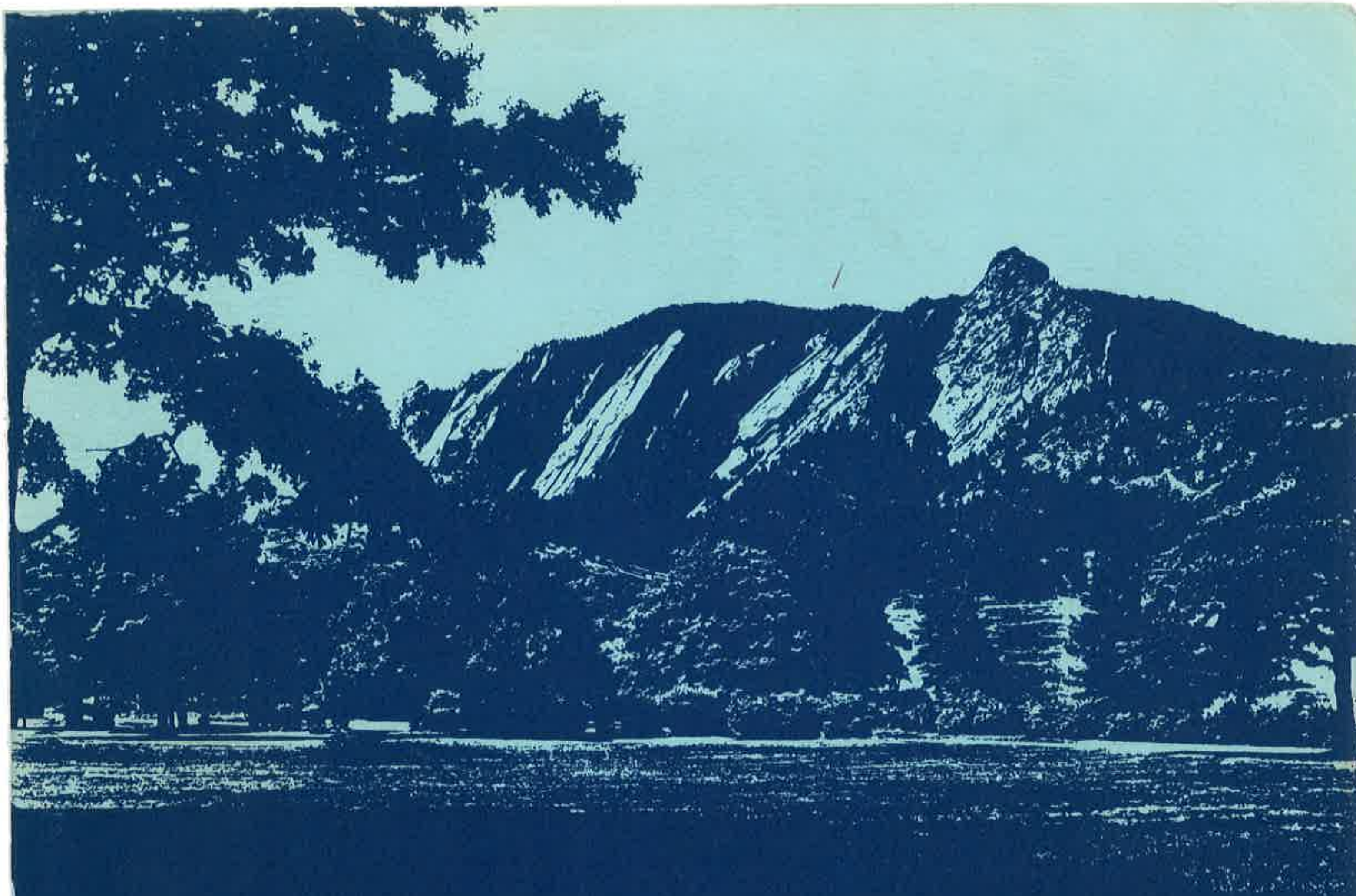


MACRO-MARKETING

Distributive Processes from a Societal Perspective, An Elaboration of Issues

Edited by Phillip D. White and Charles C. Slater

Business Research Division
Graduate School of Business Administration
University of Colorado
Boulder, Colorado

MACRO-MARKETING

Distributive Processes From a Societal Perspective, An Elaboration of Issues

The Proceedings of the Macro-Marketing Seminar
University of Colorado
Boulder, Colorado

August 14-17, 1977

Edited by Phillip D. White and Charles C. Slater

Business Research Division
Graduate School of Business Administration
University of Colorado
Boulder, Colorado

ACKNOWLEDGEMENTS

A seminar of this type owes its greatest debt to the participants. Progress in the area is a function of the interest in and quality of work done by those interested in the subject. To the participants of this year's seminar as well as last year's seminar our sincere thanks.

Many of the administrative details involved in this seminar were handled promptly and accurately by Hal Patterson and Lisa Joss of the Division of Continuing Education. Both of these individuals worked diligently to ensure a smooth seminar.

