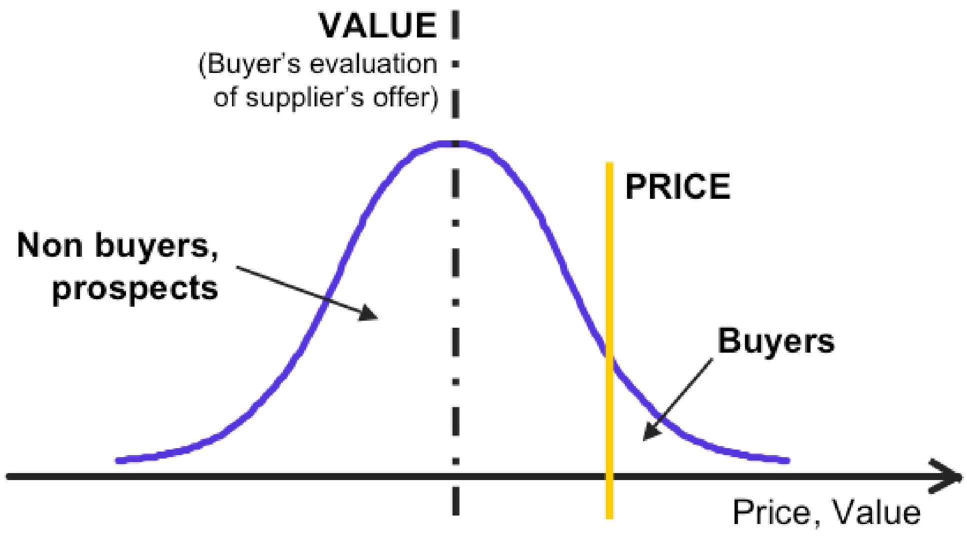
Linn's General Theory of Marketing forms a firm foundation for a set of tools for strategical and tactical analyses and development according to the ideas of evolutionary marketing.

1.
THE DYNAMICS OF THE EVALUATING AUDIENCE

One set of models is derived from the "Evaluating Audience" which graphically demonstrates and defines the eleven cases (see fig.) of the consequences of changed value, price, size of population, and supply in the interaction between the supplier and his/her audience behaviour (Linn, C. E., Brand Dynamics, Atlanta 1998).

This series of models is used as basis for systematic analyses of the consequences of changes in supplier strategies and tactics as well as buyer behaviour and values.

The interrelation between the two actors – between the buyers' awareness and valuation of the products offered, and the supplier's marketing efforts – is demonstrated. The prerequisites of this crucial concept are the application of the two-sided product description and the notion of the metaproduct.



The Evaluating Audience

The prerequisites

In its present form, the Evaluating Audience should be seen as a thought provoking tool for education, analyses and discussions. The Evaluating Audience also offers, however, a scope for further research, with the apparent possibility for the analyses of specific price/demand curves for branded products.

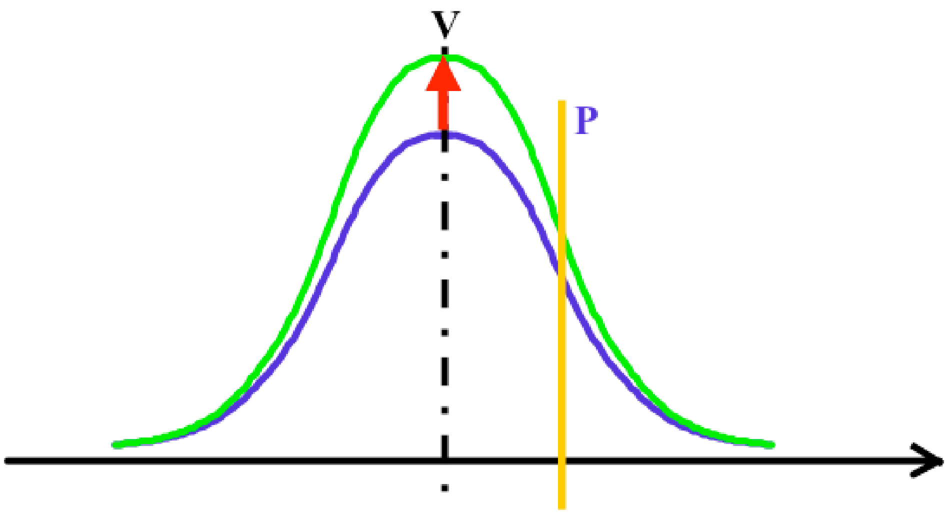
The correct understanding of the Evaluating Audience model demands that the following conditions are observed:

- The make-up of the Group – represented by the area of the distribution – is limited to individuals aware of, or well aware of, the product/brand, thus carrying a perceived value of the product as a basis for their decision on buying or not.
- "Buyers" are individuals actually buying the product – not just uncommitted telling that they judge the product to be worth the price asked. The decision to buy is the proof, that an individual estimates the product to offer value for (his) money at his particular state of need. The share of buyers relative to non-buyers may thus, statistically, be fairly stable from day to day for mass marketed products, while the actual buyers are incessantly changing their position between buying and non-buying.

