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The Present Status of The Marketing Concept

CARLTON P. McNAMARA

The marketing concept is a term which pervades marketing literature and provides a framework in which marketing management is taught. However, little empirical evidence exists on how well practitioners have implemented the concept. The author performs service to marketing practitioners and academicians by exploring the "track record" of American industry in implementing the marketing concept.

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FOR the past two decades, the "marketing concept" has been a popular topic in business publications, conferences, and management development seminars. Most of the early marketing concept literature concentrated on explaining the need for companies to devote more time and effort to the requirements of their customers.¹ Once convinced of the need for a customer orientation, attention then turned to a more effective approach to the marketing function.

While most articles, conferences, and seminars on the subject still only briefly discuss the importance of adopting customer and profit orientations, they concentrate more heavily now on methods designed to implement the concept. In addition, a plethora of articles on the implementation of the marketing concept have appeared in the business literature.²

In view of emphasis placed on the marketing concept in the past, one would expect it to have been widely adopted by the business community. The current study attempts to reveal the extent to which the marketing concept has been accepted and implemented by U. S. business firms.³

¹Louis A. Allen, "Integrated Marketing: The Customer Knows Best," *Dun's Review and Modern Industry*, Vol. 73 (January, 1959); Fen K. Doscher, "Sales Managers are Product-Minded, Marketing Managers are Customer-Minded," *Printer's Ink*, Vol. 262 (March 14, 1958); "New Marketing Concept at Westinghouse: Decentralize and Study the Consumer," *Printer's Ink*, Vol. 262 (January, 1958); "The Spenders, Evidence that Our Consumer is King," *Printer's Ink*, Vol. 273 (November 11, 1960).

²Henry Bund, "How to Get the Marketing Show on the Road," *Industrial Marketing*, Vol. 42 (July, 1957); Arthur P. Felton, "Making the Marketing Concept Work," *Harvard Business Review*, Vol. 37 (July-August, 1959); Charles E. St. Thomas, "A Basic Guide to Marketing for the Smaller Company," *Industrial Marketing*, Vol. 44 (June, 1959); Wendell R. Smith, "Marketing Strategy: What Preparations should Precede the Marketing Concept?" *Printer's Ink*, Vol. 264 (September 26, 1958); John E. Wakefield, "Marketing Concept: Three Steps Are Necessary to Put It to Work," *Printer's Ink*, Vol. 264 (September 19, 1958).

³Two related research studies are Hector Lazo, "Big Business Gives Big O.K. to Marketing Management," *Sales Management*, Vol. 81 (November 21, 1958), and Richard T. Hise, "Have Manufacturing Firms Adopted the Marketing Concept?" *JOURNAL OF MARKETING*, Vol. 29 (July, 1965), pp. 9-12.

Hypotheses

Two major hypotheses were tested in the study:

1. Consumer goods corporations have tended to accept the marketing concept to a greater degree than have industrial corporations.
2. Large corporations (over \$150 million annual sales) have tended to accept the concept to a greater degree than have small (\$10 to \$19 million) and medium-sized (\$20 to \$150 million) corporations.

Methodology

For purposes of this study, the marketing concept is defined as a philosophy of business management, based upon a company-wide acceptance of the need for customer orientation, profit orientation, and recognition of the important role of marketing in communicating the needs of the market to all major corporate departments.

This study examines a random sample of 1,492 companies selected from the 21 manufacturing industry classifications in Dun and Bradstreet's *Million Dollar Directory—1969*. The survey was restricted to companies with a net worth of at least one million dollars; domestic subsidiaries of domestic corporations were not included in the survey. The sample included 498 small companies, 494 medium-sized companies, and 500 large companies. Data collection involved a mail questionnaire sent to the company presidents and telephone interviews with nonrespondents. Respondents indicated they were predominantly company presidents and chief marketing executives.

