

The Faltering Marketing Concept

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Companies professing to be "customer-oriented" are under attack. Have they erred in implementing the marketing concept or has it faltered? The authors suggest that the traditional marketing concept is an operational statement which does conflict with a company's social responsibility to consumers. A revised marketing concept is offered to deal with the challenge of the new consumerism.

THE marketing concept has been widely accepted as an adequate statement of the function and role of marketing in today's society as well as in the business firm. In recent years, however, there has been a growing indication that the concept has faltered to the point where it is no longer an adequate statement. Evidence exists to support the questioning of the marketing concept. One is organizational stress, excessive costs, and high product failure rates in some companies incurred by attempting to implement the concept.¹ Additional evidence of a breakdown in the marketing concept is found in the deterioration of relations between business on the one hand and the public and government on the other. These developments include events which are now widely called "consumerism." For example, "In the very broadest sense, consumerism can be defined as the bankruptcy of what the business schools have been calling the 'marketing concept.'"² Is such an indictment justified?

Consumerism and the Marketing Concept

For decades there have been outcries that the consumer has been mistreated.³ However, the present challenge is part of a much broader and deeper concern with a variety of social problems. The new wave of social criticism started to build in the late 1950s and early 1960s. Popular books began to focus attention on the impacts of various marketing activities upon consumers and society as a whole.⁴ The criticism increased and several self-appointed consumer spokesmen emerged to organize and lead the attack upon alleged marketing abuses and the companies responsible for them.

The challenges by the consumerists are not restricted to a single product, industry, or practice. Many of the leading corporations are under the strongest attacks. Automobile manufacturers, publishers, soap companies, and especially oil companies have been confronted. For example, gasoline marketers have periodically been

¹ For example, see T. L. Berg, *Mismarketing* (Garden City, N. Y.: Doubleday and Company, 1970); Theodore Levitt, *The Marketing Mode* (New York: McGraw-Hill Book Company, 1969), p. 230; and A. P. Felton, "Making the Marketing Concept Work," *Harvard Business Review*, Vol. 37 (July-August, 1959), pp. 55-65.

² "Business Responds to Consumerism," *Business Week* (September 6, 1969), p. 95.

³ Robert O. Herrmann, "Consumerism: Its Goals, Organizations and Future," *JOURNAL OF MARKETING*, Vol. 34 (October, 1970), pp. 55-60.

⁴ For example, see Rachel Carson, *Silent Spring* (Boston: Houghton Mifflin Co., 1962); Jessica Mitford, *American Way of Death* (New York: Simon and Schuster, Inc., 1963); Ralph Nader, *Unsafe at Any Speed* (New York: Brossman Publishers, Inc., 1965).

accused of pricing irregularities. Certain commercials for long-mileage ingredients have been banned from television. The use of lotteries and games has been denied because the outcomes have been manipulated, and the chances of winning have been deceitfully promoted.⁵ Their products have been severely criticized as pollutants and the slowness of the industry to develop ways of lessening the harmful waste has also come under attack.

Major food companies have been accused of feeding "empty calories" to both adults and children. One nutritionist claimed that the consumer typically receives fewer vitamins and minerals today than he did ten years ago.⁶ Along with other industries, notably the toy manufacturers, the food industry has also been accused of influencing children with its television advertising.

Appliance manufacturers have been castigated for their self-serving warranties. Corporations that are closely identified with the popularization of the marketing concept have been accused of producing unsafe merchandise. The important point is that charges are not being brought against the "marginal few" who skirt the edge of the economic process using the marketing approach of the "caravan trader." The consumerists have focused on the elite of U.S. industry.

Business, however, is not without its defenders. Many claim, with much justification, that ethics in the marketplace are as high or higher today than at any time in history. Most firms try to provide good values; many firms extend themselves to offer superior services and products to the consumer. Where practices are deficient, they are often attributed to competitive pressures and sometimes even to government regulations. As a result, its defenders claim that business is the target of a witch hunt; that it is being criticized for problems that it did not create and which lie beyond its control. In fact, many businessmen see consumerism as an attack upon the free enterprise system rather than as an effort to improve it.⁷

Consumerists would probably agree that U.S. business has provided society with many benefits. However, the message is clear—society expects more. Businessmen cannot look back at their achievements; rather, they are exhorted to accept

new standards by which to judge their role in society. The focus of the consumerist message is that the existing marketing concept is an inadequate standard.

