

# MARKETING FUNCTION and LOGISTICS REVISITED: Revised Dual Sub-functional Model Approach

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This paper attempts to point out the continued confusion in some literature with respect to the concepts of marketing and logistics, and their relatedness. These are usually, and maybe inadvertently, treated as separate and independent functions. This frame of reference can often lead to costly mistakes. Authors frequently describe them as if they are two different functions: that of marketing, and that of logistics. Actually, logistics is a submix of marketing. The fact that logistics is a part of marketing is usually ignored. This kind of approach is still prevalent in most writing. Yet we must talk about two submixes of marketing, one of which is logistics, or servicing demand, and the other, which is obtaining demand. Therefore, the connection and interdependence of marketing and logistics terminology must be put into their proper place for correct and complete analysis. For this purpose, a Dual Subfunction Model is presented to tie together logistics and the remaining part of marketing. This model may serve as a guide for more accurate analyses, or at least as a reminder for consideration by novices.

**Keywords:** Supply Chain, Marketing function, logistics subfunction, delivery, promise management, making promise, keeping promise, obtaining demand subfunction, ethics and social responsibility in Logistics, Value Offer, Value Proposal, 4Ps, 4Cs, Marketing mix, Retailing mix, Relationship marketing, Love Brand, 3PL firms..

## 1. INTRODUCTION

Indisputably, marketing is one of the most important driving functions of business. In this article so-called logistics-marketing interface and the simple mechanisms for enhancing cooperation and coordination between these two entities are examined with a modified approach. Clearly, marketing is one of the most important triggering functions of business for carrying out exchange processes between the firms and customers. An early but narrow definition of marketing by AMA was as follows: "The performance of business activities that direct the flow of goods and services from producer to consumer or user" [1]. In the year 2007, AMA offered the following definition of marketing: "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"[2]. Kotler and Armstrong defined marketing as a process by which companies create value for customers and

build strong customer relationships to capture value from customers in return [3].

According to the author, marketing management is ascertained through listening and researching material and spiritual needs and wants of the targeted customers, while not ignoring the untargeted customers, and making necessary preparations to create, through paying whatever the price (money, energy, and time), observing ethical and socially responsible behavior, and delivering either "4Ps Marketing Mix" or "8Ps Marketing Mix" of value to satisfy them and in return obtain material and spiritual benefits for the firm [4].

Another definition by the author is "Marketing could be defined as satisfying target customers and prospects through preparing and delivering better and continually updated Value Offers (Proposals and Marketing Mixes, including logistics) that will be valued by potential customers (target markets), than competitors, and sustain profitability by means of repeated purchases by those customers."

From these definitions, it is clear that function of marketing is about meeting human needs and wants. The customer-oriented Modern Marketing concept holds that the main task of a firm is first to determine the needs, wants, and preferences of a targeted customer segment, and to deliver the desired satisfaction (value offers) to those customers. Simply, it is a business function that is supposed to meet needs profitably. Good customer service is the desired end result of all business activities, particularly that of modern customer-oriented marketing, and the logistics are an extremely important part of these activities [5]. Whether performed by a producer, wholesaler, or retailer, or outsourced to some other firm, the physical distribution (logistics) function has a significant impact on customer service and satisfaction [6].

2. MARKETING FUNCTION AND MARKETING MIX

Although it is not clearly voiced in the marketing literature, the essence of marketing function comprises of the below mentioned marketing submixes. In other words, “4Ps” is the decoded form of marketing function [7]. The term “marketing mix” is part of the ABC’s of marketing, and is well-known and self-explanatory. Lately, the “4Ps” concept with a

customer-focused but normative viewpoint is being transformed into the 4Cs concept, as coined by Lauterborn, that respectively replaces each of the submixes of customer solution, customer cost, marketing communication, and convenience [8]. Although this viewpoint carries a rationale, it has not been totally substituted so far.

The inherent interface of place (P) (logistics) with the remaining 3Ps is long recognized and established [9]. As it is already known, from the definition of submixes of marketing mix (4Ps) (Price, Product and service, Promotion, Place), Logistics is part of the “Place” submix which is made up of distribution (value) channels and logistics.

3. THE STRATEGIC IMPORTANCE AND INTERDEPENDENCE OF PHYSICAL DISTRIBUTION (LOGISTICS) IN MARKETING MIX

Although today it seems tautological, the strategic importance and interdependence of physical distribution (Logistics) is evident in all elements of the Marketing Mix or Value Offer such as shown in the table [10] below:



Fig. 1. Value Offer, Value Proposal (Marketing Mix) (4Ps and 4Cs) Concepts

E. Jerome McCarthy and William E. Perrault, Jr., Basic Marketing; A Managerial Approach, 9th.ed., (Homewood, Ill.; Richard D. Irwin, Inc., 1987), pp. 46-52; Philip Kotler and Kevin Lane Keller, Marketing Management, 14e., (New York; Pearson, 2012), p.47; R.Lauterborn, “New Marketing Litany: 4P’s Passe; C Words Take Over, Advertising Age, October 1,1990, p.26.