Statistical analysis of the subsample data revealed significant difference between the mail and telephone samples. Thus, responses were combined, yielding 640 responses (43%) for final analysis, which included 153 small companies, 276 medium-sized companies, and 211 large companies.

Data analysis consisted of computing an arithmetic mean and standard deviation for the five major sample groups. Student *t* test was employed to determine the significance of the differences between the sample means from each group.

Each completed questionnaire was given a marketing concept score according to a system developed for this survey. A distinction was made between two major dimensions of the marketing concept. *Adoption* of the concept refers to whether a company has embraced the concept's philosophical implications for business management. The specific organizational methods for incorporating this philosophy into actual business practice are viewed as the *implementation* of the concept. Separate criteria were used to rate each of these aspects. They are presented in Table 1, together with their specific dimensions which were used to compute the marketing concept scores. All major criteria were equally weighted due to the dearth of published research materials on their individual importance. However, certain individual elements within several criteria were weighted differentially according to their perceived level of importance.

TABLE 1
ADOPTION AND IMPLEMENTATION CRITERIA

A. Criteria of Adoption	
1. Training programs	
a. University executive development programs	4
b. Special lectures (consultants and academicians)	3
c. Company-run meetings and conferences	2
d. On-the-job training	1
Total points	10
2. Departmental emphasis at the home office	
a. If just marketing is checked	10
b. If marketing and another department(s) is checked	5
c. If marketing is not checked (only one was checked)	0
Total points	10
3. Departmental emphasis at the product division level (same interpretation as above)	
Total points	10
4. Business backgrounds of key individuals and groups	
a. One point was assigned for each marketing background checked	10
Total points	10
5. Committee membership of top marketing executive	
a. Board of Directors	4
b. Executive Committee	3
c. Finance Committee	2
d. New Product Planning Committee	1
Total points	10
Total Adoption Score	50
B. Criteria of Implementation	
1. Organizational status of the top marketing executive	
a. If his formal title denotes the organizational rank of:	
1. Vice president or higher and	5
2. Includes the word marketing in place of sales	5
Total points	10
2. Integration of the marketing department(s) at the home office and product division levels	
a. Each marketing activity was weighted equally (1/4 pt.)	
Total points	10
3. Coordination of the marketing department(s) with other major departments at the home office and product division levels	
a. Each method of coordination was weighted equally (1 pt.)	
Total points	10
4. Coordination of activities within the marketing department(s) at the home office and product division levels	
a. Each method of communication was weighted equally (5/8 pt.)	
Total points	10
5. Scope of the marketing research function	
a. One-third point was assigned for each research activity either performed by the company or outside firm.	
Total points	10
Implementation score	50

Correction factors were used in evaluating each questionnaire to insure that the scoring system did not produce biased results. For example, the responses to a

TABLE 2
FREQUENCY DISTRIBUTION—MARKETING CONCEPT SCORES
BY PRODUCT TYPE AND COMPANY SIZE
(N = 640)

Score	Consumer ^a (N = 263)	Industrial ^a (N = 377)	Large ^b (N = 211)	Medium ^b (N = 276)	Small ^b (N = 153)
10-19	3	6	0	3	6
20-29	15	29	11	23	10
30-39	28	81	25	53	31
40-49	57	107	52	70	42
50-59	75	102	64	77	36
60-69	56	39	34	38	23
70-79	24	13	22	10	5
80-89	3	0	3	0	0
90-99	2	0	0	2	0
	263	377	211	276	153

(^a. $t = 4.81$, $p < .05$; ^b. $t = 6.87$, $p < .05$)

national pretest revealed a tendency for smaller companies to operate primarily from their corporate headquarters; whereas, larger companies generally operate on a decentralized basis, with only a limited corporate staff at the home office. Therefore, greater emphasis was placed on the home-office operation of the smaller companies and to the product divisions of the larger firms. Second, the pretest also revealed that large corporations operate with more key executives and company groups than do the smaller firms. As a result, responses were scored as a percentage of the number of executives and groups used by the company.