Charles Goeldner, Head of the Marketing Division and the Business Research Division, deserves special acknowledgement for his continuing professional as well as administrative support of the seminar. Further, members of the staff of the Business Research Division were helpful in handling correspondence as well as other administrative matters. Finally Dori Jenkins assisted us both in planning the seminar and helped keep up with the many details involved in the execution of this type of meeting.

Phillip D. White

Charles C. Slater

University of Colorado

Jerome Guffey
College of Business and
Administration
University of Colorado
Boulder, Colorado 80309

Denis F. Healy
Department of Business
Administration
University of Delaware
Newark, Delaware 19711

Marye Tharp Hilger
College of Business
University of Texas
San Antonio, Texas 78285

H. Keith Hunt
Department of Business
Management
395 JKB
Brigham Young University
Provo, Utah 84602

R. Bruce Hutton
College of Business
Administration
University of Denver
Denver, Colorado 80208

Sakari T. Jutila
College of Business
Administration
University of Toledo
2801 W. Bancroft Street
Toledo, Ohio 43606

J. Barry Mason
Graduate School of Business
University of Alabama
University, Alabama 35486

Joseph C. Miller
Graduate School of Business
Indiana University
Bloomington, Indiana 47401

Donald F. Mulvihill
College of Business Administration
Kent State University
Kent, Ohio 44242

Robert W. Nason
College of Business Administration
University of Rhode Island
Kingston, Rhode Island 02881

William G. Nickels
College of Business and Management
University of Maryland
College Park, Maryland 20742

Steven Paranka
C218 Social Sciences
Colorado State University
Ft. Collins, Colorado 80523

Edgar A. Pessemier
School of Management
Purdue University
West Lafayette, Indiana 47907

William Rice
College of Business and Administration
University of Colorado
Boulder, Colorado 80309

Donald L. Shawver
College of Business
University of Missouri
325 Middlebush
Columbia, Missouri 65201

Charles C. Slater
College of Business and Administration
University of Colorado
Boulder, Colorado 80309

INTRODUCTION

The first Macro-Marketing Seminar which was held at the University of Colorado in August, 1976, was convened in order to bring together scholars who shared an interest in studying marketing from a societal perspective. The purpose of this first Seminar was to clarify and identify the boundaries of macro-marketing. The common thread of the papers and the discussions was the concept of putting marketing into the context of both the firm and the society. However within this framework there was significant diversity in what each of the participants thought to be relevant to the problems of applying marketing skills to societal problems. Three themes evolved as central considerations:

1. the distinction between macro-marketing and micro marketing seems to be dependent on the objectives of the marketing,

2. who the marketing decision makers are largely determines whether a problem will be considered a macro-marketing issue,

3. a hierarchy of objectives needs to be established for macro-marketing.

The first Macro-Marketing Seminar produced lively debate and a consensus that expanding the understanding of marketing problems from a societal perspective is a worthwhile goal. The second Macro-Marketing Seminar, held at the University of Colorado in August, 1977 sought to provide a forum for continued discussion of these issues and further development of knowledge in this area. This volume is a compilation of the second generation papers presented at the Seminar.

The format of the second Macro-Marketing Seminar was informal, and participants were again asked to develop their papers based on their

II

CONCEPTS AND CONTRIBUTIONS WHICH PERTAIN TO MACRO-MARKETING

The first group of papers has two objectives. First, they seek to motivate the discussion of macro-marketing by indicating some of the reasons why macro-marketing is worthy of study. Second, the papers seek to provide a careful and thoughtful discussion and definition of what macro-marketing involves. This first group of papers helps to set the stage for the following groups of papers, each of which deals with a particular aspect of macro-marketing.

The papers by Arndt and Nickels/Hill clarify some of the questions about boundaries and definitions of macro-marketing. This is particularly important given the confusion and disagreement which has accompanied the growth of interest in macro-marketing.

In the first paper Arndt calls attention to the important question of what the boundaries of marketing should be as well as stressing the importance of understanding the "ideology of marketing" in each society. In discussing these points, macro-marketing is clearly distinguished from social marketing. Social marketing is most often used in reference to the application of the tools and techniques of marketing to a broader set of social problems. Social marketing is widely recognized as an important tool in marketing circles, and it continues to receive considerable attention. However, the problem areas studied have not typically been defined as marketing problems. Arndt argues that the application of marketing tools to nonmarketing problems does not carry with it the right to subsume or annex these areas as part of marketing. Further the author stresses that interest in this area should not be allowed to obscure the attention given to the study and understanding

Shawver and French discuss the important role that the expansion of knowledge in the area of positive macro-marketing can make to the accomplishment of national purpose. In addition to their interesting discussion of the historical role of theory in marketing, the authors argue that the relationship between public policy and macro-marketing is of suffucient importance that it should provide the necessary motivation for the development of a positive theory of macro-marketing. While positive macro-marketing theory is only one of the four classifications advocated by the authors, it is particularly important to the discipline of marketing. The development of a better understanding of the impacts and performance of the marketing system can play an important role in the clarification and accomplishment of national purpose. This link is important not only in the context of the U.S. economic system but is equally applicable to other countries as will become clear in the section dealing with international dimensions of macro-marketing.