Table 1. Some Elements of Marketing Mix and their Relation to Logistics

Some Elements of Marketing Mix (Value Offer)	Relation to Logistics
Product design and packaging	must allow for efficient stacking, storage, transport, and tracking
Differentiating products by size , color,and style	must take into account additional demands placed on warehousing and shipping facilities
Competitive pricing	may depend on a firm’s ability to provide reliable delivery or emergency shipments or replacement parts.
Quantity discounts in pricing	Firms trying to lower inventory costs may offer quantity discounts to encourage large purchases
Promotional campaigns	must be coordinated with distribution functions so that advertised products are available to buyers and order processing departments can handle additional sales ordes efficiently
Influence a firm’s stockouts	Channel members must consider warehousing and transportation costs, which may influence a firm’s stockouts or its choice to centralize (or decentralize) inventory.

It is clear that these are all interwoven. Therefore this interdependence must always be accurately included during logistical research studies. On the other hand, for retail marketing firms and service businesses, the 4Ps concept is replaced with the 7Ps concept to represent **Retail/Service Marketing Mix (Format) or Retail Value Offer** [11].



Fig. 2. 7Ps Value Offer (Retail/Service Marketing Mix) Concept for Retail Firm

Source: Author

Today it is basically the same to say that all of these submixes interactively and significantly affect each other during the customer satisfaction process.

#### 4. FLOW OF MARKETING MIX THROUGH DISTRIBUTION CHANNELS OR THE SUPPLY CHAIN

As is known, distribution channels are where marketing functions take place, and through which product flow is carried to the final consumers. Contrary to widespread impression, not only physical goods flow through the distribution (value) channels but the whole marketing mix as well.

Marketing function and its complement “Marketing Mix” (4Ps) or “Value Proposal” is carried through downstream distribution channels or within the contemporary context of “the value/supply chain.” In actuality, the Supply Chain is the sum total of all downstream movement of Marketing Mixes (4Ps). As shown in the figure below, each marketing mix is comprised of 3Ps plus 1(P) (the Logistics submix) which takes place at each stage of the value channel. As a matter of fact, the total of the marketing mixes that move through each value chain member constitutes the Supply Chain. In fact, one view of **Holistic Marketing** sees it as “integrating the value exploration, value creation, and **value delivery** activities with the purpose of building long term, mutually satisfying relationships, and co-prosperity among key stakeholders” [12].

**MARKETING CHANNEL=DISTRIBUTION  
CHANNEL=VALUE CHAIN=SUPPLY CHAIN**

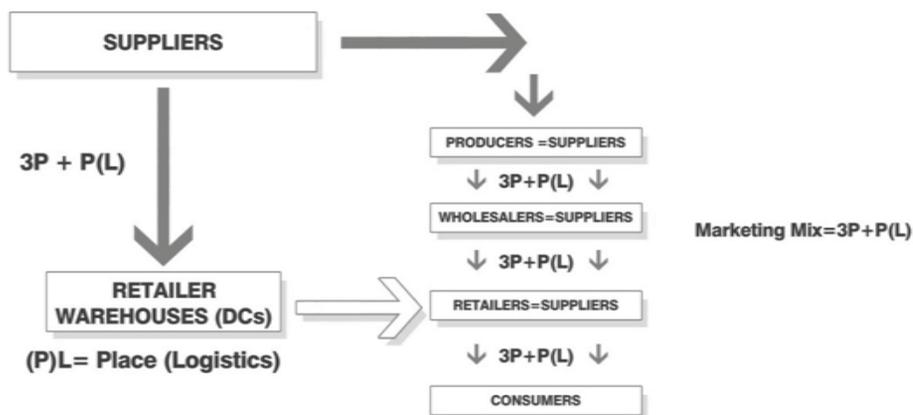


Fig. 3. Marketing Channel, Distribution Channel, Value Chain, Supply Chain and Marketing Mix Interfaces

Source: Author

This could be expressed as  $SCM = \text{Supplier Marketing Mix} [= (3P) \text{ and } P (\text{Logistics})] + \text{Manufacturer Marketing Mix} [= (3P) \text{ and } P (\text{Logistics})] + [\text{Wholesaler Marketing Mix} = (3P) \text{ and } P (\text{Logistics})] + [\text{Retailer Marketing Mix} = (3P) \text{ and } P (\text{Logistics})]$  (Figure1).

**5. INADVERTENTLY LUMPING ALL TYPES OF RETAILERS IN LOGISTICS SUBMIX ANALYSES IN DISTRIBUTION OR VALUE CHANNELS**

Pertinently, in most logistics analyses, not only the marketing subfunctions and their instruments are overlooked but also proper meaning, interrelatedness, and relevance of upstream and downstream marketing channel members such as retailers with suppliers and producers, etc., as well, e.g., one strikingly gross mistake committed in this respect is the erroneous lumping together of all types of retailers in one basket while dealing with transportation and destination calculations issues in logistics. On the contrary, there are significant and intricate differences among various types (formats) of retailing institutions, each of which requires different volume and frequency of transportation movement because of their different locations and sites. For instance, the number of hypermarkets are few as compared to the number of supermarkets or express stores or convenience stores which are widely dispersed around regions and throughout cities. Yet, in some countries, including Turkey, maybe because of figure of speech [13] or of mere omission, it is possible to

see examples of mistakenly lumping different retail formats such as hypermarkets, supermarkets, convenience stores, etc., under the misused term “market” when making logistics (distance, transportation, fuel, route, etc.) calculations as if all are just one type of retailer. Therefore, it is important that the exact classification and definition of the various types of retailers be known by all relevant parties.

