
The Rediscovery of the Marketing Concept

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The marketing concept helped American businesses gain dominant positions in the world's economy. Yet, the rush to strategic planning forced out the marketing concept at many companies. Now, as American firms lose their positions, the marketing concept is back in vogue.

The managements of many American companies have rediscovered the marketing concept, a business philosophy first developed more than three decades ago. In the process, they have found it difficult to develop the customer focus that is central to a market-driven enterprise. Among the barriers to developing that market orientation are:

- An incomplete understanding of the marketing concept itself;
- The inherent conflict between short-term and long-term sales and profit goals;
- An overemphasis on short-term, financially-oriented measures of management performance; and
- Top management's own values and priorities concerning the relative importance of customers and the firm's other constituencies.

Many of these barriers have their roots in formal strategic-planning systems, with their emphasis on financial criteria for management action, which had their heyday in the 1970s. These systems are now being sub-

stantially modified in many companies.

This article will explore the reasons for the decline *and* resurgence of management interest in the marketing concept. It will also highlight some of the basic requirements for the development and maintenance of a customer focus. In the process, we will consider briefly the origins and essential features of the marketing concept, its evolution into corporate strategic planning, the current swing in emphasis from strategic *planning* to strategic *management*, and some basic issues of management values.

THE CHANGED BUSINESS ENVIRONMENT

It is widely noted that American industry has lost competitiveness in world markets in the last decade. At the same time, it has not been able to defend its domestic markets against foreign competitors. The country's huge trade deficit (which reflects a strong U.S. dollar and, most

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importantly, the tremendous affection the American market has for foreign suppliers) is only part of the evidence of American manufacturers' failure to respond effectively to changes in their markets. More recently, the declining dollar has intensified foreign competition in many markets, such as automobiles and computer chips, while demand in both the manufacturing and consumer-goods sectors shows little or no real growth. Changing competition, continuing technological innovation, and evolving customer preferences, the basic forces driving business and product life cycles, are not new challenges by any means. These have been facts of life for business managers as long as there have been markets. What has apparently happened is that many businesses, and even whole industries, have suffered a substantial, sometimes fatal, impairment of their ability to respond to these forces. In many companies, the most serious weaknesses have been a loss of customer and market orientation and a basic inability to offer competitively-priced products that are responsive to customers' current needs and preferences.

Strategic planning, once thought to be part of the way to cope with a changing competitive environment and evolving product life cycles, has actually led to problems for many firms. Formal, centralized strategic planning systems, often accompanied by a heavy emphasis on product-portfolio frameworks and the seductive logic of the experience



curve, are now recognized to have caused many businesses to lose sight of what is required to remain competitive in their industries. The basic problem is not with strategic planning *per se* but with the ways in which it has been implemented and mis-

understood in many firms. One result of this misunderstanding has been that the basic requirements for effective marketing are not always seen as key ingredients in the development and implementation of sound business strategy.

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THE DEVELOPMENT OF THE MARKETING CONCEPT

Until the mid-1950s, the business world equated “marketing” with “selling.” Under this traditional view of marketing, the key to profitability was greater sales volume, and marketing’s responsibility was to sell what the factory could produce. The focus was on products, not customers, and products were taken as given—what the factory was currently producing was what the sales force had to sell. The emphasis within marketing was short-term and tactical, focusing on the selling process itself (personal selling, advertising, and sales promotion including short-term price inducements). The marketing job was to convince prospects that they needed what the firm was producing.

As the American economy matured into a consumer society in the 1950s, and as post-war conditions of scarcity were replaced by an abundance of manufacturers and brands scrambling for the patronage of an increasingly affluent consumer, the marketing concept evolved. Volume, price, and promotional orientations were seen to be less profitable than an orientation that focused on the needs of particular sets of customers. This customer orientation offered carefully tailored products and an integrated mix of marketing elements—products, prices, promotion, and distribution. A short-term, tactical viewpoint was replaced by a long-term, strategic orientation. The key to profitability was not current sales volume

but long-term customer satisfaction and the then-new strategic concepts of market segmentation and product differentiation.¹ The firm that analyzed its markets carefully, selected groups of customers whose needs matched up best with its capabilities, and tailored its product offering to do the best job of satisfying those needs was rewarded. This firm realized not only better profit margins and repeat purchases but also the cost efficiencies of more focused marketing efforts.