Mulvihill also recognizes the linkages between the marketing system and broader aspects of the social system by focusing on the quality of life concept. In addition to pointing out the current confusion over the concept and the absence of a precise definition, Mulvihill stresses the need for a definition of quality of life if the performance and impact of the marketing system is to be seriously studied. As becomes clear in reading Bob Nason's paper in a later section, an understanding of what is trying to be optimized is essential if actions are to be taken to motivate the system to accomplish these objectives. Mulvihill discusses some of the problems and issues involved in the use of this term in the context of macro-marketing.

Hamlet:	What news?
Rosencrantz:	None, my lord, but that the world's grown honest.
Hamlet:	Then is doomsday near.

A CRITIQUE OF THE MARKETING AND BROADENED MARKETING CONCEPTS

by

Johan Arndt
University of Missouri-St. Louis

ABSTRACT

The marketing concept, with its managerially-oriented microview of marketing processes, is an inadequate formulation of the subject matter. Similarly, the so-called "broadened marketing" concept, though wider in scope, suffers from a same narrow organizational perspective and a same instrumental view of members of target publics.

The proper conceptualization of marketing should approach the subject matter on a societal basis and deal with the positive rather than with the normative and applicative aspects of the economic exchange processes in society.

INTRODUCTION

What marketing actually is, has never been settled once and for all. Since the turn of the century, marketing thought has been in constant evolution, mainly in the direction of greater breadth. This evolution is in part a result of an adaptive process in which the discipline has attempted to adjust itself to the changing problems confronting the practitioners. However, a part of the impetus comes from forces within the discipline, as the thinking and visions of students of marketing have transcended current problems.

The purpose of this article is to critically examine two of the most widely discussed (if not accepted) formulations of marketing, consumer wants (see McKitterick, 1957; Kotler, 1967, pp. 6-12; and Barksdale and Darden, 1971).

Research such as that published by Barksdale and Darden (1971) and McNamara (1972) shows that the marketing concept is ostensibly widely accepted and operationally implemented in the United States, particularly by the largest corporations. Because of widespread agreement on the set of "principles" involved and the extensive research tradition spawned, the marketing concept may be the aspect of marketing thought coming closest to being a "normal science," as this term is used by the historian of science, Kuhn (1962). The marketing concept has not only provided the foundation for the methodology and organization of marketing, it is also the *raison d'être* of marketing in the Western world.

LIMITATIONS OF THE MARKETING CONCEPT

However, the glossy surface of the marketing concept is marred by problems in industry of organizational stress, excessive costs, and frequent product failures. From the outside, marketing practices are attacked by environmentalists and consumerists. To start with the latter group, since marketing purports to serve consumers, the very emergence of consumerism is a negation of the marketing concept. Indeed, consumerists have made an increasingly stronger case for more adequate legislative consumer protection by amassing charges of shoddy or unsafe products, empty-caloried foods, unnecessary and costly brand proliferation, neglect of post-purchase services, deceptive or offensively intruding advertising, exploitation of disadvantaged consumer segments, and pollution of air and water. It is important to satisfactions, and aware of the social and ecological externalities of his own consumption activities. Such an extreme super-rational human being makes even the imaginary economic man appear realistic by comparison.

The second point is concerned with the communication between buyer and seller. A traditional argument is that consumers influence producers by buying or not buying the product offered. However, overt purchases are signals that may be difficult to interpret for the producer. Moreover, in the democracy of the market place, all consumers are not equal, as their vote is weighted by their purchasing power. Another possible communication channel is marketing research. However, even though the marketing concept may be credited for its strong marketing research imperative, the fact remains that the consumer normally has little opportunity to take the initiative and express himself in this possible "dialogue." Most of the "communication" in terms of marketing research is undertaken at the premises of and for the benefit of the producer. Often measuring instruments are structured in advance, and hence force consumers into accepting producers' hypotheses of consumer needs.

Finally, there are the serious conceptual and operational problems of going from an identification of often abstract needs and wants to the development of the appropriate concrete product to meet those needs. As has been forcefully argued by Kaldor (1971), even if the producer <u>has</u> perfect knowledge of the consumer needs, these needs will not be met unless the producer is creative enough to develop an adequate product concept and also has the perceived necessary differential advantage in producing and marketing such a product profitably.

that marketers and government have not only the necessary knowledge, but also the ways and means to play their required part in the market. On the basis of the level of consciousness implicit in the marketing concept, these assumptions may be seriously questioned.

Therefore, the marketing concept is not an adequate statement of marketing today. The pressing social issues today have little in common with the conditions after the Second World War, to which the growth ideology of the marketing concept seems to have been a workable response. In the struggle among the social institutions and disciplines, marketing will disappear if it fails to meet the new conditions. It is therefore necessary that marketing thinking should undergo change. One provocative proposal for making marketing more relevant and powerful is to broaden the discipline into what is called "social marketing."

THE RISE OF THE BROADENED CONCEPT OF MARKETING

A dominant theme in the conceptual marketing debate in the 1970's has been the issue of "social marketing" or the "broadened marketing concept." It has been earlier pointed out the impetus for the marketing concept came from practitioners. The new social marketing concept, however, is more than a bootstrapping phenomenon, as its chief architects are marketing academics. This in itself is a healthy development. An ambitious academic discipline must obviously set higher goals than to record successful applications of concepts and techniques in practice.