**6. CHAOTIC CONFUSION WITH RESPECT TO CONCEPTIONS AND RELATEDNESS OF MARKETING AND LOGISTICS**

The logistic literature is laden with a plethora of chaotic confusion with respect to concepts and the relatedness of marketing and logistics. At the outset, one clarification is needed: as will be seen from the above and following explanations, references, and citations, until now most authors have fallaciously come to make a distinction between the term **marketing** and **logistics** in their comments. In some organization charts, perhaps for the sake of convenience, logistics is shown as a separate **function aside from marketing**.

As it will clearly be seen, this kind of separation or dichotomy should not be considered appropriate. Actually the two terms are interwoven

in all senses. For instance, according to Emerson and Grimm, Curtis and Poist, the connection and interdependence between **logistics** and **marketing** is critical to the delivery of customer service. Interfunctional coordination is important to the provision of outstanding **customer services** since both **marketing** and **logistics** activities are required [14].

Even today, for many academics, **marketing** and **logistics** are seen as indistinctly separate functions, at least on the surface. The term **marketing** is usually misused when discussing the issues of **logistics**. From another perspective, marketing is one of the business functions which comprises of two subfunctions or submixes [15]: "Obtaining demand" and "Servicing demand." **Obtaining demand** also covers "creating demand." **Servicing demand** is simply about distribution channels and logistics, not because they really are separate function, either in practice or in theory. Again, when making comparisons, the terms "**marketing**" and "**logistics**" are mistakenly used as if they are two different functions. In reality there is one function, that is, **marketing**, and Obtaining demand and Servicing demand are the two subfunctions of this **marketing** [16]. If a comparison is needed it should be done between these subfunctions, but not between **marketing** and **logistics** which is for the most part a misuse of terms.

## 7. EXAMPLES OF THE MISUSED TERMS "MARKETING AND LOGISTICS" AND THE RISE OF INTEGRATED SUPPLY CHAIN MANAGEMENT TO OFFSET THE NEGLECT

Many examples of misused "Marketing" and "Logistics" terms could be cited. For instance, in Bowersox, Closs and Cooper we see the traces of separation of logistics and marketing [17]. According to Emerson and Grimm,

"Organizations often succeed or fail depending on their levels of customer service which is nothing but about quality, Value Offer and its delivery submix [18]. Achieving outstanding customer service levels is complex and challenging because it involves interfunctional co-ordination, especially between the **logistics** and **marketing** functions. Improving physical distribution starts by closing the gap with customers. The entire

supply chain must understand and meet customers' requirements. An effective way to improve physical distribution is to integrate processes across the boundaries of all members of the supply chain." [19]

Rand and Poist also treated the two concepts separately:

"...The Supply Chain, as it is evolved today, represents a multi-entity system which involves integration of various interfirm and intrafirm business processes and functions. For this chain to operate successfully, co-ordination between the **marketing** and **logistics functions** will be one of the major prerequisites to make the supply chain concept a reality as well as a success." [20]

Emerson and Grimm further stated that without the successful link of **logistics customer services** and the **marketing customer services**, the firm may be unable to meet customer expectations, resulting in a dissatisfied customer and/or a lost sale [21]. While Emerson and Grimm mentioned the term "**customer marketing services**" they actually must have meant the "*obtaining demand activities*" of the **marketing customer services**. *To Emerson and Grim*

"It is clear that **logistics customer service activities** provide place, time, and form utility, by ensuring the product is at the right place, at the time the customer wants it, and in an undamaged condition. Likewise it is clear that **marketing customer services** facilitate possession utility by creating awareness of the product, offering a mechanism such as price, by which the buyer-seller exchange can take place, and often offering follow-up service and warranty on the product." [22]

They also mentioned the gap of previous research that has often examined customer service in the context of only one functional area, such as **logistics or marketing**. To them, limited attention has been given to the investigation of customer service, where both the **logistics** and **marketing** functions are integrated. They also referred to Mentzer, Gomes and Krapfel who have responded to this gap in the literature by providing a holistic customer service framework, which specifically defines the differences between, and integrates logistics and marketing services [23]. They elaborate on the Mentzer, Gomes and Krapfel's **holistic customer service** framework which

encompasses three *logistics service* dimensions (availability, timeliness and delivery quality), and price, product quality, sales support and warranty, as possible *marketing service* dimensions. Emerson and Grimm modified the Mentzer, Gomes and Krapfel (MGK) framework by adding an additional logistics dimension [24]. In this context, seven dimensions of customer service are indicated. Three are from *logistics*: 1. availability, 2. delivery quality, and 3. communication. Four are from *marketing*: 1. pricing policy, 2. quality, 3. product support-sales representatives, and 4. product support-customer service representatives [25]. Although the approach is right, here again the distinction between *marketing* and *logistics* terms is a misuse, if not wrong, since logistics should necessarily be included within the marketing function.