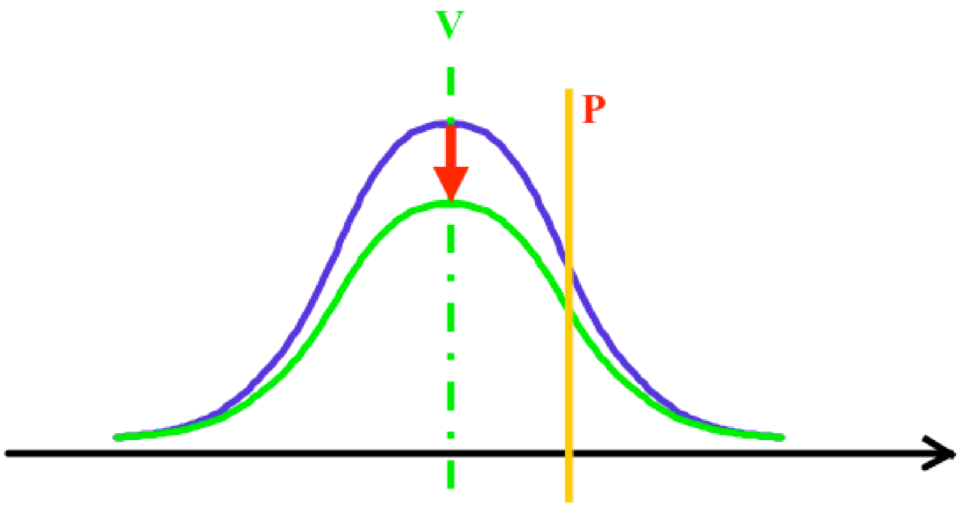
The eleven modes of The Evaluating Audience

This comprehensive list of eleven Evaluating Audience modes assumes in the first place that the interest of the supplier is to increase his sales volume.

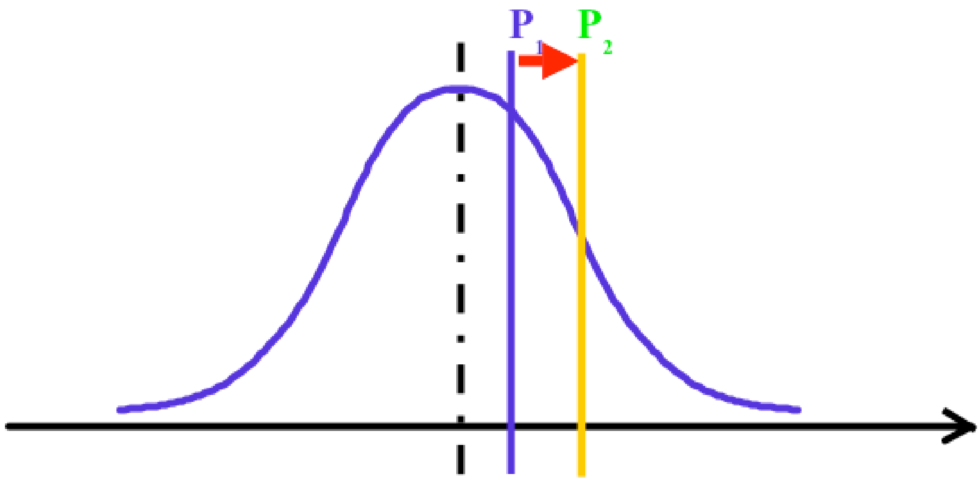
1. **Expansion**
2. **Erosion**
3. **Price Increase**
4. **Price Reduction**
5. **Revaluation**
6. **Devaluation**
7. **Regression**
8. **Upgrading**
9. **Overpricing**
10. **Compensation**
11. **Limited Supply**



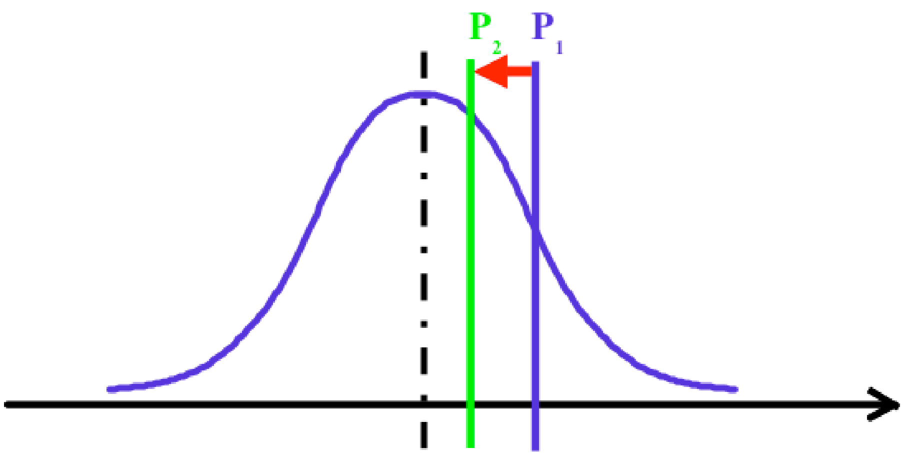
1. **EXPANSION**. The metavalue of a branded product is, by definition, non-existent outside of its Evaluating Audience. To increase the scope for sales of the differentiated, branded product, awareness of the product/brand may have to be increased in the market through expansion of the target group. Marketing communication may be used to accomplish this task. New members of the Evaluating Audience are supposed to accept the valuation of the product already existing in the Group.



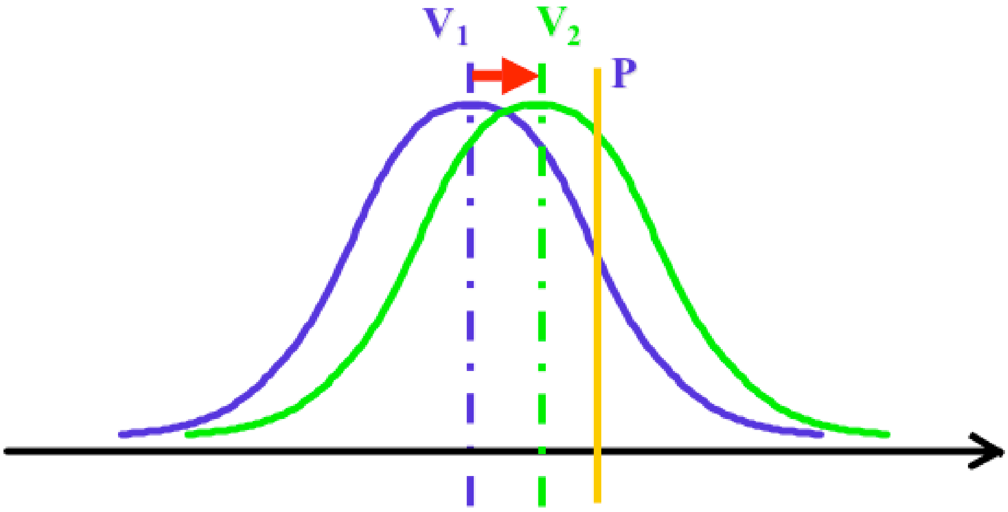
2. **EROSION**. A decrease in awareness may be caused by an insufficient intensity of market communication, but also by competitors conquering a "mindshare" from our product.