However, though the term social marketing seems to carry a favorable meaning, there is considerable semantic confusion in the area, as pointed out by Luck (1974). The same phenomena have been referred to by different terms, while the same terms have been used to business technology. Kotler and Levy (1969b) retorted by designating the Luck position as myopic and by clarifying their view further.

In the ensuing years, the debate gathered momentum. For instance, the theme of the Fall, 1970 conference of the American Marketing Association was broadened marketing, and the 1972 and 1973 conferences featured special sections on the subject matter. The Journal of Marketing devoted much of the July 1971 issue to nonbusiness applications of marketing principles. The areas covered included health service marketing (Zaltman and Vertinsky, 1971), population control (Farley and Leavitt, 1971), fund raising (Mindak and Bybee, 1971) and the recycling of solid wastes (Zikmund and Stanton, 1971).

The fertile minds of Kotler and his associates have continued to work on the idea. While the subject of marketing for nonprofit organizations has been further developed by Kotler and Zaltman (1971) and Kotler (1975), the main thrust has been in the direction of redefining marketing functionally and generically to apply to all situations involving exchange of values between two or more parties. Thus conceived, marketing refers to analysis, planning, organizing, and control tasks in the attempts of organizations to obtain desired responses from their publics, not only their consuming publics (see Kotler, 1972a, 1972b, 1973, 1975, 1976; Bagozzi, 1975; Levy and Zaltman, 1975; and Nickels and Hill, 1977). As summed up by Enis (1973), the broadened concept of marketing applies (1) when the product in question is an economic good or service or when other things of value are concerned, (2) when the target audience consists of customers or of other publics, and (3) when the organizational objective is profits as well as when it is other payoffs.

present concepts may provide new challenges and vigor in an area, which may otherwise risk becoming obsolete and extinct. To use a statistical metaphor attempts to broaden the marketing concept may be regarded as efforts to reduce the likelihood of Type II, errors of omission. And vice versa, the position of Luck (1969) and other "traditionalists" is conservative in the sense of being concerned with minimizing Type I, errors of commission.

LIMITATIONS OF THE BROADENED MARKETING CONCEPT

In evaluating the merits of the broadened marketing concept, the issue is not whether marketing concepts and techniques may be applied successfully to non-business areas. This has been convincingly demonstrated by the articles in the July 1971 issue of the *Journal of Marketing* earlier referred to, and in this conference, by the provocative papers by DeKorte (1977) and Healey (1977). What is questioned is whether such extracurricular applications should be treated as an integral part of *marketing thought*.

There is undoubtedly much potential value of abstracting from current marketing practices by positioning marketing as one of several manifestations of a more embracing, generic, higher-order field, which may be termed "social engineering," "transactional sociology," "relationics," or "exchangeology." However, the fact that a dog is an animal does not permit calling all animals dogs. Similarly, there is little a priori reason why this higher-order field should necessarily be labeled *marketing*. Such a combined semantic and territorial expansion may threaten the conceptual integrity of marketing, add to the confusion in terminology, and widen the gulf between marketing theory and practice. Moreover, the broadened concept of marketing has to imperialistically into a full-fledged behavioral science.

This would probably mean that marketing has to be approached on a macro or societal basis, as argued by Carson (1977) and Shawver and French (1977), and exemplified by the contributions at this conference by Hilger (1977), Slater (1977), and Zif, Izraeli, and Shtark (1977). For marketing to become a behavioral science such as social anthropology, psychology, or sociology, it must be firmly based on positive theories providing a systematic explanation of the phenomenon of interest, in this case, the economic exchange processes in society, see Arndt (1978). However, as other behavioral sciences, marketing has also a normative, applied dimension, both at the micro and macro levels, concerned with principles for "good marketing practice." An important problem in "new marketing" relates to the identification and resolution of conflicts among the different actor groups in the marketing system. One possible solution to this problem is the use of extended benefit-cost analyses, as pointed out by Flaschner and Jutila (1977). Though the "art" aspect of the discipline must build on the science part, the behavioral science of marketing should be conceptually distinguished from the practice of the subject matter. However, before developing a positive theory of marketing it is necessary to examine the ideology of present marketing practices.

MARKETING AS AN IDEOLOGY

An anonymous sage is reported to have said that we don't know who discovered water, but we are pretty sure that it wasn't a fish. Similarly, it is difficult for practitioners and students of marketing to comprehend the overall societal system of which marketing is a part and the particular role played by marketing in this system. In discussions passive model of man (Kover, 1967; Arndt, 1976). As put appropriately by Tucker (1974, p. 31), marketing research has looked at consumers in the same ways that fishermen study fish rather than as marine biologists study them. Such an instrumental view of the consumer treats the consumer not as the subject, but as an object to be affected in order for marketers to realize their business goals. This instrumental model of man seems to be reincarnated in the broadened marketing concept, as the members of the various publics of the organization are of interest only as potential emitters of desired responses.