#### 8. THE TWO INADVERTENTLY FORGOTTEN SUBFUNCTIONS OF MARKETING

Maybe it is because some people over time tend to take some concepts and relationships for granted and lose sight of the core meanings, purposes and wholeness of marketing's two important subfunctions, that is, obtaining demand and servicing demand. This is exactly what frequently happens in the case of interpretations of marketing and logistics functions. Academics as well as practitioners, isolatedly, some without awareness, maybe with some professional bias, keep working with and dwelling upon marketing function and logistics as if there is no relatedness between them. This may be due to overspecialization and overconcentration on not only the theoretical sides but also on the operational sides of logistics. As a result, they may forget, or may not care or think of, for instance, the reason why a product is shipped as if that part of the process is of no concern to them. Yet, a product is shipped because the customer placed an order for it. In other words, order fulfilling is a part of the whole marketing process. Therefore the whole process of "obtaining orders" and "fulfilling orders" must be looked upon with an holistic view.

Worse than this is overlooking the breakdowns (the instruments, tools, means, etc.) of each subfunction and their further breakdowns as well. As a consequence, we need, off and on, a

redescription of these concepts in more simple forms in terms of their separate parts.

#### 9. COST OF OVERLOOKING THE DUALITY AND INTERDEPENDENCE OF MARKETING SUBFUNCTIONS

Logistics operations are responsible for the efficient and effective movement and handling of a firm's goods and services with the ultimate aim to minimize costs, to improve customer service and to create a competitive advantage [26]. Yet, there is a saying that "the devil is in the details," meaning that small things in plans and schemes that are overlooked can cause serious problems later on. Therefore, if the complementary nature and interrelationships of "obtaining demand" subfunction of marketing, retail marketing, and "servicing demand" (logistics) subfunction of marketing are not clarified and accentuated neatly, somehow overlooked, misperceived, or misused and temporarily forgotten, unintended but severe and costly mistakes could be committed. What if we do not know or overlook the interrelatedness of these two functions and their means of accomplishment? We can easily see what could happen if we just take a look into the relationships between the manufacturing, wholesaling, and retail firms (all of which in reality are marketers) that engage in logistics or outsource them from third party logistics providers. Setbacks or failures in the working of these dual subfunctions might create serious and irreversible problems. For instance, a well-worn example is the erroneous demand forecast or lack of timely information about inventories that might cause Bullwhip Effect or stockouts which might cause loss of sales and/or customers.

#### 10. PERSISTENT DICHOTOMY OF MARKETING AND LOGISTICS

According to Swensson, marketing and logistics were united at the beginning of the twentieth century, but the two disciplines were in part separated from each other during the evolution of the last century [27]. We see that most authors have come to misuse the terms marketing and logistics not only in the twentieth century but also in the new millenium. In other words, this dichotomy is still going on in many studies. However, long before Swensson mentioned it, the interdependence or interwoven nature of logistic

activities and the so-called marketing activities were established in the marketing literature, specifically by Lewis and Erickson [28].

### 11. RE-INTEGRATION OF THE TWO MARKETING SUBFUNCTIONS THROUGH THE RISE OF SUPPLY CHAIN MANAGEMENT

As Swensson noted, after a long-lasting divergence, in the 1980's the potential re-integration between the two disciplines from a logistics perspective emerged through Supply Chain Management (SCM) which is the integration of key business processes from end user through original suppliers, that provides products, services, and information that add value for customers and other stakeholders [29]. Even here, Swensson implied two separate disciplines instead of parts of one discipline, that is, marketing. Swensson, as well as other authors, had heralded in 2002 that SCM appeared to be a business philosophy that may contribute to re-integration of marketing issues in logistics theory and practice [30]. To repeat however, long before these developments, the traditional Functional School had adapted and acclaimed explicitly the interdependence of these functions [31].

As touched upon above, Lewis and Erickson had developed a simple but meaningful scheme for further integration and convergence of the two subfunctions such as *obtaining demand* and *servicing demand (delivery/logistics)* [32]. Yet, even they did not use the term "subfunction" for "obtaining demand" and "servicing demand" (delivery/logistics) entities. Nor did they articulate or emphasize the role of logistics in their work. This may be because they were interested in the issue of integrating marketing function with the systems approach. Unfortunately this dual subfunction [33] paradigm has not been deservedly pursued and put into *its proper place* until today. Despite the alleged re-integration of so-called marketing and logistics functions, separation still exists because of the existing professional bias either to the *logistics or supply chain submix* side or to the *obtaining demand* submix side.

Consequently, after so many years, we now see that even after this re-integration through the SCM indicated by Göran Svensson the interdependence of the two marketing subfunctions, especially that of the "obtaining demand" side overlooked by many practitioners

and academics in practice and theory. It is as if "obtaining demand" variables (3P) are swallowed by the "servicing demand" side or SCM part of the marketing equation. Because of serious and widespread misconception, ambiguity, confusion, unawareness and disproportionate indulgence in the "servicing demand" (logistics) side of the marketing subfunction, a clarification of the two marketing subfunctions is needed.

### 12. LEWIS AND ERICKSON'S DUAL MODEL OF MARKETING FUNCTIONS

Here again it might be proper to go over a long-forgotten scheme on the two dual marketing subfunctions originally created by the Functional School and crystallized by Lewis [34] and later developed further with Erickson [35].

As mentioned above, the idea is that there are two functions (purposes) of marketing as distinct from production and finance – to obtain demand and servicing demand [36]. The importance of the topic of this paper arises out of the inherent meaning of "function," especially in the context of business/marketing [37]. Lewis and Erickson cited that the term "function" that is asserted by McGary should be so defined as to meet the purpose for which it is used [38]. The key word here is the "purpose," which is nothing but the "function" itself.