The Marketing Concept

The marketing concept is the result of an attempt to operationalize a basic philosophy of marketing held by economists and marketing theorists. Welfare economics is replete with references to the responsibility of business to provide utilities for consumers. Adam Smith, the father of enterprise economics, noted that the purpose of production is to serve consumption. The authors of early marketing texts also emphasized that the purpose of marketing is to provide consumer satisfactions. Note the following statement from an early edition of a leading marketing text.

Business functions to satisfy the needs of the consumers. The first measure of the success of any business is how well it serves the consumers. If an operation is not in the interest of the consumers, it is not justified, no matter how profitable it may be to its owners. He profits most who serves best.⁸

This philosophy of customer satisfaction was not clearly articulated in operational business terms until the 1950s. However, this situation changed as the "marketing revolution" unfolded. The need to look to the customer for guidance in the organization and direction of business was recognized.⁹

McKitterick, a leading marketing executive, presented a paper before the American Marketing Association which became one of the most widely

⁸ P. D. Converse and H. W. Huegy, *The Elements of Marketing* (New York: Prentice-Hall, Inc., 1946), p. 21.

⁹ R. J. Keith, "The Marketing Revolution," *JOURNAL OF MARKETING*, Vol. 24 (January, 1960), pp. 35-38.

⁵ *Investigation of 'Preselected Winners' Sweepstakes Promotions*: Hearings before the Subcommittee on Activities of Regulatory Agencies Relating to Small Business of the Select Committee on Small Business, House of Representatives, 91st Congress, 1st Session, p. 2.

⁶ Dr. Jean Mayer in a speech reported in *Advertising Age*, (March 23, 1970), p. 106.

⁷ See Ralph Gaedeke, "What Business, Government, and Consumer Spokesmen Think about Consumerism," *The Journal of Consumer Affairs*, Vol. 4 (Summer, 1970), p. 10; see also "Roche, Larken Views Conflict on Consumerism," *Advertising Age* (March 29, 1971), p. 1.

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reproduced statements on the marketing concept.¹⁰ He clearly tied the emerging marketing concept to the problems of corporate growth and the need to develop a meaningful, internalized "philosophy" of business to guide the planning and profit control functions. The first contributions to marketing literature concerning the operational concept came from consultants and practitioners such as Alderson, Borch, Felton, Jewell, McKay, and Keith.¹¹ By 1965 practically all introductory marketing texts include some discussion of the "new" marketing concept.

What is this concept? In what respects, if any, does it differ from traditional philosophical statements of marketing's responsibility to consumers? To answer these questions it is necessary to restate the generally accepted meaning of the concept, and then to distinguish its operational from its philosophical aspects.

The marketing concept has three basic elements:

1. *Customer Orientation.* Knowledge of the customer, which requires a thorough understanding of his needs, wants, and behavior should be the focal point of all marketing action. It implies the development of products and services to meet these needs. It does not exclude the possibility that these needs may be "stimulated" by business or that aggressive selling may be needed to persuade consumers to buy goods and services which have been created for them.
2. *Integrated Effort.* Ultimately, the entire firm must be in tune with the market by placing emphasis on the integration of the marketing function with research, product management, sales, and advertising to enhance the firm's total effectiveness.
3. *Profit Direction.* The marketing concept is intended to make money for the company by focusing attention on profit rather than upon sales volume.

¹⁰ J. B. McKitterick, "What is the Marketing Management Concept?" in *The Frontiers of Marketing Thought and Science*, Frank M. Bass, ed. (Chicago: American Marketing Association, 1958), pp. 71-82.

¹¹ W. Alderson, "A Marketing View of Business Policy," *Cost and Profit Outlook*, Vol. VIII (December, 1955), p. 1; F. J. Borch, "The Marketing Philosophy as a Way of Business Life," *Marketing Series No. 99* (New York: American Management Association, 1957), pp. 193-195; A. P. Felton, "Conditions of Marketing Leadership," *Harvard Business Review*, Vol. 34 (March-April, 1956), pp. 117-127; A. P. Felton, "Making the Marketing Concept Work," *Harvard Business Review*, Vol. 37 (July-August, 1959), pp. 55-65; "New Marketing Concept at Westinghouse: Decentralize and Study the Consumer," *Printer's Ink* (January 24, 1958), pp. 33-35; E. S. McKay, "Blueprint for an Effective Marketing Program," *Marketing Series No. 91* (New York: American Management Association, 1954); and Keith, same reference as footnote 9, pp. 35-38.