Results

Significant differences between the sample means of each major research group were verified by a series of *t*-test comparisons. The results are presented in Tables 2 and 3 according to product type, company size, and type of industry.

These results support the first hypothesis that consumer goods companies have accepted the marketing concept to a greater degree than industrial goods companies. The findings indicate significant differences between large, medium, and small firms, thereby supporting the second hypothesis. Table 3 illustrates the differences that exist between the 21 industries in the study. It is now possible to analyze specific results pertaining to each scoring criterion.

Adoption Findings

Orientation Programs

One of the key steps in adopting the marketing concept is the development of a complete internal educational and communications program. Table 4 presents responses to the question, "Which employee training programs does your company use which are aimed at the marketing concept?" First, it can be seen that there

is heavy reliance on company-run orientation programs. However, large companies utilize university executive development programs to a greater extent than do medium or small companies. Second, consumer and in-

TABLE 3
MARKETING CONCEPT SCORES BY INDUSTRY

Industry	No. of Companies (N = 640)	Mean Score
1. Apparel	20	58.16
2. Furniture and Fixtures	12	54.63
3. Rubber and Miscellaneous Plastics	11	54.16
4. Lumber and Wood Products	13	53.06
5. Stone, Clay, Glass, and Concrete Products	17	52.44
6. Chemicals and Allied Products	44	52.27
7. Machinery	42	51.87
8. Miscellaneous Manufacturing	24	51.23
9. Food and Kindred Products	75	50.41
10. Paper and Allied Products	26	50.08
11. Leather and Leather Products	6	49.48
12. Electrical Products	54	49.03
13. Transportation Equipment	21	48.94
14. Fabricated Metal Products	78	47.83
15. Printing, Publishing and Allied Industries	25	47.53
16. Instruments, Photographic and Optical Goods, Watches, and Clocks	9	46.99
17. Multi-Industry	62	46.63
18. Petroleum Refining and Related Industries	17	46.38
19. Primary Metal Industries	39	46.29
20. Textile Mill Products	23	45.28
21. Aerospace and Defense	22	40.77

TABLE 4
ORIENTATION PROGRAMS AIMED AT THE MARKETING CONCEPT
(N = 640)

Program	Consumer (N = 263)	Industrial (N = 377)	Large (N = 211)	Medium (N = 276)	Small (N = 153)
Company-run meetings and conferences	76%	71%	80%	77%	62%
On-the-job training	66	62	69	64	59
University executive development programs	27	21	44	17	13
Special lectures (business consultants)	19	20	25	17	14
Other	9	5	4	7	6

TABLE 5
COMMITTEE MEMBERSHIP OF WHICH THE TOP MARKETING EXECUTIVE IS A MEMBER
(N = 240)

Committee	Consumer	Industrial	Large	Medium	Small
	(percentage of membership)				
New product planning	65%	63%	52%	72%	76%
Executive	43	39	31	49	50
Board of Directors	41	29	28	46	39
Finance	9	6	8	9	11

dustrial companies use a similar mix of orientation programs. Ideally, there should be a multidimensional program that reaches all employees and educates in a variety of ways.

Committee Membership of the Top Marketing Executive

The role of top marketing executives is indicated by their participation in committee work. As a member of important committees and groups, the chief marketing executive is in a position to bring the customer point of view to top management decisions. Respondents were asked, "Is your top marketing executive a member of the following committees or groups?" These answers are presented in Table 5.

Generally, the top marketing executive is accorded higher status committee membership in the consumer company than in the industrial firm. The lower percentages of large companies may result from their decentralized marketing organization.

Business Backgrounds of Key Individuals and Groups

The marketing philosophy does not imply that all men in top management must have marketing backgrounds; however, it is essential that top executives be customer oriented. It is believed that executives having marketing experience have been closer to the consumer and should have this philosophy. Therefore, companies were asked to describe the primary business background of key individuals (Table 6). The findings confirm the view that the marketing concept is a dominant element in

many businesses; therefore, marketing men are favorite choices for key company positions.