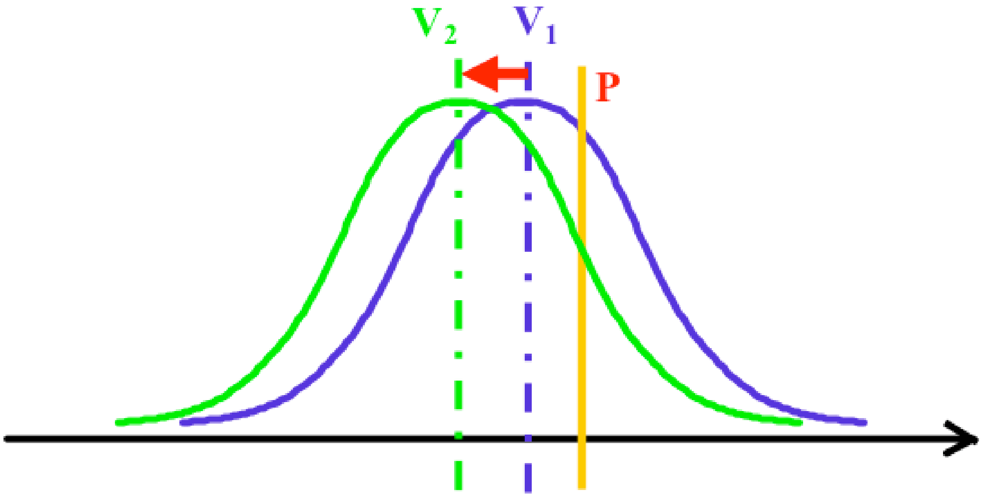
3. **PRICE INCREASE**. At a perfectly stable metavalue a price increase reduces the number of buyers. Any deviation from this causal connection has to be referred to in terms of the change of metavalue demonstrated under Upgrading or Overpricing, respectively.



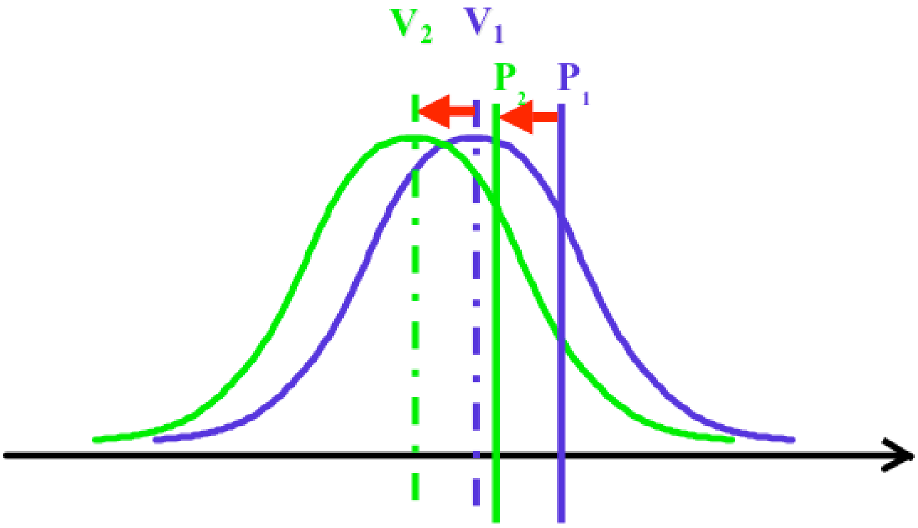
4. **PRICE REDUCTION**. At a perfectly stable metavalue a price reduction will result in an increase in sales. This is, in practice, generally restricted to temporary activities. The possible consequences of a permanent price reduction are dealt with under Regression.



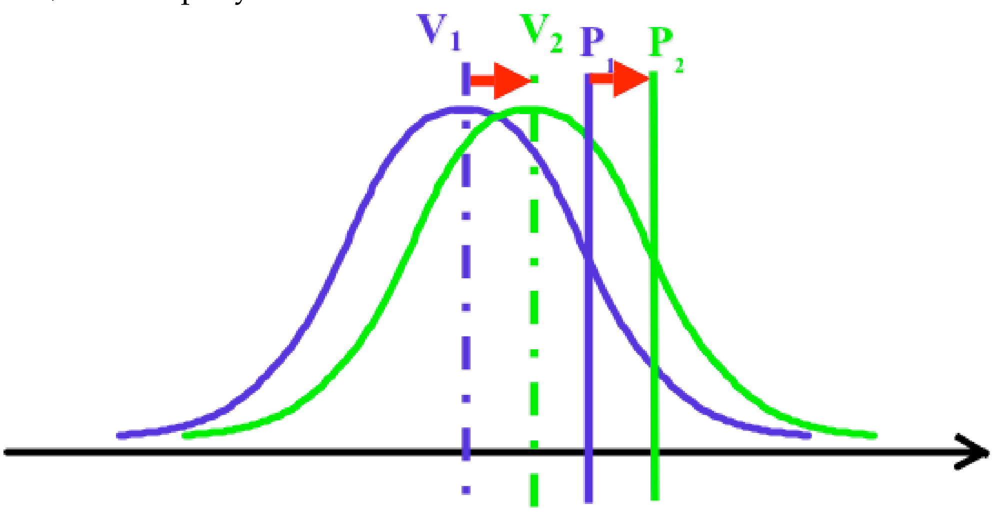
5. **REVALUATION**. Vitalization means an increase in metavalue (buyer perceived value) at an unchanged price level. Whether this is performed with a virtually unchanged total product is arguable. This is, though, the illustration of a successful marketing communication activity targeted at the enhancement of the product/brand.