One of the first statements of the marketing concept as a management philosophy was made by Peter Drucker, who remains to this day one of its strongest defenders. Drucker argued that marketing was a *general management* responsibility:

There is only one valid definition of business purpose: to create a satisfied customer. It is the customer who determines what the business is. Because it is its purpose to create a customer, any business enterprise has two—and only these two—basic functions: marketing and innovation Actually marketing is so basic that it is not just enough to have a strong sales force and to entrust marketing to it. Marketing is not only much broader than selling, it is not a specialized activity at all. It is the whole business seen from the point of view of its final result, that is, from the customer’s point of view.²

Within the business community, forward-thinking executives such as John B. McKitterick of General Electric were developing similar thoughts:

So the principal task of the marketing function in a management concept is not so much to be skillful in making the customer do what suits the interests of the business as to be skillful in conceiving and then making the business do what suits the interests of the customer.³

From the academic community, Theodore Levitt’s seminal statement of the marketing concept argued that customer needs must be the central focus of the firm’s definition of its business purpose:

. . . the organization must learn to think of itself not as producing goods and services but as buying customers, as doing the things that will make people want to do business with it. And the chief executive himself has the inescapable responsibility for creating this environment, this viewpoint, this attitude, this aspiration.⁴

All of these expressions of the marketing concept emphasize that marketing is first and foremost a general management responsibility. Executives must put the interests of the customer at the top of the firm’s priorities. Under the marketing concept, as opposed to the traditional sales orien-

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tation, the product is not a given but a variable to be tailored and modified in response to changing customer needs. Marketing represents the customer to the factory as well as the factory to the customer.

Despite the marketing concept's apparent wisdom and importance, it has always had to struggle for continued acceptance—even in those firms that embraced it. The reasons for this are never simple or obvious. At its roots, the marketing concept calls for constant change as market conditions evolve, and change is usually difficult for organizations. Beyond that, American industry's well-known preoccupation with quarterly financial performance (a reflection of the short-term concerns of institutional investors, among other things), and the parallel growth in the importance and sophistication of financial management in the 1960s and 1970s, contributed to putting marketing in the backseat in many firms. It also has been observed by some chief executives that marketing managers in their firms have not developed the analytical tools and other skills necessary to understand the customer and represent customer needs and preferences persuasively in management discussions.⁵

Instead of marketing, the orientation in many firms (especially industrial firms and others that do not sell frequently purchased products directly to the consumer) continues to be the traditional one toward sales. The top marketing executive may even be called the sales manager, and it is

clear that sales volume is the most important marketing objective. With a sales orientation, more is better, every order is a good order, and every customer is a good customer, despite the conflicting demands made on the firm's limited capabilities. The focus is on current products, not the continuous development of new ones. If marketing exists, it is as a staff function. The emphasis within marketing is short-term and tactical, focused on selling more today rather than developing new markets and responding to changing customer needs and competition.

There are also several good indicators of a true marketing orientation. The top marketing executive reports to the chief executive officer and has line responsibility for both the sales function and other marketing activities such as market research, product development, distribution, advertising, and sales promotion. There is a marketing-research or market-information system that fulfills marketing's fundamental responsibility of being an expert on the customer. In market-oriented firms, sales management is guided by and tied to marketing strategy; it does not operate as an autonomous management function. The company's business strategies have a clear and strong marketing component built around precise definitions of market segments and careful analysis of target segments, customers, and the firm's unique competitive advantages in those segments. There is an organized and active product-development func-

tion, and R&D is guided by good market information and marketing direction. There are key-account strategies for dealing with major customers and distributors, who are regarded as business assets and managed as long-term relationships. In a marketing-oriented company, management is seeking profitability, not just sales volume. It consistently articulates the importance of being a customer-focused and market-driven enterprise, putting the interests of the customer ahead of all other claimants on the company's resources.