Several conclusions can be drawn from the data in Table 6. First, individuals with a marketing background hold more key positions than those possessing other business backgrounds. Second, the data revealed that the trend appears to be stronger in consumer than in industrial companies. Precise measurement of differences between consumer and industrial companies is difficult because of the mixed boundaries between the two categories. However, the evidence indicates that a greater proportion of key company positions staffed with marketing men is found among consumer companies and firms with a substantial consumer business. Third, the business background of key individuals and groups for large, medium, and small companies is very similar.

Major Departmental Emphasis

Particular departments may be emphasized more in overall company efforts, depending upon corporate philosophy, stage of company growth, and the nature of products and markets. Respondents were asked to describe the departments which are most emphasized within their home office. Their answers are presented in Table 7. Several observations can be made concerning these findings. First, a clear majority of consumer and industrial companies name marketing as the most emphasized business function at both the home office and the decentralized product division. This trend is true for the large, medium and small companies, although marketing receives less emphasis at the home offices of large companies. This finding leads to the conclusion that

TABLE 6
BUSINESS BACKGROUNDS OF KEY INDIVIDUALS AND GROUPS—ALL COMPANIES
(N = 640)

Key Positions	<i>Business Background</i>						Research and Development	General
	Engineering	Finance	Legal	Manufacturing	Marketing			
Board Chairman	15%	25%	5%	16%	26%	4%		9%
Vice Board Chairman	12	22	4	22	23	1		16
Internal Board of Directors	8	16	3	16	24	1		32
Outside Board of Directors	5	37	19	7	4	1		27
President	15	16	5	22	31	2		9
Chairman of the Executive Committee	14	23	5	19	30	3		6
Executive Committee	6	19	3	15	23	1		33
Group Executive	13	3	1	30	34	2		17
Operating Executive	14	5	0	37	30	1		13
Product or Brand Manager	14	1	0	7	71	2		5

TABLE 7
EMPHASIZED DEPARTMENTS WITHIN HOME OFFICE
(N = 640)

Department	Consumer (N = 263)	Industrial (N = 377)	Large (N = 211)	Medium (N = 276)	Small (N = 153)
Marketing	78%	61%	56%	78%	78%
Manufacturing	51	43	44	51	50
Finance	25	40	45	28	16
Research and Development	16	12	15	14	17
Engineering	8	19	11	18	10
Personnel Administration	7	6	8	5	5
Legal	4	6	10	4	1
Public Relations	4	4	6	4	3
Purchasing	4	4	5	4	3

corporate marketing departments in large companies are serving more of a coordinating and consulting function than a quasi-operating function. Second, engineering, which is assumed to be more basic to the typical industrial company, is emphasized more at both the corporate office and product division level by industrial firms.

Implementation of Findings

Title of the Top Marketing Executive

The title given to the top marketing executive may be indicative of his organizational status. Table 8 presents responses to the question, "What is the title of the top marketing executive in your company?" He has many different titles, but the title predominantly utilized is vice president-marketing. However, the disparity between the titles of vice president-marketing and vice president-sales appears significant. This difference

probably indicates that business recognizes the expanded administrative role of the top marketing executive. In the past, the major responsibility of a chief marketing executive was supervision of the field sales effort.

Integration of the Marketing Department

The marketing concept states that marketing is no longer a conglomeration of distinct and separate functions. Marketing efforts should be treated as a coordinated and integrated system of related activities and placed under the top marketing executive. Respondents were asked, "Which functions are the responsibility of your top marketing executive or his staff?" The answers are presented in Table 9.