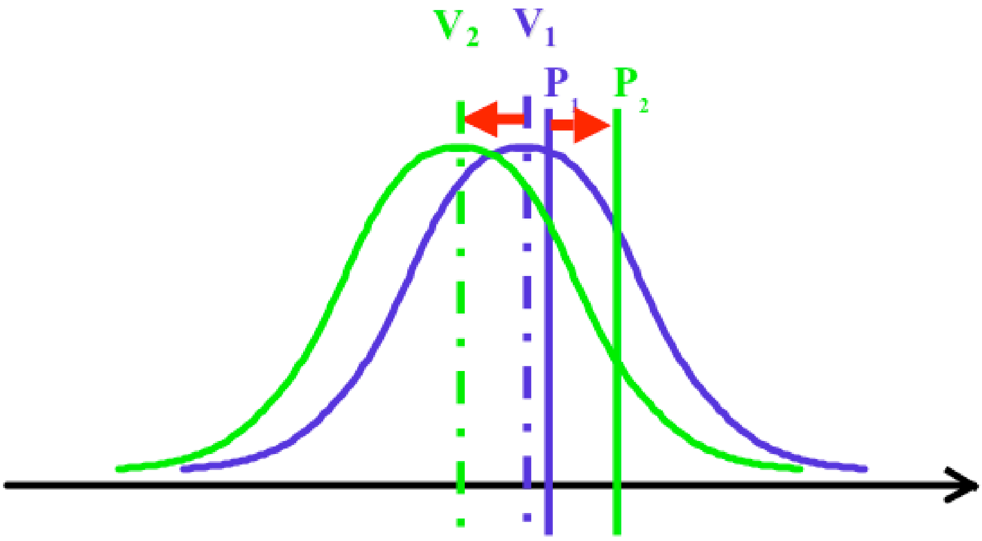
6. **DEVALUATION**. Buyers are often lost due to a depreciation of the product's Metavalue (i.e., a reduction of the level of the buyers' valuation of the Product). This could be due to many factors (e.g., increased competition, an aging product, reduced quality of physical product, reduced quality of customer service, or ineffective or destructive marketing communication).



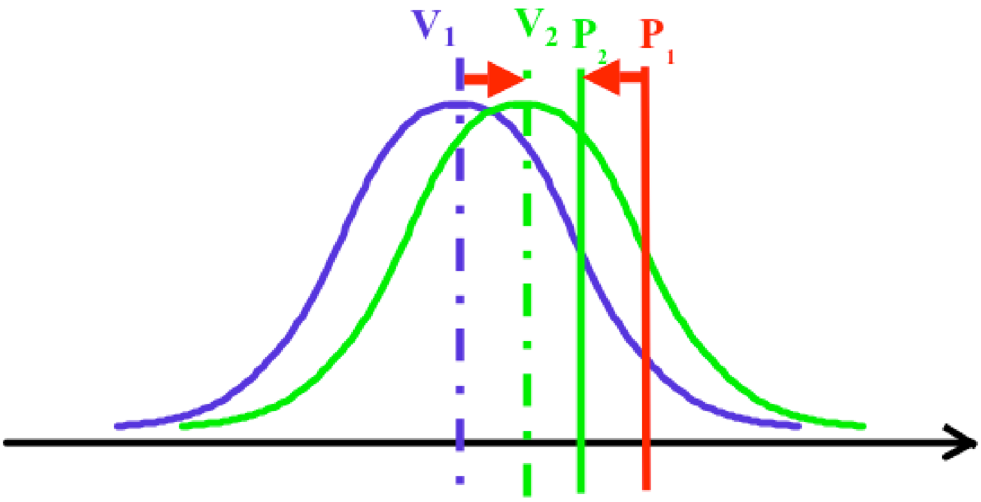
7. **REGRESSION**. Regression is often the result of excessive price competition. Sales may be constant, or even increase, but the net revenue is negative. Regression is mostly seen as being forced upon by competition, but often enough it is induced by the sales organization within, or associated with, the company itself.



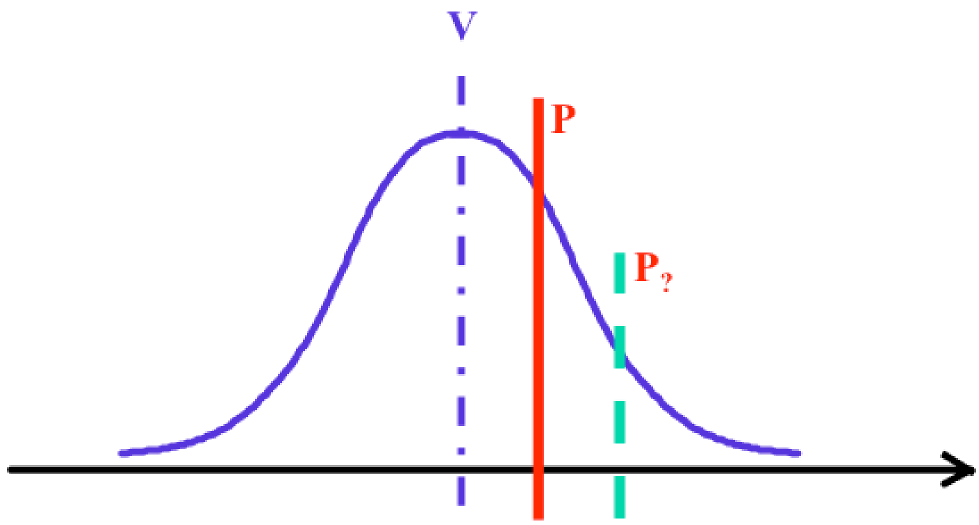
8. **UPGRADING**. Upgrading is a more frequent phenomenon than commonly realized. Every product undergoing a price increase, but still managing to maintain sales levels, is in fact going through an Upgrading operation. An obvious Upgrading is characterized by a noticeable price increase connected with targeted marketing activities. The obvious risk of Upgrading is Overpricing.