As defined here, the marketing concept is entirely operational, although the statement on customer orientation touches on elements that could be philosophical in a different context. But philosophical issues are not raised. Rather, the purpose of customer orientation is to improve the firm's selling effectiveness. Providing customer satisfaction is a means to achieving a company profit objective and does not imply protection of the consumer's welfare.

Consumer Protection Under the Marketing Concept

Those who have considerable faith in the free enterprise system tend to believe that it is not the concept that has failed the consumer but its implementation. They argue that if companies had actually designed their total marketing mix to meet the needs and wants of consumers, there would not be a "consumerism" problem today. Of course, there is no way to prove what "might have been." It is clear, however, that many companies which claim adherence to the marketing concept are presently under attack. Chemical companies, appliance and automobile manufacturers, and food processors have sought to be customer oriented, and yet they have become the principal targets of the consumerists. These industries are among the "elite" of modern marketers—leaders in marketing research, new product development, and innovative methods of merchandising. If the marketing concept could have been implemented correctly, should not these companies have been the ones to do it?

Faulty implementation is not the problem. The marketing concept as it is practiced today does not imply a commitment to the kind of consumer satisfaction that is now being demanded. Customer orientation turned the manager away from the factory to the market place. Decisions were based on what could be sold at a profit instead of on what could be manufactured to satisfy the needs and wants of society. The marketing concept was thus an operational concept, not a philosophical one.

Even as a means to business profits, the marketing concept can serve the interests of consumers. Good products, creatively promoted, adequately distributed, and fairly priced might result from an operational approach to customer orientation. But what if the seller consciously compromises product quality in order to improve profits? How is the consumer protected from inferior products, misleading promotion, and exploitative prices?

Business has relied upon a number of assumptions to bridge the gap between the operational marketing concept and its social responsibility to protect the consumer:

1. The company and its long-run survival come first. Providing the consumer with goods and services is a means to this end.
2. The consumer should and can defend his own

best interest; i.e., he assures his consumption effectiveness through his own buying ability and the sanction of his market veto. In those few cases where the buyer is unwilling or unable to make rational decisions, the pressures of competition plus the generally prevalent ethical standards governing transactions will provide adequate safeguards.

3. Since the consumer can look out for himself, if a product sells well in the marketplace, this is *prima facie* evidence that it is meeting the needs of the consumer.
4. The seller recognizes that long-run survival depends upon satisfaction of the consumer; therefore, in the long run he must meet the consumers' needs. Thus, long-run survival is *prima facie* evidence of a marketer's ability to satisfy consumers.

Consumerists maintain that society can no longer accept these assumptions as a basis for an equitable relationship between buyer and seller. The following assumptions are suggested as a more equitable basis for the buyer-seller relationship:

1. The consumer comes first. If there is a conflict between the consumer and the firm's objectives, then the consumer must have priority.
2. The typical consumer is at such a disadvantage that he cannot assure his own effectiveness. Business has the responsibility to help him, and if business fails then the government or other parties must act on the consumer's behalf.
3. Offering products and/or services that "will sell" is not an adequate measure that the seller is fulfilling his responsibility. It is the duty of business to promote proper consumption values.
4. The assumption of the long-run congruence between buyer and seller interests is neither quick enough nor certain enough. The interests of buyer and seller must be reconciled in the short run.

The key to the consumerist message may be stated as follows:

To be legitimate (business objectives) must be in conformity with public interest. An analysis of business objectives should include a study of the assumptions on which our values rest. . . The "free enterprise" system is based on the right of the private property. Society has delegated to individual citizens the right to own and use physical property for the production and distribution of goods and services to the public. . . Their right to a profit depends . . . on the ability of the busi-

ness organization to discharge this responsibility.¹²

The Conflict

The businessman's operational interpretation of customer orientation has not approached the philosophical meaning of providing customer satisfaction as the ultimate goal of marketing. One apparent reason is that the attempt to provide customer satisfaction may conflict directly with the most basic operational goal of the business—to earn a satisfactory rate of return on its shareholders' investment.