Early supporters of the marketing concept believed that all market-related activities should be placed in a corporate marketing department. The responses sug-

TABLE 8
TITLE OF THE TOP MARKETING EXECUTIVE
(N = 640)

Title	Consumer (N = 263)	Industrial (N = 377)	Large (N = 211)	Medium (N = 276)	Small (N = 153)
Vice President—Marketing	44%	37%	35%	45%	33%
Executive Vice President	16	6	12	10	5
Vice President—Sales	15	23	10	20	18
Vice President	7	9	15	8	8
Marketing Director	6	8	9	8	6
General Sales Manager	5	7	2	5	11
Sales Manager	3	3	1	2	11
Marketing Manager	1	3	2	1	5
Senior Vice President	1	2	8	0	0
Advertising Manager	0	0	0	0	0
Other	2	2	6	1	2

TABLE 9
FUNCTIONS ASSIGNED TO CORPORATE MARKETING DEPARTMENT
(N = 640)

Functions	Consumer (N = 263)	Industrial (N = 377)	Large (N = 211)	Medium (N = 276)	Small (N = 153)
Advertising	88%	76%	79%	81%	80%
Sales Forecasting	85	82	75	88	84
Sales Promotion	82	72	76	82	78
Marketing Research	81	78	81	81	75
Customer Relations	78	81	75	81	83
Sales Control	78	63	63	80	60
Sales	69	72	63	77	74
Pricing	69	62	62	69	66
Sales Recruiting	66	61	55	69	69
Dealer Relations	66	49	53	63	54
Sales Training	63	67	64	75	73
Product Planning and Development	59	47	58	58	45
Packaging	46	21	37	36	26
Product Service	41	44	46	47	40
Public Relations	27	17	22	21	27
Inventory Control	26	19	22	26	16
Warehousing	16	13	19	15	11
Product Scheduling	14	9	10	12	10
Credit Extension	10	9	10	12	8
Quality Control	8	6	5	8	10

TABLE 10
METHODS USED TO COORDINATE THE CORPORATE MARKETING
DEPARTMENT WITH OTHER DEPARTMENTS
(N = 640)

Methods	Consumer (N = 263)	Industrial (N = 377)	Large (N = 211)	Medium (N = 276)	Small (N = 153)
Interdepartmental Meetings	64%	60%	60%	63%	60%
Headquarters Staff	51	54	78	49	41
Committees	44	33	44	36	26
Joint Training Programs	8	7	9	8	7
Joint Field Operations	6	12	12	8	7

gest that most companies are at the midpoint of this transition process. Several specific observations can be made from these findings. First, integration of the marketing department has not proceeded as fast in the average industrial company as it has in the consumer firm. Second, medium-size and small companies have tended to integrate the corporate marketing department, whereas large companies have tended to integrate the marketing organization at the product division level. This decentralizing trend by larger companies has been mentioned earlier. Third, many market-related activities have not been placed under marketing department control. In many companies, organizational integration appears to be accomplished by assigning market-related activities to departments such as finance and manufacturing. These activities include credit extension, inventory control, production scheduling, public relations, quality control, and warehousing.

Integration of Marketing with Other Functions

Coordination among the major departments of a firm is a prerequisite for implementation of the marketing concept. Under the marketing philosophy, market analyses have a direct impact on the performance of all company functions. The marketing concept replaces the functional fragmentation of corporate activities with the integration of all business functions oriented toward market requirements. Companies were asked, "Which methods are generally used to coordinate the activities of the marketing department with the activities of other departments?" Responses are shown in Table 10.

Several trends are apparent from an analysis of these findings. First, interdepartmental meetings and headquarters staff are the two methods most prevalent in all groups at both the corporate and product division levels. Second, consumer and industrial firms use very similar methods of coordination with the exceptions of a greater reliance on committees shown by consumer firms, and on joint field operations by industrial firms. Third, large companies use a more comprehensive group of methods to coordinate their functions. This may be explained by the greater complexity of business operations which confront the multidivisional corporation.