FROM MARKETING TO STRATEGIC PLANNING

The marketing concept that was developed in the 1950s and 1960s fit nicely into the evolving emphasis on corporate strategy and long-range strategic planning in the 1960s and 1970s. Corporate strategy and formal strategic-planning systems were completely consistent with the strategic orientation of the marketing concept and the emphasis on marketing as a general management responsibility. The development of a customer-oriented business required long-term planning and product and market development to make the business grow. Marketing planning and the broader area of long-range planning began to merge and evolved into the broader concept of corporate strategic planning. Strategic planning focuses on the two key strategic choices that any firm makes—which customer markets to

serve and which products to offer in those markets.

One of the most important contributions to the establishment of corporate strategic planning as a separate management discipline was that of H. Igor Ansoff, who has been called "The Father of Strategic Planning."⁶ Building on the base established in marketing, Ansoff argued that Levitt's mandate to define the business mission in terms of customer needs was too broad. It did not consider the basic fact that a firm's technical competence and its ability to respond to customer needs had to be factored into the definition of strategy and the selection of markets served and products offered. Ansoff proposed four strategic options, called growth vectors, defined by the cells in a two-by-two matrix of old/new products/markets: market penetration; market development; product development; and diversification (see Figure). Each defined a direction in which the firm could elect to grow, depending upon its basic capabilities and market opportunities. The problem was to allocate the firm's efforts and resources among competing growth opportunities, finding the best growth vectors. Ansoff also developed the concept of "competitive advantage" (sometimes called "distinctive competence"), the idea that every firm has a certain thing that it does especially well in particular market segments and that gives it an edge over its competition. The firm must find market niches that value, and provide further opportunities to develop, its competitive advantage. Finally, there was the concept of strategic "synergy," the argument that each new venture (product or market) should benefit from, be consistent with, and help to develop some aspect of the firm's competitive strengths and distinctive competence.

Ansoff's three concepts of strategy—growth vectors, competitive advantage, and synergy—have intuitive appeal and make a good deal of sense. Less obviously, this strategic-planning framework presents an implicit argument for a softening of the customer orientation of the marketing concept. The basic premise is that

customer needs must be balanced against what the firm can do well and what is consistent with its strategy given competitive realities. Customer orientation is certainly not inconsistent with the concept of corporate strategy. But the strategic-planning framework subtly shifts the focus of management attention away from customers and toward competitors and market dominance.

As strategic planning gained in popularity, firms developed large central staffs to implement a strategic planning system. Annual planning cycles were established to create and update one-, three-, and five-year plans for achieving some carefully defined corporate objectives, which very often emphasized growth and return-on-investment criteria. Strategic-planning management positions were regarded as among the most attractive for MBAs and other "fast-trackers." It was where the action was, the control room of the enterprise. As one CEO put it when reflecting on this era of management in his firm, "All the good marketing guys wanted to become strategic planners."

The strategic-planning boom also fueled growth in management consulting. Among the most popular products to come out of this industry were the product-portfolio and experience-curve models developed by the Boston Consulting Group, the

growth-share matrix developed by McKinsey & Company in its work with General Electric, the Arthur D. Little generic-strategies model based on the product's life-cycle stage and market position, and the PIMS (Profit Impact of Marketing Strategy) studies of the Strategic Planning Institute, originated at General Electric by Sidney Schoeffler.⁷ All of these approaches tended to view market opportunities in terms of the market's growth rate and the firm's ability to dominate its chosen market segments. Market share (defined relative to the share of the largest competitor) became the key strategic variable, especially when the PIMS studies showed that market share, among 37 variables examined, was most strongly correlated with business profitability measured by return on investment.⁸