The second tenet reflects the classical view in economics that conflicts of interest between sellers and buyers are normally resolved through the invisible hand of the neutral market mechanism. Even if sellers have more resources in terms of information, planning abilities, and market power than buyers, the impersonal competitive forces in the market will prevent sellers from taking unfair advantage of their privileged position. To paraphrase another famous saying, what is good for marketers is believed also to be good for consumers. Hence, governmental intervention is normally unnecessary, except for maintaining competition. Real long run conflict of interest in the market place is disregarded.

The keystone of the marketing ideology is the notion that abstract spiritual and social needs may be regarded as material entities. The more such needs may be converted into demand for material products and services, the better off marketers are. Hence, marketing willingly or unwillingly contributes to the depersonalization of individuals judging themselves and others by what they own and what they buy. In the topsy-turvy world of marketing, products become symbols, and symbols and higher order entities are reduced to products.

and Zaltman, 1975, p. 42). Such "broadenings" may accelerate the alienation of man in modern society by inducing individuals to view their relationships with one another as marketing relationships. Similarly, there are the costs involved if ministers instead of offering spiritual guidance and consolation are reduced to marketers of church services (or religious copy writers), and if politicians view their relation to the electorate as a marketing problem. For instance, to apply marketing out of context in spiritual matters, may produce hostile reactions by many members of society who may find such applications tasteless and offensive. A purpose of marketing is to cater to material needs and to make life simpler. Religion, on the other hand, should often complicate life and make demands on people instead of offering easy solutions. Therefore, the twain should not necessarily meet.

In the delicate balance between the realms of economics, law and justice, and inspiration/culture, it seems necessary to draw as fixed as possible lines between Mammon, Caesar, and God. If the marketing function and ideology is allowed to expand freely into other realms, this balance may be upset, with the result of political and spiritual pollution. Hence, to broaden the marketing thinking into areas where it is out of context may bring marketing on a collision course with our humanistic ideals. As the late Adlai Stevenson (himself a not quite successful political marketer) warned 15 years ago: "With the supermarket as our temple and the singing commercial our litany, are we likely to fire the world with an irresistible vision of America's exalted purposes and inspiring way of life?".

Flaschner, Alan B. and Sakari T. Jutila. "Technological Innovation: A Public Perspective," in Phillip D. White and Charles C. Slater, eds., MACRO-MARKETING: Distributive Processes From a Societal Perspective, An Elaboration of Issues. Boulder, Colorado: Business Research Division, Graduate School of Business Administration, University of Colorado, 1978.

Fromm, Erich. The Revolution of Hope - Toward a Humanized Technology. New York: Bantam, 1968.

Healy, Denis F. "The Application of Marketing Perspectives to the Religious Institution," in Phillip D. White and Charles C. Slater, eds., MACRO-MARKETING: Distributive Processes From a Societal Perspective, An Elaboration of Issues. Boulder, Colorado: Business Research Division, Graduate School of Business Administration, University of Colorado, 1978.

Hilger, Marye T. "Theories of the Relationship Between Marketing and Economic Development: Public Policy Implications," in Phillip D. White and Charles C. Slater, eds., MACRO-MARKETING: Distributive Processes From a Societal Perspective, An Elaboration of Issues. Boulder, Colorado: Business Research Division, Graduate School of Business Administration, University of Colorado, 1978.

Kaldor, Andrew G. "Imbricative Marketing," Journal of Marketing, 35 (April 1971), 19-25.

Kotler, Philip. "A Generic Concept of Marketing," Journal of Marketing, 36 (April 1972a), 46-54.

Kotler, Philip. "Defining the Limits of Marketing," in Boris W. Becker and Helmut Becker, eds., Combined Proceedings 1972. Chicago: American Marketing Association, 1973, 48-56.

Kotler, Philip. Marketing for Nonprofit Organizations. Englewood Cliffs: Prentice-Hall, 1975.

Kotler, Philip. Marketing Management. Englewood Cliffs: Prentice-Hall, 1967.

Kotler, Philip. Marketing Management. Second Edition. Englewood Cliffs: Prentice-Hall, 1972b.

Kotler, Philip. Marketing Management. Third Edition. Englewood Cliffs: Prentice-Hall, 1976.

Kotler, Philip and Sidney J. Levy. "Broadening the Concept of Marketing," Journal of Marketing, 33 (January 1969a), 10-5.

Kotler, Philip and Sidney J. Levy. "New Form of Myopia: Rejoinder to Professor Luck," Journal of Marketing, 33 (1969b), 55-7.

Kotler, Philip and Gerald Zaltman. "Social Marketing: An Approach to Planned Social Change," Journal of Marketing, 35 (July 1971), 3-12.

Spratlen, Thaddeus H. "The Challenge of a Humanistic Value Orientation in Marketing," in Norman Kangun, ed., Society and Marketing. New York: Harper and Row, 1972, 403-13.

Tucker, W. T. "Future Directions in Marketing Theory," Journal of Marketing, 38 (April 1974), 30-5.

Wiebe, G. D. "Merchandising Commodities and Citizenship on Television," Public Opinion Quarterly, 15 (Winter 1951-52), 679-91.