From their approach as mentioned above we gather that the reasons why marketing exists as a business function are twofold: *obtaining demand* and *servicing demand (delivery/logistics)*. For them, these are the *raison d'être* of marketing. These two functions delineate the role of marketing in a firm. Lewis and Erickson stated that these functions are actually the output entities of the marketing system (i.e., its intermediate ends), whereas activities or instruments are the input of the marketing system (i.e., its means) [39]. Figure (4) outlines this functional approach described above.

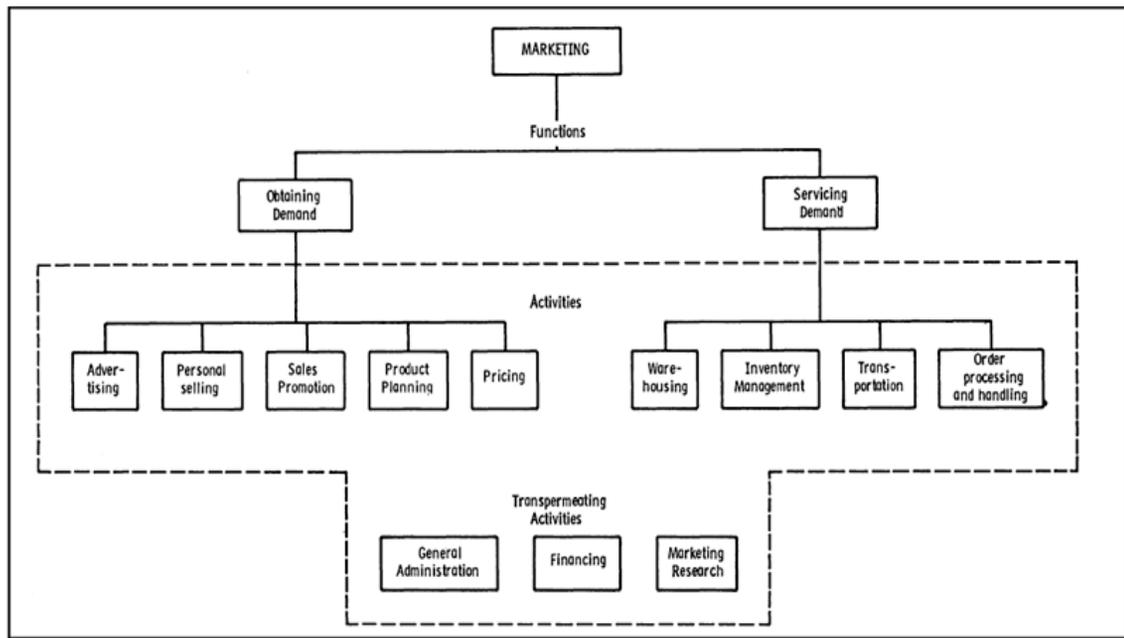


Fig. 4. Marketing Functions and Activites

Richard J. Lewis and Leo G.Erickson , “Marketing Functions and Marketing Systems: A Synthesis,” Journal of Marketing, Vol.33, (July 1969), pp .12.

According to Lewis and Erickson, all of the marketing activities we engage in marketing are to attain these ends. Herein lies the uniqueness of marketing’s role in the firm. **Obtaining demand** and **servicing demand** are inherent in the marketing process and clearly define the purposes for which marketing activities are performed [40]. Consequently, identifying the activities (means, instruments) of marketing function results with the identification of what marketing does (its ends). Lewis and Erickson stated

“...the main activities or means of marketing are advertising, personal selling, sales promotion, product planning and, pricing. The common function of these activities is to obtain demand for the firm’s goods and services. In other words, through these activities the purpose (obtaining demand function) of marketing is accomplished. The means or instruments of second function of marketing, that is, **servicing demand**, are inventory, warehousing, transportation, materials handling and order processing.” [41]

From these explanations we see that “servicing demand” is half of the marketing function. As a matter of fact the physical distribution function accounts for half of all marketing costs [42]. As is widely accepted today, the extended accounts for key **logistical activities**

are customer service, demand forecasting, inventory management, logistics, communications, materials handling, order processing, packaging and containerization, parts and service support, plant and warehouse site selection, procurement, reverse logistics, traffic, routing and transportation, warehousing and storage [43]. During the discussions on logistics the “downloading” and “uploading” processes are usually overlooked as important logistics activities. These kinds of digital logistic activities are usually carried through Web stores or e-tailers. In principle the same rules of offline logistics apply to the digital logistics. However digital logistics also serves the physical logistics processes.

### 13. BROADENED VIEW OF MARKETING FUNCTION: DUAL SUBFUNCTIONS MODEL

The authors who had tried to reintegrate marketing subfunctions [44] and systems approach in their article did not go into the depths of these two functions. They did not articulate adequately on the interdependence of marketing activities. Neither did they dwell upon the means of obtaining demand side nor on the means of *servicing demand* side of the said marketing functions. We see no emphasis on the role of *servicing demand* which is nothing but physical

distribution or logistics, not to mention the omission of many other logistics activities.