THE BIASES OF STRATEGIC PLANNING

The formal strategic-planning approaches and portfolio models brought analytical rigor and a higher order of financial discipline to the task of developing corporate strategy. They also brought a definite set of priorities and biases to the task of managing a business. Underlying the approaches and models was a kind of optimism about the economy and

Figure
Ansoff's Growth Vectors

		Products	
		Old	New
Markets	Old	Market Penetration	Product Development
	New	Market Development	Diversification

an assumption of sustained economic growth. Management's principal strategic problem became one of choosing among competing growth opportunities. Product/market opportunities were evaluated by the market's growth rate and the firm's ability to achieve a dominant position in that market. Market niching, a strategic concept growing out of the general notion of market segmentation, was seen as a way of isolating oneself from head-to-head competition with well-entrenched competitors. The search was for high-growth markets and well-protected niches in which the firm could achieve the highest rates of growth and returns on investment. As market share and high-growth markets received strategic emphasis, and management-performance evaluation focused more sharply on relatively short-term financial measures (especially return on investment and return on assets), there was a subtle reversion to the traditional sales orientation that had preceded the marketing concept. Mergers and acquisitions, as means of both achieving large market share and dominant position and moving into growth markets more quickly, gained greatly in importance relative to the slower and less certain internal development of new products and markets around the core of existing businesses. Diversification into new, high-growth products and markets was seen as a very attractive growth vector for the firm wishing to move away from its traditional, mature, low-growth businesses.

Market-niching strategies gained in popularity as firms searched for opportunities to match more precisely their distinctive competences with customer needs in the absence of strongly entrenched competitors. One inevitable consequence of market niching is that markets are individually smaller than less carefully defined segments would be. The firm could easily become stronger and stronger in smaller and smaller segments. By itself, this is not bad. The firm that has successfully positioned itself in a number of related market niches may be strongly protected against competitive threats. The problem is that the firm may lose sight

of the forest for the trees by misdefining and misreading its competition, especially if management has defined its served market too narrowly—which it could be easily deceived into doing to make sure it has a dominant position in the served market.

Market niching, product differentiation, and low-cost leadership have been presented by some authors as three distinct strategic options. Either the firm can strive for high market share and low-cost leadership through exploiting the experience curve (it is often assumed that this firm also needs to have the lowest prices), or it can define a distinct and well-protected market niche, or it can attempt to build a loyal following of customers willing to pay more for a highly differentiated product (high quality and high price, which are implicitly assumed to go together). Some analysts argued that the firms that had the highest return on investment were those that had either a cost-leader-

ship (low-price) position or a highly differentiated (high-price) product, while the lowest returns were earned by those that were neither fish nor fowl, stuck in the middle with neither low cost nor high quality. The empirical evidence to support these arguments was, at best, anecdotal.⁹

What Strategic Planning Left Out

The points of emphasis in these strategic planning frameworks may not be as significant as the points that were left out. Most importantly, the customer seemed to be largely out of the picture. Markets were defined as aggregations of competitors, not customers. Product positioning and product quality were barely mentioned when defining markets and thinking about opportunities for building market share. The internal development of new businesses, driven by consistent commitments to research and development, played second fiddle to growth through



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mergers and acquisitions. The building and maintenance of marketing channels and distribution arrangements received little strategic attention, as did the development of a long-term customer franchise. Expenditures on R&D to achieve process and productivity improvements in established businesses often seemed less attractive than the redeployment of funds into new ventures, especially as tax-driven asset-revaluation opportunities provided large positive cash flows. A new breed, “conglomerateurs,” became role models for managers in a broad variety of industries. Large, stable, mature, traditional markets lost their luster, and some of America’s largest manufacturing enterprises could see little point in defending their historical positions in those slow-growth businesses.