9. **OVERPRICING**. The potentially fatal consequences of Overpricing will be clearly understood by this diagram. The added losses of customers through increased pricing and reduced metavalue is more than most products ever could. The impact on the product's metavalue may be disastrous, as Overpricing makes every minor flaw of quality very noticeable.



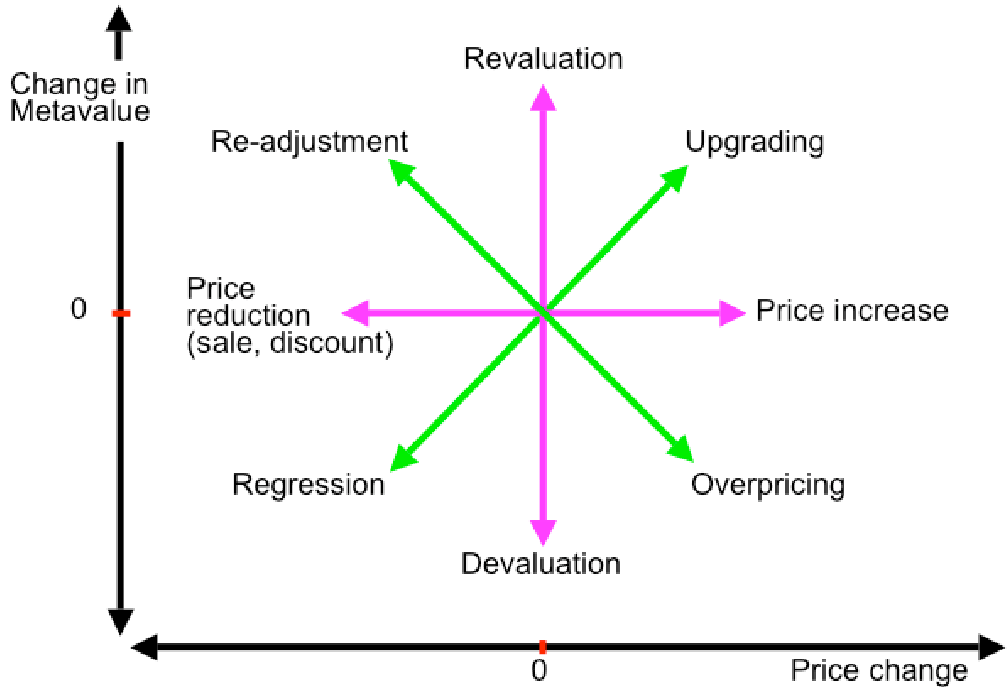
10. **COMPENSATION**. The opposite of Overpricing. A price reduction alone will only in exceptional cases save a product from the disaster of Overpricing. Heavy marketing communication will be needed, but mostly, only a product re-formulation or re-specification will do the work.



11. **LIMITED SUPPLY**. All other cases of the Evaluating Audience demonstrate the consequences in situations of more or less abundant supply. In this case we, however, imagine that the limited supply of products will be sold to the individuals that want them the most. In practice this happens when potential buyers metaphorically or actually line up for buying. The choice of the supplier is between keeping the buyers waiting or raising the price. Limited Supply could thus be seen as the sign of too low a price. Raising the price will, however, always invoke the risk of Overpricing, as the metavalue of the product partly has been based on the added cost of waiting for it.

THE SUMMARY OF TRANSITIONS

Price increase Sale discount Revaluation Regression Upgrading Overpricing Devaluation Price change Readjustment 0 0 Change of Meta Value



This diagram shows the complete scope of modes of transition within the Evaluating Audience for those eight modes of abundant supply, which apply to a constant size of the audience.

2.
THE TRANSACTION MODEL

A business can be profitable only if it regularly can sell its products for a price higher than what it costs to manufacture or purchase them. One objective of business, thus, is to cost-effectively evoke in the buyer an evaluation, which will yield the desired profit margin. Imagine the obscene contrast between a 4000$ luxury watch in comparison to an equally accurate time-keeping device obtainable at 50$, when you just see them as such. And then realise that the buyers of the two may be just as satisfied with their acquisitions.

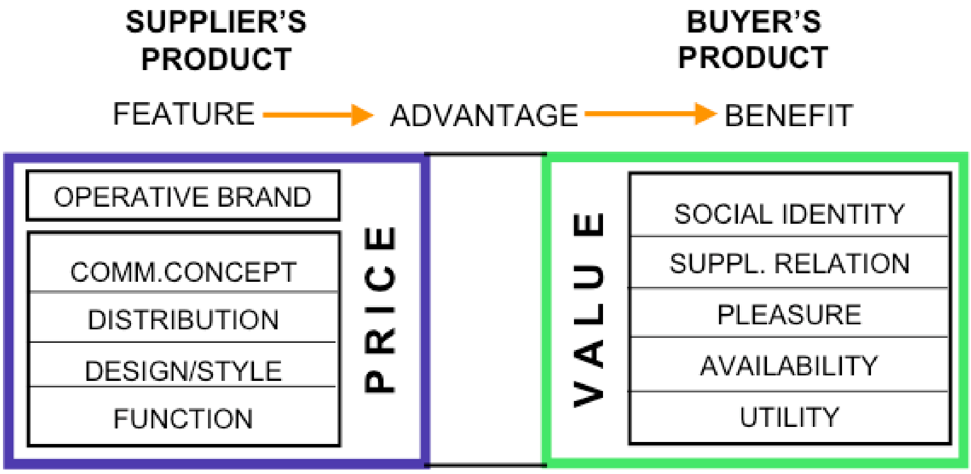
It is obvious that the supplier creates his commercial offer by a number of actions to be able to ask the price he wants. The buyer, on his side, values what benefits he gets from paying this price for this product.