Consequently, setting out from their approach, a revised and improved version or adaptation of the dual functions, the roots of which go to the year 1990, is developed by the author [45]. Today, as a result of increased competition, tighter cooperation and collaboration across the distribution channels have become indispensable. As a matter of fact, keen competition and advances in information technology gave rise to development of the **win-win** philosophy along the distribution or value channel to hold together the channel members as a unified and collaborative team. Therefore, it is widely recognized that these two marketing subfunctions are reintegrated under the Supply Chain Management concept through the support and convenience of information technology. Even under this concept, **most authors continue to use the terms marketing and logistics as if they are separate functions.** Still, the improved and modified **Dual Subfunctions. A model** which is quite expressive is still needed, and it should always be kept in mind during all logistical analyses (Figure 4).

revised and enhanced Dual SubFunction Model carries the idea one step further for completion and it serves as a reminder during logistical studies. To the left of the figure the **”Promising”** or **”Obtaining Demand”** (selling, order getting, order taking) function takes place. In 1990 the author brought up the terms “promise” and “fulfilling promise” as descriptive alternatives for “obtaining demand” and “servicing demand” respectively [46]. Later on, in 2009, we see that Christian Grönross brought up the term **”promise management”** when discussing Relationship Marketing. Yet, he did not dwell upon the subfunctions of marketing. And in the same article Grönross pointed out that the “promise” concept was introduced in the early 1980’s in the marketing literature by Henrik Calonius which was partly found by an observation of Theodore Levitt [47].

The left part of the figure simply makes a **promise** to customers and/or prospects [48]; applying the 7R’s rule [49] “If you buy this product or service at the stated price, **I promise** I will **deliver** the correct product to you to the right place, at the right time, in the right amount, in the



Fig. 5. Broadened View of Dual Marketing Functions

Source: Adapted, Revised, and Expanded by Omer Baybars Tek; Lewis and Erickson , op.cit., p. 12.

Although these two marketing subfunctions seem to be replaced by SCM today, the Dual Subfunction approach could be regarded as the DNA of the modern SCM model. The modified,

right condition without any damage and for the right cost.” This **promise** is conveyed through delicate and *state-of-the-art* marketing communications (MARCOM) (advertising, public

relations, personal selling, sales promotion, direct marketing).

To the right of the figure “servicing demand” takes place which is nothing but logistics. Here only the details of the “servicing demand” or “logistics” side of the equation will be elaborated on and details of price, promotion and product and service part of the marketing mix will be touched upon as far as they are related to logistics. And the minute demand is obtained upon *promise* by the firm the **Logistics function** and its instruments (means) sets in motion to deliver the *promise* to customers immediately. Therefore, *logistics* serves as a function that helps keep the *promise* of the firm [50]. *Servicing Demand (Keeping the Promise) is in essence physical distribution or logistics.*

Logistics outcome is the most important output of marketing through which customer service and satisfaction could be completed. This is true especially for those aspects of customer service that are a direct function of the logistics system, including: Time from order receipt to order shipment, Order size and assortment constraints, percentage of items out of stock, percentage of orders filled accurately, percentage of orders filled within a given number of days from receipt of the order, percentage of the customer orders that arrive in good condition, order cycle time (time from order placement to order delivery), ease and flexibility of order placement, delivery quality, inventory reliability, inventory backup during promotions, availability, rush service, protective packaging; these logistical services and many others often quantified and utilized as Logistical Service Standards. In general, the higher the service standards offered, the higher the costs will be. Because of these what counts are the types and levels of logistics service desired by the channel members, especially by the final consumers [51]. Evidently, companies that have the right goods, in the right place, at the right time, in the right quantity, and with the right support services are able to sell more than competitors that do not [52].

If the customers' orders are continuously fulfilled right, the same customers will keep coming back to the stores and/or keep buying the same brands. Therefore, it is the logistics (servicing demand/fulfilling promise) excellence, as well as the quality of “demand obtaining” activities that give rise to repeat customers. As a matter of fact, it is the whole value offer (4Ps),

including logistics, that constitutes a “**promise**”. The more customers are satisfied the more they return to the same firm.

A similar view was stated by Leonard Berry in 1995 [53]. Consequently, continuously updated efficient and effective logistics will be the main trigger and vehicle of lasting strategic relationship with the “brand insisting” loyal customers, creating *love brands* and customer equity for years to come. This is nothing but Relationship Marketing. Yet, in order to get these results the firm needs to be prepared ahead of time. It is these early preparations that set a firm apart from the competition. Logistics (value delivery), in addition to other variables, is one of the most important means of differentiations which is the essence of marketing value offer creation. Planning an efficient physical distribution system is crucial to developing an effective marketing strategy because it can decrease costs and increase customer satisfaction. Speed of delivery, service and dependability are often as important to customers as costs [54]. Nevertheless it should be remembered that “promising” and “keeping the promises” may not always accomplish lasting relationships; they may also take place and remain only as one-time transactions.

#### 14. ETHICS AND SOCIAL RESPONSIBILITY ASPECTS OF KEEPING THE PROMISE OR DELIVERING THE PROMISE

The company and all other actors in business operate in a larger macro environment of forces that shape opportunities and pose threats to the company. These are demographic, economic, technological, political, cultural, natural and ecological forces [55]. It is already proven that natural forces and ecosystem can no longer be ignored in business and marketing decisions. The value offer (4Ps) concept mentioned above now intensively includes the natural environment factors.