Zaltman, Gerald and Ilan Vertinsky. "Health Service Marketing: A Suggested Model," Journal of Marketing, 35 (July 1971), 19-27.

Zikmund, William G. and William J. Stanton. "Recycling Solid Wastes: A Channels-of-Distribution Problem," Journal of Marketing, 35 (July 1971), 34-9.

Zif, Jehiel, Dov Izraeli and Rami Shtark. "Management of Quantity - A Study in Agricultural Macro-Marketing," in Phillip D. White and Charles C. Slater, eds., MACRO-MARKETING: Distributive Processes From a Societal Perspective, An Elaboration of Issues. Boulder, Colorado: Business Research Division, Graduate School of Business Administration, University of Colorado, 1978.

IS MARKETING WHAT THE TEXTBOOKS SAY? -- NEW DEFINITIONS OF MACRO AND MICRO MARKETING

by

William G. Nickels
and
Ronald Hill

College of Business and Management
University of Maryland

One of the important problems in marketing today is the uncertainty many marketers feel about the nature and scope of macro and micro marketing. Sweeney says that, "the marketing discipline is presently experiencing an identity crisis" (26). In another recent article, Luck reveals that he has become keenly aware of a personal confusion regarding the meaning of "social marketing," and he is also uncomfortable about the identity of "marketing." He says that, "Examination of several authors' apparent concepts of these terms suggests that confused terminology may be epidemic in marketing and, therefore, an impediment to others' efforts to think clearly about the discipline" (14). Other articles have noted the same sense of confusion regarding the generic nature of marketing (3, 5, 8, 9, 28).

The purpose of this paper is to help clarify the terminology of macro and micro marketing. We will begin by analyzing the basic definitions of macro and micro marketing as presented in leading introductory texts. We will then explore the current literature to see where the conflicts are, if they exist. We will conclude by presenting new terminology that may provide a basis for resolving the current uncertainty.

Nature of the Problem

The confusion over marketing terminology may have begun in 1969 the flow of goods and services from producer to consumer or user in order to satisfy customers and accomplish the company's objectives" (16). Boone and Kurtz use this variation: "Marketing is defined as the provision and efficient distribution of goods and services for chosen consumer segments" (4). Stanton says that, "Marketing is a total system of interacting business activities designed to plan, price, promote, and distribute want-satisfying products and services to present and potential customers" (25). Schwartz's definition is similar to McCarthy's (23); both are based on a definition recommended by the American Marketing Association about thirty years ago (21).

All of the preceding definitions have two important characteristics in common. First, they all limit the concept of marketing in some fashion. Most of the definitions state or imply that marketing is a <u>business activity</u> (eliminating from inclusion nonprofit or nonbusiness organizations), and they confine marketing's domain to goods and services (which tends to deemphasize the marketing of ideas, persons, places, and causes). Second, all of the definitions presented thus far picture marketing as a one-way flow from the producer to the consumer. This gives marketing the image of a set of techniques used by <u>sellers</u> and gives the impression that <u>buying</u> is not marketing.

In summary, most (but not all) of the leading texts in marketing state or imply that marketing is a <u>business activity</u>. This is in direct conflict with the views of the vast majority of marketing educators as revealed in the Nickels study (18). Ninety-seven percent of the respondents felt that marketing should be broadened to include <u>nonbusiness</u> organizations. Furthermore, most of the leading texts emphasize the marketing activities of sellers. But 95% of the educators responding to the survey felt that buyers also initiated marketing activities. This producer to consumer, but is a two-way exchange of values between marketing participants.

Obviously, it would be less confusing if marketing definitions were broader in scope. Then there could be no semantic differences between marketing in a business firm and marketing in a nonbusiness firm. Furthermore, the definition should reflect the idea that marketing is done by both buyers and sellers with the objective of creating and maintaining exchange relationships.

What is Marketing?

The most recent literature indicates that the following definition of marketing would be widely, but not universally acceptable: Marketing is a process whereby individuals and/or organizations seek partial satisfaction of their wants and needs by engaging in activities and creating institutions that facilitate the establishment and maintenance of exchange relationships with others.

This definition does not portray marketing as a business activity, but it does include business marketing. The definition does not say that sellers initiate marketing, but implies that either buyers or sellers may initiate the exchange process. The activities engaged in and the involved institutions are not specified because they vary from situation to situation. And the definition does not explicitly mention "goods and services" because marketing exchanges may involve people, places, causes, ideas, and other things of value as well as goods and services. It is meant to be a universally applicable definition of marketing.

Such a definition may help resolve the nature and scope controversy. It obviously leans toward broadening the concept of marketing because most educators feel this is the direction to take. This does not mean that all

(4) the interdisciplinary concepts and tools applicable to exchange relationships, (5) the social responsibility and responsiveness of exchange participants, (6) the philosophical and ethical aspects of dyadic exchange (e.g., the marketing concept), (7) the measures of productivity of particular exchange units, (8) the behavior of various buyers (consumer, retail, and industrial), (9) the relationships and conflicts between two exchange organizations (e.g., wholesaler-retailer relationships), and (10) the environmental influences on dyadic exchange relationships.