Meanwhile, foreign competitors saw American industry not responding to customer needs in many evolving markets, avoiding investment in its mature businesses, and abandoning some of its traditional market strongholds, and moved in. The U.S. market, with only about 15 percent of the world’s population, accounts for approximately 40 percent of the world’s consumption. A producer in a smaller country with growth aspirations and a limited domestic market for things it has learned to make very well is likely to look first at the U.S. market because of its size, homogeneity, affluence, and accessibility. In a number of cases, American businesses were clearly not offering products that American consumers wanted

(such as small, economical, and reliable automobiles, farm tractors, and motorcycles), had lost their technological leadership (watches, consumer electronics, and tires), or had simply not invested in the continued product and process improvement required to maintain competitiveness (appliances, steel, and automobiles).

Foreign (especially Asian) competitors entering the U.S. market frequently gained toeholds in relatively unexplored market niches, often at the low-price end of the market. They then built customer and trade loyalty through offering high quality and favorable prices and margins, and gradually expanded out of those niches into adjoining market segments, picking off additional customers and competitors. They continued to offer superior customer value, often incorporating product features that domestic suppliers offered only as extra-cost options or not at all, and eventually dominated the total market, not just a few carefully defined segments. In many instances, they destroyed the “nichers,” who had created their own vulnerability by defining their businesses and their sets of competitors too narrowly.

Strategic planning tended (unintentionally) to drive out attention to customers and their needs, the central thrust of the marketing concept, as the primary requirement for long-term profitability. By shifting attention to competitors, growth, and short-term return on investment, and by regarding mature businesses as primarily sources of cash rather than

as key contributors to future profitability, the strategic-planning models weakened the ability of some of this country’s most important companies and industries to respond to evolving customer needs, new technology, and changing competition, especially from overseas competitors. By concentrating management’s attention on *corporate* strategy, they weakened the *functional* strategies, especially marketing strategy, necessary to implement the higher-level strategies successfully.

LEVELS OF STRATEGY

As strategic planning evolved out of long-range planning and the marketing concept, there was a blurring of the distinctions among various levels of strategy. One useful classification¹⁰ describes five types of strategy: enterprise, corporate, business, functional, and subfunctional. *Enterprise* strategy defines the mission of the company in society, often as a mission statement that expresses management values and relates the firm to the society it serves. *Corporate* strategy answers the question, “What business are we in?” and integrates the various businesses within the product portfolio. *Business* strategy answers the question, “How do we want to compete in our chosen businesses?” *Functional* strategies—in marketing, production, finance, R&D, purchasing, and human resources/organizational development—implement the business strategy. *Sub-*

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functional strategies, such as those for market segmentation and targeting, product development and management, pricing, distribution, personal selling, advertising and sales promotion, and publicity, implement the functional strategies.

Clearly, the formal strategic-planning approaches and product-portfolio models emphasized corporate and business strategies while downplaying, if not ignoring, the functional and subfunctional strategies necessary to implement them. Attention to strategic planning drove out attention to good marketing. On the other hand, there certainly is nothing in the total concept of strategic planning that requires inattention to marketing; in fact, a planning process that focuses only on corporate and business level strategies and leaves out the functional and subfunctional levels of strategy is simply incomplete. Strategic planning took its toll primarily in the marketing, R&D, and production areas because financial strategy grew in importance and often dominated the others, an emphasis consistent with the cash-flow and investment orientation of the product-portfolio view of corporate strategy.

FROM STRATEGIC PLANNING TO STRATEGIC MANAGEMENT

By the early 1980s, management practitioners and academic advocates of strategic planning had realized something had gone wrong. Many firms with the most elaborate and expensive strategic-

planning systems saw their management spending an inordinate amount of time preparing and reading planning documents while their operating business lost competitive effectiveness. In many cases, means had become ends; the planning process became a dominating influence, taking a significant portion of management time away from actually running the business. Some very large and well-known companies that had pioneered formal strategic-planning systems, such as General Electric, began to scale back their corporate planning organizations and push planning responsibility back into the operating units. A new focus on implementation began to develop. Articles began to appear, both in the popular business press and in academic journals, arguing that there was more to strategic *management* than strategic *planning*.¹¹