The equilibrium can be illustrated by balancing the two product descriptions of the object of trade with each other: i.e., both the supplier's and the buyer's product. Here, the product is discussed at depth as the object of trade, whereas the exchange of money is seen as a prerequisite.

The supplier's complete offer, and the price asked for this total product, has to be balanced against the buyers' evaluation of this offer in view of their (anticipated) total gain from the deal.

The dynamic model of the total transaction

The set-up of this pivotal model, the *Transaction Model*, has in its details been founded on theories, notions, structures and reasoning known and accepted in marketing and product development, as well as in the area of behavioural research (the ”Paradigm”, App 1) i.e. *evolutional psychology*. Its closest equivalent in traditional marketing is the 4P model and its successors.



The equational Transaction Model

The *holistic character* of this model implies that everything that the Supplier calls on for support of the price he/she is asking for his/her product is included in the box for the Supplier's Product. The same applies to the Buyer's product; everything that affects the value he/she appreciates as relevant to the product offered should be included here. The categorization of the contents of each box is, however, empirical.

One readily realizes that the buyer's evaluation of the object depends on far more than the rational utility derived from it. Availability, Pleasure, Supplier Relation, and Social Identity take on varying degrees of importance depending on the individual buyer, his situation at the moment and the kind of product.

From the supplier's point of view, the potential for achieving a positive buying decision will be affected by the quality of execution of the Function, Design, Distribution, Communications Concept and Brand Image of the product. All the supplier's activities intended to establish the product's value in the eyes of the buyer.

The buyer evaluates the product in view of the benefit desired: regardless of whether it is a question of its rational Utility or Availability, or whether it is a source of meta values that we find in Pleasure, Supplier Relation, or Social Identity.

An interactive model

The Transaction Model demonstrates the interactive relation between the supplier's offer and the buyer's perceived product. In the model we structure the means available for the supplier to induce physical as well as meta values – which, after all, are realised in the world of the buyers' perception.

The objective of the Supplier is to conceive a ”total” product that is perceived as having a value higher than the price asked by a sufficient number of potential buyers.

It now becomes apparent that "product" serves as a mere headline of what we mean with the expression. The holistic product, which we deal with here, contains everything we associate with the product (either as suppliers or buyers). But what does, on the contrary, the everyday expression ”product as such” mean, actually? The answer is that the ”product as such” only exists in theory, because we never can understand any object without the help of any pre-recognition. A chair ”as such” is just an inconceivable accumulation of matter without our acquired pre-recognition of what a chair is.

For the reason of logic and consistency, we have to choose between the holistic product and the ”product as such”: a non-comprehensible net product or the universally applicable, perceived gross product, metaproduct and all.

A realistic model

The problem put like this makes much earlier reasoning obsolete. Such is the case with the universally known, "marketing mix" 4P model (Product, Place, Promotion, Price) by McCarthy, widely used in textbooks and education. What “product” is it referring to – as seen by whom? And, what if you change Place, Promotion or Price – will this “product” still be perceived as the same by potential buyers evaluating it?

The conclusion is that if we want reasonably realistic models for the development and marketing of branded products in competitive markets, oversimplified categories like the 4P-model will not be sufficient. Neither does the complexity of models like the ”house of quality” makes analyses easier to overview.

The equational nature of the Transaction Model offers not only a realistic picture of the product, but also an easy understanding of the consequences of changes in the supplier's offer and the buyers' general and specific attitudes and values.

A hypothetical case

An axe can be used as a hypothetical example, starting with the Supplier's Product. The Function of the axe is chopping wood and by having it accomplished by a product with a lifetime guarantee on both the cutting edge and the handle. Like all other products, the design of the axe is not imposed on it at random: some designer made his subjective interpretation of the experience of professional lumberjacks; it is hand-forged with a handle made of hickory. This is the physical product. To be able to sell it at a profit, the supplier advertises it as an axe for the professional. This is the Communications Concept. The brand is the Ajax brand (a hypothetical brand supposed to be well-known among foresters in Northern Europe), which implies considerable Brand Strength, derived from its commercial history. The Distribution is through mail order. The Price is approximately double that of a comparable mass-produced axe.

The Buyer's Product is founded on rational and economical Utility, which is prospect for the buyer of buying a well functioning axe to a reasonable price/performance. This could, however, be overridden by the outcome of the other Buyer's Product factors. Its Availability is low; however, as it has to be ordered by mail. Pleasure is the feel of the perfectly balanced axe and its impeccable finish. The lacking Availability is compensated by the Supplier Relation, which comprises a life-long guarantee and a membership in the Ajax Tool Club. The buyer's Social Identity is heightened through buying a high quality, professional tool (even though the buyer himself is only a wealthy amateur).

The buyer's valuation of the axe is thus not only founded on his demands for utility - which should have guided him to an ordinary axe at half the price - but on the other factors (Pleasure, Supplier Relation and, not least of which is Social Identity) to give him value for his money.

THE SUPPLIER'S PRODUCT – DEFINITIONS

Differentiating potential values: adding to, compensating for, and offering synergies between each other.

- **FUNCTION** = What is the product supposed to do, how do you describe it in terms of performance and/or qualities? Does it offer a unique value in terms of function?
- **DESIGN** = What could be the contribution of the product's design, its perceived physics - aesthetics, graphics, ergonomics, smells, sounds, etc; its way of informing of its use, how it communicates quality? Could design of associated surroundings, like the corporate design program, packaging, displays, etc – add to its value?
- **COMMUNICATION CONCEPT** = What could be the contribution of the marketing communication message to the value of the product – to make

it, to facilitate the use of it, to attract the chosen target group, to make it socially and/or professionally accepted?