In resolving the conflict between consumer orientation and profits, one element usually dominates while the other is rationalized. The manner in which this rationalization was accomplished at one major corporation provides some evidence that the consumer's interest is secondary to the company's.

. . . with the new marketing concept now a part of the Westinghouse operating philosophy, the customer is all important. Production is based on market forecasts. Marketing planning controls sales activities. All operations related to marketing are coordinated. The goal is improved market position and adequate return on investment . . . it is designed to insure that the customer gets what he wants, where he wants it, when he wants it—if these needs provide some kind of opportunity to Westinghouse. (*Italics added here for emphasis.*)¹³

The little "if" became the point of rationalization. Customer satisfaction yielded to corporate profit opportunity, and customer orientation was accepted as an operational rather than as a philosophical guide to direct the marketing activities of the firm. It appears that customer orientation has meant little more than looking to the customer for guidance as to what can be sold at a profit. It has meant knowing the customer, knowing him even better than he knows himself. It has implied the appropriateness of using this knowledge to persuade and even to manipulate him.

There is a danger that the position taken in this article might be misunderstood because it has been overstated. Marketing is not anti-consumer. Without question, much that is good in marketing today is the result of paying more attention to consumer needs and desires. Still, the responsibility for customer welfare has existed within the marketing concept, but not beyond the point of sale. Customer orientation has been related to the company's goals of sales and profits. The goal of marketing has been a profitable transaction, but the emergence of consumer welfare as a business goal necessitates a revision in the marketing concept.

¹² Ralph Currier Davis, *The Fundamentals of Top Management* (New York: Harper & Brothers, Publishers, 1951), pp. 91-92.

¹³ *Printer's Ink*, same reference as footnote 11, pp. 33-35.

The Marketing Concept Revisited

The most acceptable basis for a revised marketing concept is the set of assumptions suggested by the consumerist position. Based on these assumptions, the marketing concept would have three elements:

1. *Consumer Concern.* A positive effort by the marketer to make the consumer the focus of all marketing decisions through service that delivers a high level of satisfaction per consumer dollar spent.
2. *Integrated Operations.* A view that the entire business is a total operational system with consumer and social problems taking precedence over operational considerations in all functional areas.
3. *Profit Reward.* Profit must be viewed as the residual that results from efficiently supplying consumer satisfactions in the marketplace.

Consumer Concern

A firm can show consumer concern by supplying more and better product information to the buyer. Although many consumers do not appreciate or use information, this is not adequate justification for denying such information or for seeking to perpetuate buyer ignorance. Packaging and advertising have often been criticized by consumerists and government regulatory spokesmen for not providing useful information.¹⁴ These criticisms are beginning to have an effect. Demands for more nutritional information, use instructions, and content information bring responses from sellers, and this is only the beginning. Food manufacturers are providing more informative labels, the FTC has proposed that gasoline pumps display octane ratings, and it has also suggested that textiles carry product-care labels.¹⁵ Such information will clearly serve the buyers' best interests and should benefit most sellers.

A second manifestation of more consumer concern is to revise the criteria of acceptability for promotional efforts. The selective presentation of data, the level of puffery, and the freedom of the copywriter are all being challenged by the consumerists as well as by the government's regulatory bodies.¹⁶ Leading corporations are currently accused of: (1) misleading and manipulating children—the TV advertising to children controversy; (2) producing

merchandise with "miracle" ingredients which, in fact, are of little value—FTC investigation of mouthwash claims; (3) advertising ordinary or inferior features in a way to suggest that they are actually superior features—the analgesic probe; and (4) offering warranties for the consumer's protection that are not understood by the consumer and, in fact, protect the seller more than the buyer—the Consumer Products Guaranty Act now pending before Congress. These charges do not characterize all companies, but the growing list of charges brought against business suggests that more complaints are forthcoming.

The broadened responsibility for consumer concern will also require companies to allocate more resources to post-sale service. Major corporations are now establishing corporate ombudsmen to provide better feedback systems for dissatisfied customers. However, these moves have been chiefly reactive. In order for a company to adequately process consumer complaints, a formal information system with a genuine consumer concern is necessary.

