On the Origins of Marketing Systems

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The beginnings of trade are lost in the mists of time, but the origins of marketing systems may be found in antiquity. The study of ancient marketing systems are important because some ageless practices occurring during the historical transformation from bartering (goods exchanged for goods) to marketing (goods exchanged for money), such as sedentary retailing, promotional branding, competitive pricing, and commercial advertising, continue to impact civilization into the present. Moreover, the same ancient criticisms of deceptive trade practices, high prices, adulterated foods, defective goods, and both excessive and intrusive advertising, along with the resulting calls for better laws to regulate marketing practices are still with us today.

Compared to the earliest silent trade and later transitory or occasional markets based on barter exchange, the greatest innovation in the long history of trading, from the Stone Age to modern times, was undoubtedly the concurrent development of (1) central marketplaces, (2) sedentary retailers, and (3) coined money. These three ingredients coalesced to produce the earliest marketing systems. First, central markets matched a seller's supply with a buyer's demand based on a competitively bargained price. Second, sedentary retailer stands, stalls and shops allowed customers to buy in small quantities, reduced travel, search and negotiation costs, and provided ready outlets for supply chains to generate bulk transactions. Third, the invention of coined money served as "a generally accepted and commonly used medium of exchange, store of value, unit of account and means of payment" (Shaw 1995, p.12). Central marketplaces with sedentary retailers using coined money combined to routinize transactions with such incredible efficiency it produced a revolution in retail marketing that rapidly spread across the civilized world.

This new and improved trading practice – now called marketing – despite producing massive gains in economic efficiency was largely taken for granted by consumers except for frequent criticism of its practitioners and practices (Mulvihill 1983) throughout the millennia until the turn of the twentieth century when it became an academic field of study (Bartels 1962). The purpose of the present work is to explore the developments that revolutionized trade and created the earliest marketing systems.

First, a few definitions to clarify key terms (Shaw 2009, 2010, 2014): (1) A *system* is a set of interrelated elements that form a unified whole to achieve a goal. (2) A *marketing system* is the set of interacting firms and households that form channels of distribution to achieve market transactions and transvections. (3) A *transvection* is the set of market transactions from the original seller of raw materials, including all sorts and transformations, through intermediate purchases and sales, to the final buyer of a finished product or service. (4) An *aggregate marketing system* consists of all channels/transvections forming, in process or ending, in a given time, say a year, at a given place, say the USA. (5) *Efficiency* (or productivity) is a ratio of outputs divided by inputs.

In searching for the historical roots of marketing systems, Shaw (1995, p.12) cites Herodotus (c. 484-435 BCE), the "Father of History," who stated: "The Lydians [seventh century BCE] were the first people we know of to use a gold and silver coinage and to introduce the retail trade;" in contrast, "the Persians have no markets for buying and selling." Aristotle (c. 384-322 BCE; cited in Shaw 1995, p.12) noted that coined money was the main ingredient separating bartering from marketing: "When the use of coin had once been discovered, out of the barter of necessary articles arose the art of money-making, namely the retail trade…as men learned…by what exchanges the greatest profit might be made." Because goods do not offer the store of value that money does, the motivation for trade was different. Bartering involves mostly the exchange of necessities between parties. Money represents not just a medium of exchange and unit of account but also a store of value (Shaw 1995) and the motive for marketing is profit. "Whatever a person saves from his revenue he adds to his capital," as Adam Smith (1776, p.321) observed, and capital accumulation for people and nations is the "path to wealth."

Population growth in Greek cities resulted in increasing specialization in the crafts leading to increased specialists in exchange. Undifferentiated traders bartering goods for goods started specializing into various types of retailers, buying from specialized wholesalers, and re-selling to household consumers. Plato (c. 427-348 BCE) explained the logic of markets in terms of efficiency. Noting "It is inefficient if a farmer or artisan brings some of his produce to a market at a time when no one is there who wants to exchange with him. Is he to sit here idle, when he might be at work?" (cited in Shaw 1983 p.147). "No!" declares Plato explaining the value of retailing with time and place utility. "There are people who have seen an opening here for their services…shop-keepers…they have to stay where they are in the marketplace and take goods for money from those who want to sell, and money for goods from those who want to buy (cited in Shaw 1983 p.147)."

Also noting the emergence of money-based trade in Greece during this period, Nevett and Nevett (1987, p.1) argue that "there is sufficient evidence, particularly from archeology, to indicate that [Athenian] traders were indeed involved in marketing practices." They also state conditions conducive to shifting from bartering to marketing, "the growth in population, the rise of the polis (city), the setting up of colonies and the emergence of coinage in the 7th and 6th centuries [BCE]" (p.4). Colonies served as markets and as transshipment points to the continental interiors of Europe, Asia and Africa.

This transition from bartering to marketing is also evidenced in Dixon's work. In Homeric times (c, 8th to 7th centuries BCE), Dixon (1993, p. 231) writes: "The Odyssey mentions Phoenician merchants who exchanged trinkets for local products but this trade took the form of barter and values were expressed in numbers of oxen." But over the next two centuries: "As trade expanded, barter began to be replaced by a money economy;" and Dixon (p. 232) comments, that it was "not until the end of the fifth century that silver and bronze coins became widely available to serve as the small change needed for retail trade." For several centuries, the Athenian "owl," a four drachma silver coin, served as a reserve currency (Durant 1939), to denominate foreign currencies, much like today's U.S. "dollar."

The most cosmopolitan market in the ancient world, and likely the earliest, was the Agora, the central marketplace in Athens from the 6th century BCE. Citing contemporary sources, Dixon (p.239) provides a description: "It was a large open space, about 200 meters east and west and about 250 meters north and south." Retailers were clustered "by product category, such as fish, meat, perfume, flour, incense, cheese, homey, wine, oil, and slaves" (p.240). Around the periphery, the Agora was crowded with craft shops. Sellers realized the advantage of location–closer to the market meant more foot traffic. Within the marketplace, "sellers went about crying their wares" (p.239). Crying (a cross between talking and singing) was a very early form of advertising (not unlike radio or early television commercials of the 20th century). One graffiti-written advertisement also likely cried in the market:

> For eyes that are shining for cheeks like the dawn, for beauty that lasts until girlhood is gone.
> For prices in reason the woman who knows, will buy her cosmetics at Aescalyptos.

The Agora was hustling and bustling all day long, opening early in the morning and closing late in the evening. Prices were supposedly fixed but price haggling was more common. The Agora was mostly for servants doing the household's shopping and men socializing, higher-class women seldom ventured into the market (Dixon 1993). Several Platonic dialogues have Socrates and his students strolling through the Agora showing that people knew more about buying goods than living a good life.

As with most cultural diffusion of innovation, it was the extraordinary efficiency of marketing systems, probably starting in Athens during the 6th century BCE, which caused their rapid spread by merchants around the Mediterranean Sea and then along ancient trade routes to the Mid-East, India, China, and the rest of the civilized world. Marketing practices developed in antiquity (e.g. promotional branding, sedentary retailing, shop signs, competitive pricing and commercial advertising) involve the same marketing mix ingredients found in the present day, but for improvements in technology.

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