- **DISTRIBUTION** = Does the system for distribution contribute to the perceived value of the product? Does it offer the degree of availability expected for a product of its price level? Is the distribution of technical service, information service, spares, etc., designed to add to the value by building relations for customer loyalty?
- **BRAND** = Does the product apply to existing Brand Strategy, Brand Setting, and – most essentially – the buyers' established perception of the Brand, the *Operative Brand*? Will the product take advantage of the Operative Brand, and add to its value? Is there a risk that it will hurt it or cannibalize on other products?
- **PRICE ASKED** = Is the price level strategically set for a chosen market segment? Is it differentiated to support marketing efforts – or is it set for head-on competition? Does the price confirm product qualities or emphasise them?

THE BUYER'S PRODUCT - DEFINITIONS

Positioning perceived values: adding to, compensating for, and offering synergies between each other.

- **UTILITY** = Value of rational fulfilment of basic needs - physiological needs, own and group's safety and security. Relief of laborious and time consuming tasks, and the enabling of new activities and tasks.
- **AVAILABILITY** = Value of availability in space and/or time concerning deliveries, sales service, general user support, spares, technical service, guarantee service, etc.
- **PLEASURE** = Value of buyer's own, private and isolated, sensual sensation from using the product. Feel, comfort, security and safety, taste, looks, noise level, etc.
- **SUPPLIER RELATION** = Value of pure social relation to the people supplying (servicing) the product. Are they (people, company) perceived as friendly, honest, trustworthy - are business deals and communication characterized by respect and a wish for lasting relation?
- **SOCIAL IDENTITY** = Social value of buying, owning and/or using the product (Brand) for the decision maker's, owner's or user's identity in his social surroundings. SI may be supported by either conspicuous or discreet consumption, and differently at any position on the "Camel Curve".
- **VALUE** = The individual valuation of the product will decide if and when the buyer buys it. In mass marketing buyer's valuation depends heavily on perceived credibility of the supplier and his brand. In the moment the buyer finds that the product offers him value for his money, he will exchange them for the product.

The development process before sale should be seen as the creation of a value potential, and the process from the sales transaction onwards as the realisation of the value, as perceived by the buyer/owner/user. How the perceived product value develops during the time of use or ownership is decisive for repeat purchases and customer loyalty and for the way the user will influence the opinion of others (compare to the concept of Relation Marketing!).

3.

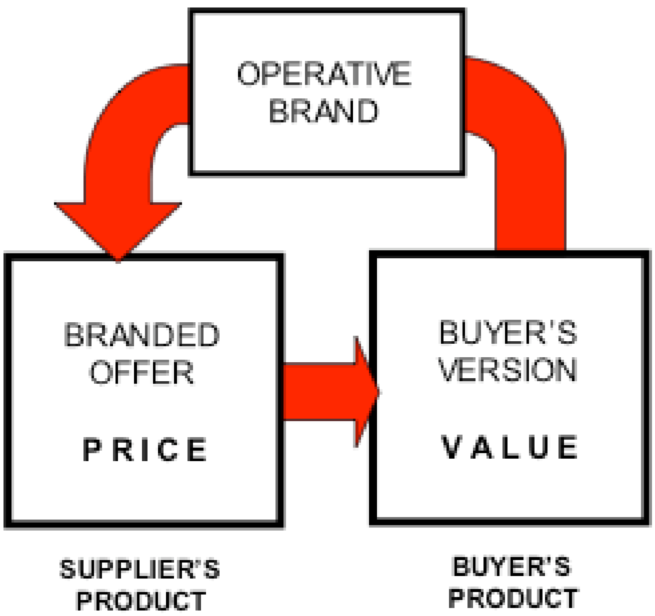
THE META MANAGEMENT MODEL, MMM

The Dynamic Development of Value in Brands and Branded Products

The perception of a brand is unique to the mind of every individual, and relating to his/her role in the commercial process. A strong brand would be defined as a distinct perception common to a large population.

The Operative Brand

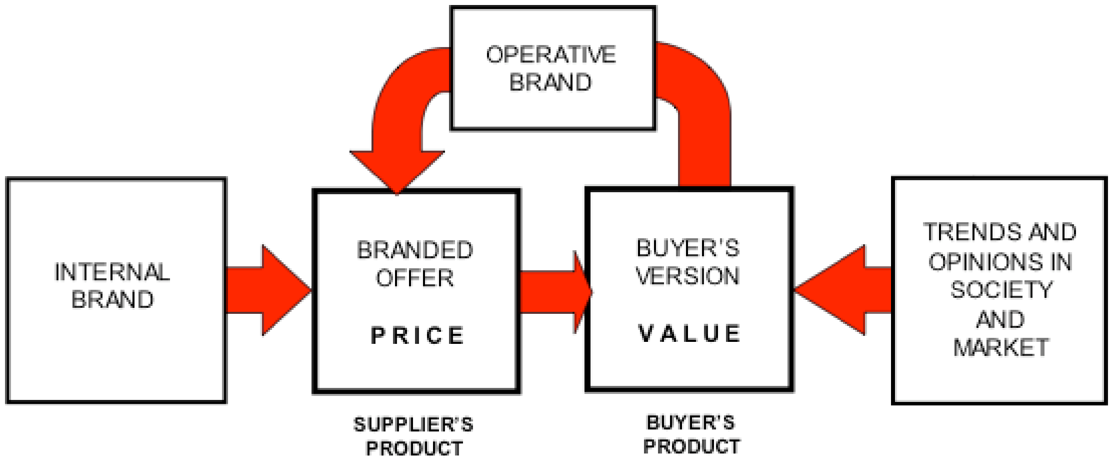
In the transaction regarding a branded product, the buyer's evaluation of the offer includes the metaproduct and its generally most important component, the brand. As the brand in this case represents a part of the value embraced by the buyer, it is operative in the transaction. Consequently, this aspect of the brand is called the operative brand.



