In the previous two chapters, I offered guiding principles to managers operating in turbulent times and encouraged managers to maintain momentum and focus. I now want to discuss how to push market boundaries with new products to generate growth. In the first chapter, I noted that these growth strategies are not only appropriate to organizations marketing in turbulent times but are also suitable for any situation within which generating growth is a primary goal. Therefore, the strategies for growth I outline in this book encompass responding to the current turbulent times and creating turbulence when the economy is out of recession.

But before I begin to outline growth strategies that push product-market boundaries, I need to pause and reflect upon the concept of a market. A market is one of those terms that we all seem to understand but, at the same time, never really stop to define:

Images of the market, the concept of the market, what the notion of a market evokes does not seem to bother those who refer to it frequently. They appear to know the meaning of it. But once you think deeply about markets it seems that there are different points of view (Snehota 2004, p. 15).

I will use this chapter to trace the origins of the term market before discussing their treatment within marketing.

ECONOMICS

To understand what we mean by market development, it is important to first consider how a market is viewed in neo-classical economics, a discipline from which marketing emerged.

To an economist, a market is primarily seen as a place to efficiently allocate scarce resources. Remember Economics 101? Here, we were taught to draw supply and demand curves, and declare the market in
equilibrium if the quantity demanded by buyers at a particular price equaled the quantity sellers are prepared to produce at the same price. Therefore, to economists, the interest in markets themselves is more an interest in the price needed to clear a market.

If we take this a step further, then we assume that price conveys all meaning to buyers and sellers in the market and so all that buyers need to know before making a purchase is the price the product will sell for. Similarly, all sellers need to know before producing a product is the price it will likely fetch in the market. Sellers might compete on the basis of price and buyers may enter into price negotiations, but price is all that is required for a transaction to occur.

Because economics encourages us to focus on buyers, sellers, and the price required for a transaction to occur, economists do not pay much attention to the role of suppliers, strategic alliance partners, stockholders, and other stakeholders who make up the network around the organization that can influence the way the organization performs. Furthermore, economic analysis focuses on one-off transactions, not long-term relationships between buyers and sellers, a concept that is very important to marketers.

In addition to the factors I have outlined above, there are a number of other hallmarks of neo-classical economics that influence the way in which markets are believed to work. I have outlined these below and provided appropriate counterpoints along the way.

Economists maintain that buyers and sellers behave rationally and that each makes decisions to maximize his or her utility or satisfaction. These decisions are based upon full information about the price, the products being sold, and the capabilities of the organizations selling the product. In reality, we don’t know a lot about an organization when we enter into a transaction with it. Even if we read about the organization, we know we will never find out everything about it. We also know that we do not have a computer-like ability to process information and, in fact, we can only process a limited amount of information at a time – this is something Herbert Simon called bounded rationality (Simon 1957). The following example puts an economist’s view of an individual’s computational power in perspective:

If two rational people played a game of chess, there would be a period of silence of about two hours while each player worked out all the moves. After two hours, one would resign (Anon 1994).