The definitions of marketing mostly point out to the fact that marketing is a philosophical orientation to the practice of doing business. These definitions do emphasize the satisfaction and value that customers, clients, partners, and society realize due to marketing actions. And the trend is towards the evolution of ecologically responsible behavior which is the inherent outcome of environment

based approach to marketing [56]. As it is well known, all efforts to produce, promote, package, distribute, consume and reclaim products in a manner that is sensitive or responsive to ecological concerns eventually spawned the so-called Green Marketing movement [57]. This definition of Green Marketing recognized the need to consider production, distribution and reclamation of products as integrated components of the marketing effort. Adoption of Green Marketing benefits many stakeholders and particularly the supply chain members [58]. Increasing concern for the natural environment also extended to environmental sustainability [59].

The explanations made earlier on marketing subfunctions clearly underlines the ultimate aim of serving and enhancing people's welfare from individual business and marketing transactions perspectives. Today it is widely recognized that ethical behaviors are **sine quanon** of lasting or sustainable relationship between firms and between the firms and final consumers. Effective Internal Marketing must be matched by a strong sense of ethics, values and social responsibility [60]. "Keeping the promise" is not simply a concern for business, marketing and logistics. Keeping the promise is inherently a matter of integrity, ethics and social responsibility for everyone. It is the essence and basic philosophy of all exchange relationships. "Delivery/logistics (fulfilling promise) subfunction" of marketing is one of the most important, may be the ultimate, customer-facing processes which won't tolerate wrong-doings at all in supply chain or elsewhere. "Keeping the promise" or "delivering what is promised" is about the integrity of the promising entity or promiser and it is also harbinger of the rising value era in new millenium which is based on higher customer or human oriented ethical and social responsibility principles. Therefore, logistics encompasses broader areas than the supply or value chain activities of individual businesses and individual ethics and extends to the social responsibility of businesses. Green Marketing" and its main component, "Green Logistics," themselves are the broader and more ulterior promise of businesses to the environment and humanity in general which have recently started to be explicitly included in the agendas of businesses and those of non-profit organizations.

In fact, Timothy H. Overstreet, president of the The International Society of Logistics

(SOLE) which is established in the year 1966, clearly brought forward the importance of ethics and socially responsible behavior in logistics [61];

"...I deeply believe that logistics actually has the power to transform communities, societies and nations. While logistics encompasses transportation systems, developing better packaging to reduce breakage, conducting logistics support analysis, influencing engineering designs for maintainability, shrinking resource requirements through optimized supply chains, or improving embedded diagnostics – it is much more. It takes an effective logistics system to distribute crank-powered computers to impoverished Central African children; efficient logistics ensures that equipment and medicines safely and affordably arrive on time for volunteer doctors performing field surgery to restore sight to the elderly in Southeast Asia..."

To explain the ethical and social responsibility aspects of logistics Timothy H. Overstreet referred the SOLE's Professional Pledge in brief [62];

"...recognize a deep obligation to humankind to help conserve the world's resources and increase the efficiency of business methods, industrial processes and public services.

...acknowledge a duty to use all the knowledge and skills at our command to assure that the basic necessities of human life – food, health care, education, energy, housing and public services – are efficiently produced and distributed in the required quantities at an equitable cost.

...recognize an obligation to help increase the effectiveness of logistics management, raise the productivity and reduce the costs of industrial and public service support systems, and develop and conserve scarce material resources for the benefit of all humankind.

...resolve to undertake vigorous promotion of progressive programs, in cooperation with educational and other institutions in all lands, to improve the knowledge, skills and social awareness of logisticians, educators and executives in the efficient management of physical and human resources.

...resolve to exercise professional vigilance in the quality, reliability and safety of products and services to sustain civilized life.”

By separating the subfunctions as such , Revised Dual Sub-functional Model Approach may also help delineate and single out the boundaries of Green Logistics to be treated in a more focused manner.

15. FURTHER BROADENED VIEW OF DUAL MARKETING SUBFUNCTIONS

The same scheme could easily be adapted and extended to all types of Value Chain members, including retailers’ marketing function for all retailing formats.

The retail firms as well as manufacturers, through means of marketing communications, make promises to customers or prospects to sell certain goods or services from agreed upon prices and deliver them, at the right time when customers want, in the right amount, without any damage, to the right places where customers prefer. This view replaces or expands the “Obtaining Demand” concept to “Managing Demand” [63] which covers “Obtaining Demand” (new customers), Retaining Demand (retaining existing customers), growing demand (share of wallet) and transforming demand. Apparently, since this new approach shows the aims of Customer Relationship Marketing , it is also linked to the implied Relationship Marketing concept (Figure 6).

To the right the logistics subfunction which supports and accomplishes “order fulfilling” takes place . Here customers’ orders could be taken and met through four different ways: (1) After the sale, the logistics departments of producers or retailer stores transport and deliver directly with their own logistical means (fleets, trucks, mail, store sales areas, etc.) whatever they promised to customers. In other words, firms transport and deliver the ordered (sold) goods to the customers’ address either through the firms’ own truck fleet or through the firms’ contracted freight transportation service firms upon the customer’s visit and order made in the store, or (2) on behalf of producers and even sometimes for some retailers, the outsourced Logistics firms deliver whatever is promised. (3) customer visits the place of business or retail store, pays for his or her order, and takes his/her order. Here, selling and delivery (receiving) are simultaneous. (4) Order is placed through telephone, Internet, mail or e-mail and the goods sent to the address through the firm’s contracted (Outsourced) freight transportation service firms .