Strategic management has been defined as a six-part process, including goal formulation, environmental analysis, strategy formulation, evaluation of strategic options, strategy implementation, and strategic control.¹² Corporate strategic planning tended to end before implementation and control. Perhaps people assumed that operating management would worry about strategies at the functional and sub-functional levels even if top management did not. It is fair to conclude that most divisional managers assumed that the planning process was complete after top management had accepted their business plans. Business unit managers were

often forced to spend most of their energies fighting for and defending capital allocations for their businesses rather than on the work of operating the business. Once the planning job had been done, operating management had to turn quickly to hitting the targets for sales volume, current profitability, return on investment, and cash flow called for by the annual plan. There was little time for attention to the details of strategy implementation.

Strategic management begins to redress the balance by bringing a renewed focus on implementation and the search for long-term, sustainable, competitive advantages over competitors serving the needs of a carefully defined set of customers. It can be seen in a new concern for quality, innovation, productivity, entrepreneurship, and internal development of new businesses instead of mergers and acquisitions. In many instances, it is manifested in a divestiture of related businesses acquired in the diversification boom of the 1960s and 1970s. It is a case of going back to basics, including solid marketing.¹³

MARKETING REDISCOVERED

Current business publications are full of examples of firms that are rediscovering the marketing concept. Several years ago, General Electric appointed its first corporate vice president of marketing in over a decade and charged him with responsibility for bringing about a “marketing renaissance.” Apple

Computer hired a new president from PepsiCo, hoping he would bring the marketing skills that the firm needed to develop so urgently.

The 1986 GTE Corporation annual report highlights, on its cover, "Market Sensitivity: Reaching Out to Customers." We read about "an aggressive new consumer drive" at 3M Corporation, where the "key weapon in its arsenal" is a "separate marketing group."¹⁴ Hewlett-Packard's president, John Young, is quoted as saying "Creating a personal computer group was . . . a way of communicating to everyone that marketing was okay. . . ."¹⁵ Chairman Donald Peterson of Ford Motor Company may not have realized that he was repeating company history and Henry Ford's original dream when he observed, in 1985, "My single greatest desire is to develop Ford Motor Company as a customer-driven company . . . If you do that, everything else falls into place."¹⁶ Ford's recent new-car successes and reported gains in market share and profitability are strong evidence that Ford is achieving this objective. In a recent presentation to the Marketing Science Institute, the director of corporate marketing research at DuPont reported efforts to develop "a marketing community." He outlined a series of specific actions being taken under the leadership of the company's CEO "to make sure that everyone clearly understands that serving customers and markets is the first priority for all functions."¹⁷

Management thinking about marketing appears to be coming back to the basic marketing concept articulated in the mid-1950s. A major study of business planning by Yankelovich, Skelly, and White for Coopers and Lybrand concluded that "CEOs have indicated that development and implementation of more innovative and cost-effective marketing strategies will indeed be their highest operational priority in the latter half of the 1980's."¹⁸ We are learning once again that marketing is not sales, it is not corporate strategy, and it is not business strategy, and market share and profitability are not objectives that stand by themselves. Marketing strategy is an extension and implemen-

tation of corporate and business strategies. It focuses on the definition and selecting of markets and customers to be served and the continual improvement, in performance and cost, of products to be offered in those markets. In a market-driven, customer-oriented business, the key element of the business plan will be a focus on well-defined market segments and the firm's unique competitive advantage in those segments.

DEVELOPING A CUSTOMER-ORIENTED FIRM

Having identified both the need for and the difficulty of developing a market-driven, customer-focused business, we can outline some of the basic requirements for achieving this goal. These include:

- Customer-oriented values and beliefs supported by top management;
- Integration of market and customer focus into the strategic-planning process;
- The development of strong marketing managers and programs;
- The creation of market-based measures of performance; and
- The development of customer commitment throughout the organization. Each of these is vital to the development of a customer-oriented firm, and weakness in any area is sufficient to scuttle the whole effort.