The Transaction Model with its inherent Operational Brand

The Internal Brand

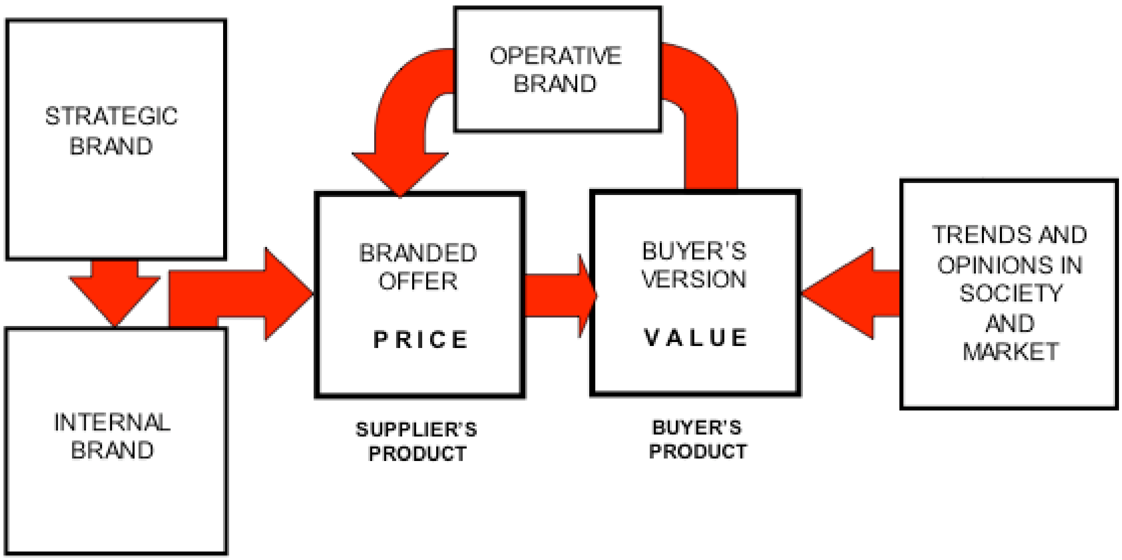
The characteristics of the Supplier's Product offered to the buyer are a result of the activities and objectives of the staff and employees of the supplier. Consequently, their perception of the brand is guiding their actions and has a decisive influence on their performance. The Internal Brand has to co-operate with the Operative Brand in forming the product the supplier offers the market.



The Transaction Model with its closest sources of influence.

The Strategic Brand

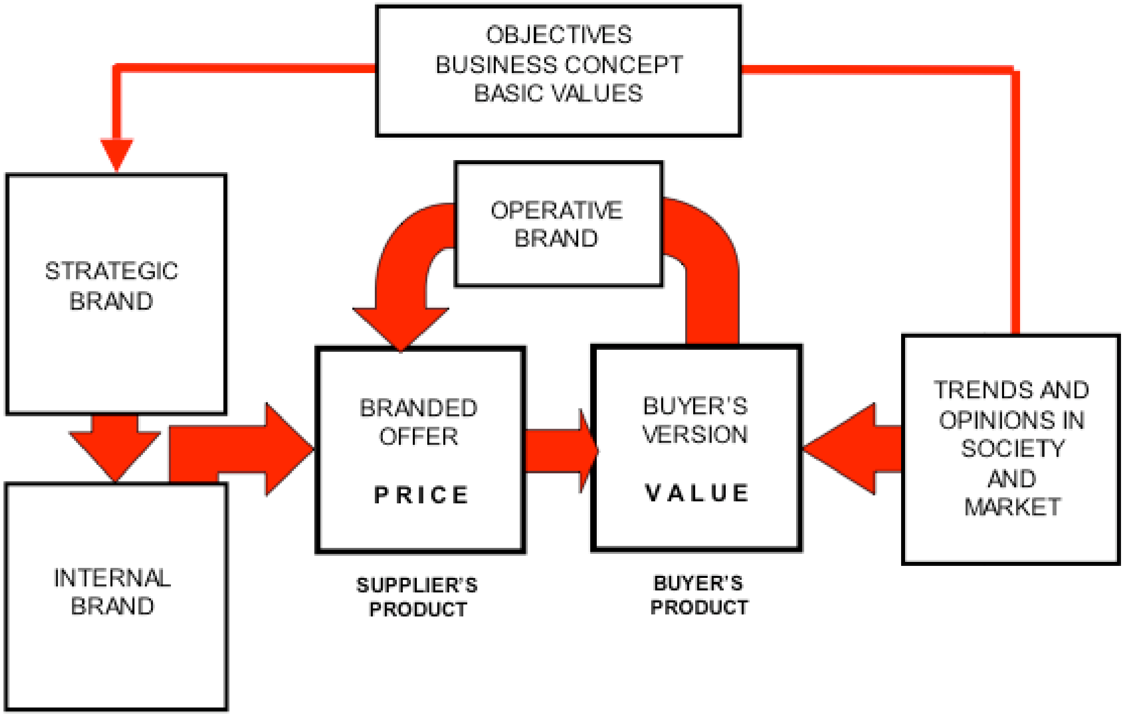
The management of every conscious supplier is supposed to have a strategic planning for its brand and products. This is realized in a *brand strategy*, which is a documentation of their essential and specific aspects of marketing. Consequently, this brand strategy would be seen as the Strategic Brand of the supplier's management. The Strategic Brand will be filtered through the Internal Brand to influence the conception of the Supplier's Product.



Including the management planning of the Brand.

The business core – the Model in outline

The Strategic Brand obviously is the result of the notions forming the business core, founded on the market situation in general.



The MetaManagement Model in detail

The detailed MetaManagement Model describes the development of value in brands and branded products and forms a practical tool as a dynamic model for realizing the process and the understanding the logics of its system.