Finally, out of concern for the safety of the consumer as well as for the quality of life, society demands that sellers assume more responsibility for the effects of the use of their products. Since the consumer does not always act in his own or society's best interest, the seller is now being called upon to assume more responsibility to protect the user of his products. For example, pressures developed to change detergent ingredients in order to reduce damage to the environment, particularly by the elimination of phosphates. Business efforts to do this while continuing to provide effective cleaning agents have now brought additional demands that the substitute products be labeled because their caustic ingredients may be harmful to the skin.¹⁷ Up to now, the steps taken by business have largely been in reaction to pressures from the government and the public. The revised marketing concept, however, would include a positive business effort to advance product safety and environmental protection.

Integrated Operations

The preceding changes are some of the most obvious consequences of a revised concept of consumer concern. In addition, company managements will find that their organizations and operations must change. While the exact form of these changes will vary widely among firms, it is suggested that greater emphasis be placed upon company integration.

In the revised marketing concept, operations integration encompasses the entire firm—in some

¹⁴ See comments of Charles Edwards, Commissioner of the Food and Drug Administration, before the annual meeting of the Toilet Goods Association, as reported in "Consumers' Product Information Demands Must Be Met, TGA Told," *Advertising Age* (January 18, 1971), p. 14.

¹⁵ "Enforcer Pitofsky Explains FTC's New Get Tough Policy," *Advertising Age* (January 18, 1971), p. 1.

¹⁶ "FTC to Demand Substantiation of Ads, Supply It to Consumerists," *Advertising Age* (June 14, 1971), p. 1.

¹⁷ "Detergent Makers Ordered to Initiate, Toughen Warnings," *Wall Street Journal* (June 29, 1971), p. 8.

cases an entire industry—to ascertain that resources are efficiently and purposely channeled to the satisfaction of consumer wants.

Profit Reward

The implications for profit making are severe. The crux of the revised marketing concept is that any conflict between customer orientation and profit will be resolved by the rationalization of profit. Does increased concern for consumer protection mean that business should not plan for profits? Not necessarily; however, the order of the planning process should be changed. Instead of setting profit goals and then seeking means and methods of achieving them, the corporation should approach planning in the following manner:

- 1) What specific satisfactions *should* be provided to the consumer?
- 2) What specific consumer satisfactions can my company provide?
- 3) What is the most efficient way to provide these satisfactions?
- 4) Is the rate of return expected from the venture sufficient to justify the investment?
- 5) If the anticipated return is below the desired standard, what can still be done to supply the consumer need? For example,
 - a) Provide the services at less than normal profit?
 - b) Contribute know-how or other aid to others who might provide the services?
 - c) Pool interests with other businesses to provide the services cooperatively?
 - d) Assist government or other agencies to provide the services?

Conclusions

In this approach, the first objective for the company is to assume more responsibility for consumer welfare. The reward for doing this should be profit. On the other hand, these dual goals will make it more difficult to evaluate the performance of corporate programs and personnel. Probably the most effective way to handle the conflict of recognizing the dual social and profit goals will be to establish explicit company criteria of social responsibility. Within such restraints executives will still be

charged with achieving profit goals. Some companies are beginning to move in this direction. For example, one major marketer of food products has published a list of five basic principles which are expected to guide the company in achieving its corporate objectives.¹⁸ These principles are:

1. "We apply the highest ethical and moral standards, and strive for excellence and leadership in everything we do.
2. "We believe in a dual responsibility to shareholders:—To earn a return on their investment that compares favorably with the return for other leading companies in our industries; —To apply our corporate resources wherever practical to the solution of public problems in which the interests of shareholders, employees, customers, and the general public are fundamentally inseparable.
3. "We concentrate our efforts on products and services that are useful, of good quality, and of genuine value to consumers.
4. "We conduct our operations with respect for the intelligence and good taste of consumers.
5. "We seek to provide an environment for personal development and advancement that attracts, stimulates, and rewards outstanding employees, whose integrity, ability, and ambition are essential to the Company's progress."

This type of approach will require that company managements include the consideration of social implications in their decision processes and their management control procedures. It will require a substantial increase in feedback mechanisms, more intra-industry consultation and even negotiation with competitors, government agencies, and consumers.

It will be difficult to assume the responsibility for the social implications of its operations, products, and services, but nearly every advance in marketing has made severe demands upon marketing managements. Concern for the consumer will be marketing management's greatest challenge in the next decade. A revised view of the marketing concept is one approach to meet this challenge.

¹⁸ *Principles and Objectives* (Chicago: The Quaker Oats Company, 1970), p. 2.

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