The definition suggests that the marketing practices of businesses and nonbusinesses are both micro marketing. Micro marketing may be viewed from several perspectives: profit/nonprofit and normative/positive (9). That is, micro marketing practices may be described as they are (positive marketing) or as they should be (normative marketing). This analysis is equally valid for business or nonbusiness organizations. Most of the marketing literature has concentrated on the micro/positive dimension of marketing, but the recent literature focuses more on the micro/normative dimension. In either case, the emphasis in micro marketing is on particular organizations and their exchange relationship with individual consumers or individual organizations. Special attention is given management, concepts, tools, functions, roles, and behavior. Ethics, social responsibility, social responsiveness, and environmental influences are also important, but given less attention.

The above definition is meant to be quite specific about the nature and scope of micro marketing. This will help marketers develop a theoretical framework for micro marketing, clarify concepts for students, and generally act as a basis for further debate about the limits of macro/micro marketing.

like gross national product (standard of living)? Or should we measure the quality of life (social indicators)? There is no consensus in the literature. Worse yet, there isn't even a major debate! There seems to be little concern about macro marketing except to say that firms do not operate in a vacuum and marketers should study "the total system" or "the environment."

The lack of attention given macro marketing in the literature led some marketers to sponsor the first macro marketing conference in Colorado in 1976. The lead paper in the proceedings was by Bagozzi. He described in great detail the justification for dividing marketing into macro and micro dimensions and the criteria to be used (2). The reader is encouraged to review this paper as a foundation for the discussion which follows. At the same conference, Hunt proposed the following definition of macro marketing:

> Macro marketing refers to the study of (1) marketing systems, (2) the impact and consequence of marketing systems on society, and (3) the impact and consequences of society on marketing systems (9).

This was one of the better macro marketing definitions available at the time and set the stage for the second macro marketing conference in 1977. The proceedings you are now reading is the result of that conference. It became clear that the Hunt definition was not inclusive enough to cover all macro marketing issues nor to clearly define the difference between macro and micro marketing. But Hunt's influence pervaded the conference and is reflected in the material that follows.

A New Definition of Macro Marketing

It is not clear from Hunt's definition what "society" means. In fact, marketing has a different impact on many subgroups within society.

responsibility. The ties are obvious. Similarly, macro marketing is not the marketing of nonbusiness organizations, but is concerned with the total exchange system that evolves to market nonbusinesses. Multinational corporations and their relationships with buyers in other countries is micro marketing. But the impact of multinational corporations on economic growth is a macro issue as are studies of comparative marketing systems. Government agency marketing is micro, but the effect of government on marketing systems is macro. Micro marketing is concerned with how organizations behave in their exchange relationships; macro marketing is concerned with who should satisfy social needs -- private business or government. Both macro and micro can be normative as well as descriptive. That is, they may suggest what should be as well as what is. Macro marketing is concerned with public policy issues regarding regulation of marketing, restrictions on international trade, pollution control regulations, and similar broad issues. Micro marketing is more concerned with product safety and its implications for particular producers. Again, the links are obvious but the distinctions are not. If the discussion has mostly managerial implications, the study is largely micro; if the discussion has mostly systems implications, the study is large macro.

The study of groups is macro. Thus consumerism, consumer cooperatives, vertically integrated channel systems, trade associations, and cartels are all subjects of macro marketing. Studies of individual consumer behavior, individual firms, salesman-consumer relationships, and the like are micro.

In summary, macro and micro marketing are the polar extremes of a continuum. At the micro end are simple exchange relationships between adds to the confusion. In short, marketing now has an identity crisis. We hope this paper provides a foundation for marketers to reach some consensus about the meaning and scope of macro and micro marketing.

Definitions are just a starting point for further research into micro and macro issues in marketing. For example, marketing needs a theoretical framework to study macro and micro concepts. It also needs some consensus on measurements to use to determine the effects of marketing on society. One debate is over the meaning of quality of life versus standard of living. Marketing literature seems to be leaning toward quality of life as a measure of effectiveness. But what are the criteria? What are the measures? What incentives and sanctions should be used to achieve such results? There are problems in both micro and macro marketing that need to be solved. We hope this paper also helps set the parameters for further research.

REFERENCES

1. Bagozzi, Richard P. "Marketing as an Organized Behavioral System of Exchange," Journal of Marketing, 38 (October, 1974), pp. 77-80.

2. Bagozzi, Richard P. "Marketing as Exchange," Journal of Marketing, 39 (October, 1975), pp. 32-39, and "Marketing at the Societal Level; Theoretical Issues and Problems," in Charles C. Slater, Macro-Marketing (Boulder, Colorado: Graduate School of Business Administration, University of Colorado, 1977), pp. 1-51.

3. Bartels, Robert. "The Identity Crisis in Marketing," Journal of Marketing, 38 (October, 1974), pp. 73-76.

4. Boone, Louis E. and Kurtz, David L. Contemporary Marketing, Second Edition (Hinsdale, Ill.: The Dryden Press, 1977).

5. El-Ansary, Adel I. "Towards a Definition of Social and Societal Marketing," Journal of Academy of Marketing Sciences (Spring, 1974), pp. 316-322.