The Broadened Dual Subfunctions Model scheme could also be explained through the marketing Mix (4Ps) and 4Cs concepts [64] shown in Figure (1) above.

Actually the 4P’s figure is no different than the dual subfunctions of marketing. Here the above mentioned three Ps (product and service,

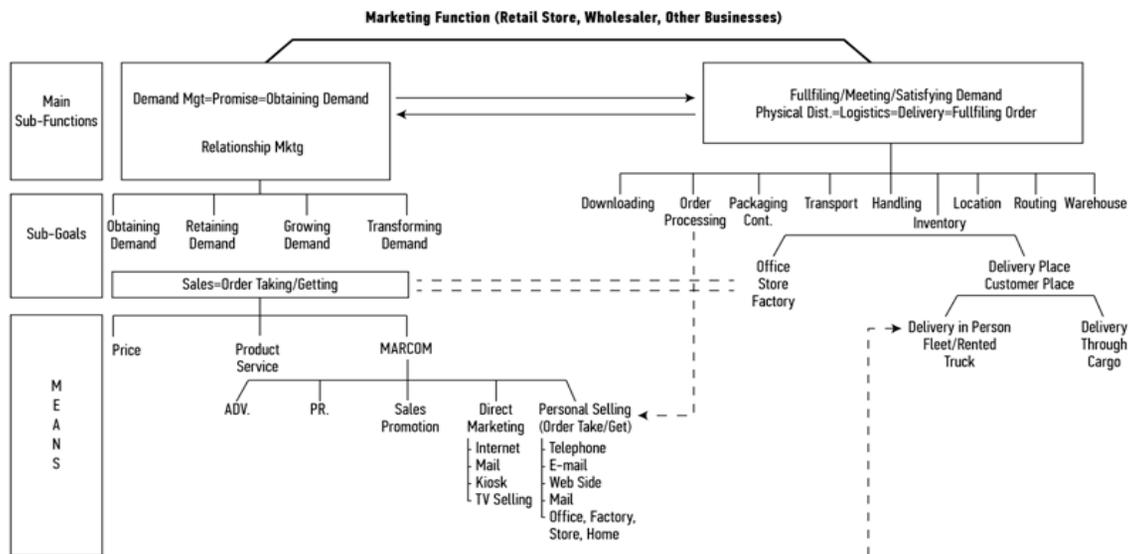


Fig. 6. Further Broadened View of Dual Marketing Subfunctions

Source: Author

price and promotion submixes) comprise the *obtaining demand* side of the marketing function whereas *Place* variable or submix (the **4th.P**) represents the servicing demand (*distribution and logistics*) part. From this 4Ps perspective, logistics could be regarded as a quarter of whole marketing.

The breakdowns of the means of these two subfunctions are of utmost importance, especially in order to clarify and relate the practitioners' logistics activities and concepts across proper instruments (means) of logistics function.

## 16. RELEVANCE OF LOGISTIC SERVICE FIRM'S MARKETING POLICIES

Last but not least, the Logistic service firms' marketing policies and implementations are also relevant in this discussion. Simply, both industries (producers, wholesalers and retailers) and logistic service firms (3rd Party, etc.) are bound to be engaged in marketing and its constituent logistics. In other words, the broadened view of marketing function or the Dual Subfunction Model is equally applicable here.

In addition, the logistics firms also need to find customers and prospects to sell (contract) their services through marketing functions. Although they may not call themselves such, in this context logistics service firms are marketers as well, more than the producers, wholesalers and retailers calling themselves logistics firms. Therefore, the two sectors are inseparable, as close as two coats of paint or hand in glove. The logistics departments of the manufacturing firms or the outsourced Logistics firms (3PLs) deliver whatever is promised. As mentioned above, the production firms, through means of marketing communications, make promises to customers or prospects to sell certain goods or services from agreed upon prices and deliver them, at the right time when customers want, in the right amount, without any damage, to the right places.

## 17. CONCLUSION

In conclusion, this article treats the basic marketing and logistics issues in a simplified, yet new manner. Through this dual subfunction model, the DNA of marketing function is unwrapped at large. The detailed components or instruments of logistics subfunction, including electronic logistics, is provided. The study is intended to bring forward

a long dormant subfunctional approach that might shed some light and serve future logistics analysts who find themselves lost in the maze of complicated supply chain programs. It is also a reminder of the connection between marketing mix (value proposal), retailing mix and logistics. An important innovative concept that is tied to the issue is offering "making promise" as an alternative to the "obtaining demand" subfunction, and replacing "fulfilling demand" or "logistics" subfunction with the "Keeping promise." In light of the subfunctional approach, the model expands towards an environmentally affective and more ulterior direction which is "the green marketing and logistics promise". It does also briefly touch upon the steps taken for the fulfillment of the "green logistics promise". It is believed that future logistics writers will find it easier to build on the premises and road map of the revised Dual Subfunctional Approach. It is recommended to keep this road map available while engaging in any logistics study.

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