Values and Beliefs

At the base of all organizational functioning is the core of values and beliefs, the culture shared by members of the organization. Organizational culture is only barely understood, especially in the context of marketing, but interest among managers and researchers is growing rapidly.¹⁹

An organizational belief in the primacy of the customer's interests as the beacon for all of the firm's activities must be at the heart of a market-oriented business. The customer-focused definition of the business must originate with top management, including the CEO and the heads of

strategic operating units. Not only must the business be defined by the customer needs it is committed to serving, but it must also define its distinctive competence in satisfying those needs, its unique way of delivering value to the customer. These beliefs and values must include a commitment to quality and service as they are defined by customers in the served markets.

Customer-oriented values and beliefs are uniquely the responsibility of top management. Only the CEO can take the responsibility for defining customer and market orientation as the driving forces, because if he doesn't put the customer first he has, by definition, put something else, the interests of some other constituency or public, first. Organization members will know what that is and behave accordingly. CEOs must give clear signals and establish clear values and beliefs about serving the customer.

Marketing's Role in Strategic Planning

The next step is to integrate marketing into the strategic-planning process. The business plan should stress market information, market-segment definition, and market targeting as key elements. All activities of the business should be built around the objective of creating the desired position with a well-defined set of customers. Separate market segments should be the subject of separate business plans that focus on the development of relationships with customers that emphasize the firm's distinctive competence. Marketing's first responsibility in this context is to be truly expert on the customer's problems, needs, wants, preferences, and decision-making processes. Competitor analysis is also an important part of understanding the firm's position and opportunities in all targeted market segments.

This obviously is the role of marketing called for by the marketing concept. Marketing does not simply find markets and create demand for what the factory currently produces. Its contribution to strategic planning

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and implementation begins with the analysis of market segments and the assessment of the firm’s ability to satisfy customer needs. This includes the analysis of demand trends, competition, and, in industrial markets, the competitive conditions faced by firms in those segments. Marketing also plays a key role by working with top management to define business purpose in terms of customer-need satisfaction.

In this market-oriented view of the strategic-planning process, financial goals are seen as results and rewards, not the fundamental purpose of the business. The purpose is customer satisfaction, and the reward is profit, as noted by Peter Drucker in the original statement of the marketing concept. The relationship between marketing objectives and financial results should be made clear in the formal strategic-planning document.

Developing Marketing Managers and Programs

The development of marketing-management competence requires detailed programs, with the CEO’s active involvement, for recruiting and developing professional marketing managers. It also requires programs for recognizing and rewarding superior marketing performance, not just by marketing managers but by all managers, to bring their contributions to the attention of other managers, develop strong role models, and reinforce the basic commitment to customer-oriented beliefs and val-

ues. All of the organization’s communications and management-development resources are potential vehicles for accomplishing this purpose, including in-company and on-campus executive-development programs, management meetings and seminars, and company publications. Top-management involvement in these activities can substantially enhance the credibility of the marketing-management effort.

With competitive marketing management, the rest of the firm can expect superior quality in the development and execution of marketing programs. The basic purpose of all of the firm’s activities should be the delivery of superior value in products and services. Marketing should be given the resources necessary to develop a first-class marketing-information system. Marketing management must be held responsible for being expert on the customer. The company must be willing to invest in the customer-service systems necessary to establish market leadership. Similarly, there must be investment in the development of a leadership position in marketing channels. Finally, top management must insist upon the very best planning and creativity in the development of marketing communications and in the training and deployment of the sales force. These details are crucial to the delivery of an effective marketing strategy, something that has been overlooked in formal strategic-planning systems and models.

Market-Based Measures of Performance

Perhaps the key to developing a market-driven, customer-oriented business lies in the way managers are evaluated and rewarded. The effort will come to naught if, in the final analysis, managers are evaluated solely in terms of sales volume and short-term profitability and rate-of-return measures. While one of the hallmarks of a marketing-oriented firm is a striving for profitability rather than sales volume or market share alone, it is *long-term* profitability and market position that are the objectives. The question of balancing short- and long-term profit objectives is one of the most difficult challenges to top management in any business.