Patterns of Communication Within the Marketing Department

Even when all basic functions have been assigned to the marketing department, the coordination of these activities remains a very important task. Coordination is usually achieved through vertical communication between high-level executives and heads of the specialized activities. In addition, there is the horizontal communication which occurs between personnel in specialized areas.

According to Anderson and Cundiff, the information flow through vertical, formal organizational channels consists of statements of policies, plans, budgets, and results. The flow of information through horizontal, informal organizational channels occurs through copies of correspondence, special-purpose committees, staff meetings, and chance or prearranged meetings.⁴ Respondents were asked, "Which methods of communication are generally used to coordinate the activities within your marketing department?" The results are presented in Table 11. Evidence indicates that both formal and informal patterns of communications are of major importance in coordinating the marketing activities of all groups. There appears to be general agreement among all companies concerning the relative importance of each pattern of communication. In addition, consumer companies tend to maintain a more comprehensive group of communication patterns within the marketing department than industrial companies. Although there are several exceptions, the patterns of communication used by large, medium, and small companies are relatively similar.

Conclusions

The empirical evidence in this study clearly supports the hypothesis that consumer goods companies have tended to adopt and implement the marketing concept to a greater degree than industrial goods companies. Thus, the existing fundamental differences between industrial goods and consumer goods businesses may ex-

⁴R. Clifton Anderson and Edward W. Cundiff, "Patterns of Communication in Marketing Organization," *JOURNAL OF MARKETING*, Vol. 29 (July, 1965), p. 30.

TABLE 11
PATTERNS OF COMMUNICATION WITHIN THE MARKETING DEPARTMENT
(N = 640)

Patterns of Communication	Consumer (N = 263)	Industrial (N = 377)	Large (N = 211)	Medium (N = 276)	Small (N = 153)
<i>Formal</i>					
Reports of Actual v. Planned Results	74%	68%	84%	73%	56%
Approval of Operating Budgets	74	66	77	74	57
Reports of Planned Activities	61	52	67	59	43
Statements of Policy	37	32	44	34	24
<i>Informal</i>					
Periodic and Special Staff Meetings	81	77	87	76	70
Nonperiodic Exchange of Information (office meetings, coffee, meals)	70	59	63	64	69
Voluntary Exchange of Information Copies of Correspondence	65	59	54	51	57
Special Purpose Committees	36	29	49	31	22

plain the lag in the development of the concept in capital goods companies. The differences would include:

1. A typical capital goods company has very few customers in comparison with a consumer goods company with similar sales volume.
2. The capital goods companies' customer problems are usually more technical in nature.
3. Skillful purchasing in the capital goods area makes relative price and quality more important in choosing a supplier.

Supporters of the marketing concept have emphasized that the concept applies to businesses of any size. St. Thomas observed, "In fact, because the smaller company usually has fewer capital assets to call upon to correct mistakes which were made because of an inaccurate concept of the customer's needs, the contribution of the marketing concept may even be greater to the managers of small businesses."⁵ However, the foregoing findings

support the hypothesis that large companies have tended to adopt and implement the marketing concept to a greater degree than have small and medium-size companies. This tendency may be explained by a statement from one of the pioneers of the concept, Fred J. Borch: Those companies that have successfully grown are those which were quick to recognize their departure from a true understanding of the customer. It would certainly be valid to point out that, as a company grows in size, its potential inclination to drift away from customer orientation grows proportionately. Similarly, as its size increases, so does its necessity for this awareness. . . .⁶

It appears that there is a movement toward adoption and implementation of the marketing concept in American industry. However, the evidence suggests that total marketing control does not currently exist in consumer, industrial, large, medium-size or small companies.

⁵Charles E. St. Thomas, "A Basic Guide to Marketing for the Smaller Company," *Industrial Marketing*, Vol. XLIV (June, 1959), p. 11.

⁶Fred J. Borch, "The Marketing Philosophy as a Way of Business Life," in *The Marketing Concept: Its Meaning to Management* (New York: American Management Association, 1957), p. 5.