It is significant that the Coopers and Lybrand study gave top priority to the development of market-based measures of managerial performance. It observed that financial management should be part of the marketing team. In addition to such measures of marketing performance as indices of customer satisfaction and service levels, it was suggested by some managers involved in the study that new market-based financial measures such as rate of return by channel of distribution, type of account, and type of media expenditure, be developed. One of the respondents noted that financial management will be much more integrated with marketing than in the past as it is driven more by marketing goals than by cost-control goals.

Measurement and reward systems are critical in the development of a market-oriented business. Just as managers will emphasize those things on which top management's statements of values and beliefs focus their attention, they will also do those things for which they are evaluated and rewarded.

Developing Customer Commitment Throughout the Organization

In the final analysis, as Drucker and Levitt noted, marketing is not something that can be delegated to a small group of managers while the rest of the organization goes about its business. Rather, it is the whole business as seen from the customer's viewpoint. Managers at General Electric have captured this idea with the phrase, "Marketing is too important to be left to the marketing people!" One of the principal responsibilities marketing management has is to make the entire business market-driven and customer-focused. This advocacy role is a key one for the corporate marketing staff.

The task is to be sure that everyone in the firm works toward that overriding objective of creating satisfied customers. Each individual, and especially those who have direct contact with the customer in any form, is responsible for the level of customer service and satisfaction. The product is defined by each interaction the customer has with any company representative. An important role for marketing management is to be sure that information about customer service and satisfaction is gathered and sent to all parts of the organization on a regular basis. For industrial marketers, it may be extremely useful to have management representatives of customer companies talk with the marketer's personnel, from top management to production and service workers, on a regular basis to explain the challenges and problems they face and how the marketer will be called upon to help find solutions.

Many spokesmen for American top management express the belief that the rediscovery of marketing may provide an important boost to their firm's competitiveness at home and abroad. The marketing concept, emphasizing the importance of satisfying customer needs as the key to long-term profitability, is now expressed in such new phrases as "close to the customer," but the basic idea is more than 30 years old. Once again, we see firms committing resources to marketing, focusing on and nurturing their traditional businesses, and building long-term relationships with their customers. Customer-service programs are receiving increased attention, and market-based measures of performance are becoming parts of management-evaluation systems. Focus on the customer is once again seen as the fundamental requirement for company survival and competitive effectiveness. With proper attention to such basic issues as top-management support and corporate culture, the integration of marketing into the planning process, the development of highly competent marketing-management personnel, market-based management evaluation and reward systems, and making sure the total organization understands and accepts the basic commitment to customer satisfaction, we can hope that the marketing concept will at last be firmly entrenched in American business. □

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5. Frederick E. Webster, Jr., "Top Management's Concerns About Marketing: Issues for the 1980s," *Journal of Marketing*, Summer 1981, pp. 9-16.

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11. See, for example, Frederick W. Gluck, Stephen P. Kaufman, and A. Steven Walleck, "Strategic Management for Competitive Advantage," *Harvard Business Review*, July-August 1980, pp. 154-163.

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14. "3M's Aggressive New Consumer Drive," *Business Week*, July 16, 1984, p. 114.

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17. H. Paul Root, "Marketing Practices in the Years Ahead: The Changing Environment for Research on Marketing," presentation to the Trustees Meeting, Marketing Science Institute, November 7, 1986, p. 2.

18. Coopers & Lybrand/Yankelovich, Skelly, and White, "Business Planning in the Eighties: The New Marketing Shape of American Corporations," 1985, p. 7.

19. See, for example, Mark G. Dunn, David Norburn, and Sue Birley, "Corporate Culture: A Positive Correlate with Marketing Effectiveness," *International Journal of Advertising*, 1985: 4, pp. 65-73; and A. Parasuraman and Rohit Deshpande, "The Cultural Context of Marketing Management," in R. W. Belk (ed.), *Proceedings of the 1984 Educators' Conference of the American Marketing Association*, pp. 176-179.