6. Enis, Ben M. Marketing Principles: The Management Process (Pacific Palisades, Calif.: Goodyear Publishing Co., Inc., 1974).

7. Hartley, Robert F. Marketing Fundamentals (New York: Dun-Donnelley Publishing Corporation, 1976).

24. Spratlen, Thaddeus H. "Macromarketing Analyses of Aggregate Performance: Issues and Insights," 1975 Combined Proceedings (Chicago: American Marketing Association, 1975), p. 564.

25. Stanton, William J. Fundamentals of Marketing, 4th ed. (New York: McGraw-Hill Book Company, 1975).

26. Sweeney, Daniel J. "Marketing: Management Technology or Social Process?," Journal of Marketing, 36 (October, 1972), pp. 3-10.

27. Takas, Andrew. "Societal Marketing: A Businessman's Perspective," Journal of Marketing, 38 (October, 1974), pp. 2-7.

28. Tucker, W. T. "Future Directions in Marketing Theory," Journal of Marketing, 38 (April, 1974), pp. 30-35.

TOWARDS A POSITIVE THEORY OF MACRO-MARKETING

by

Donald L. Shawver and Norman D. French
University of Missouri, Columbia

The purpose of this paper is to urge marketers towards a positive theory of macro-marketing.

NATURE OF THEORY

The discipline of marketing is relatively young compared to economics or mathematics, two subjects noted for extensive use of theory. Yet, throughout the development of the discipline of marketing, a considerable amount of the marketing literature has been devoted to marketing theory (1).

Historical Notes. Wroe Alderson in Marketing Behavior and Executive Action observed that interest in theory in the field of marketing increased between 1946 and 1956. Alderson claimed a 1946 meeting of the American Marketing Association to be a milestone (2). This meeting and subsequent developments led to the publication in 1950 of the volume Theory in Marketing edited by Reavis Cox and Wroe Alderson (3). In 1964 a second series of Theory in Marketing was published (4). Both volumes were published under the sponsorship of the American Marketing Association.

Bartels also mentions the 1946 meeting of the American Marketing Association as the first public consideration of the state of marketing theory (5). That 1946 meeting discussed topics still relevant. The panel, for example, doubted that a marketing theory could be formulated that would be a total integration of principles into a system. Recognition was also given to different points of view, whether theories of varied facts.

Need for Theory. There is a great need for theory. Marketing practice and marketing theory are not the two terminals of a continuum as some imply. Rather, marketing theory and practice are intertwined. Walton said it like this:

> "Not unlike medicine, business practice and business theory oscillate about each other like the strands of a complex double helix of the intellect. The state of this relationship is always of great human significance. When practice and theory converge, they promote the individual's instinctive search for a unified picture of himself and of his world; when they separate, the images become contradictory, fragmented and even absurd" (13).

One of the attributes of an educated person is both an understanding of and respect for theory. We all observe others who seem preoccupied with an imagined cleavage between theory and practice. There really is no cleavage, just a failure to realize that theory and practice are intertwined.

Public policy and macro-marketing theory are also intertwined. Thorelli pointed out that politics in a free society is the system that tries to assure that goods and services produced by a government reflect reasonably well the preferences of the population. Similarly, in a free society, marketing is the system that matches goods and services produced by private enterprise with the preferences of the population (14). The writers suggest that public policy with respect to control and limitations on the enterprise system are also intertwined with marketing.

It is an essential part of a democracy for public policy issues to be discussed continuously. But does it follow that every journalist, Recently Slater pointed out two significant differences between economics and marketing. Economics is associated with the theory of the allocation of scarce resources, and marketing could equally be identified as the theory of allocation of abundant resources. Second, economics has looked at both buyer and the seller behavior, while marketing has generally neglected the sources and distribution of consumer income (19).

Over the years marketing scholars have written about a general theory of marketing. But the literature largely reflects disagreement.

Schwartz in 1963 regarded marketing as a social science and contended that the development of marketing theory should utilize sociology, psychology, economics, anthropology, and political science (20). Schwartz concluded that there was no way to avoid the laborious empirical method to discover marketing theory. "The complexities of marketing phenomena appear, thus far, to have defied the logic of the deductive approach and the selected assumptions of mathematical models" (21).

In 1965, John Howard speculated that some highly imaginative person could build a theory that would serve all needs. But Howard was talking only about normative micro theory and put a low probability on the occurrence of this event (22).

By 1968 Bartels could claim that considerable attention had been given to theory by marketing scholars. And in that year Bartels wrote that the time was ripe for the development of a general theory of marketing (23). Bartels proceeded to give an outline of a general theory that consisted of seven component subtheories (24). He did not distinguish between micro-marketing and macro-marketing; rather he called

Finally, Schwartz in reviewing his collection of essays in *Science in Marketing* (1965) spent most of his time reviewing the marketing concept and the rest of the time reviewing areas related only to executive decision making. Schwartz made research suggestions that were related primarily to micro-marketing (30).

A Four-Fold Classification. All theory can be subdivided into two classes, positive theory and normative theory. Positive theory is concerned with "how things *are*." Normative theory, on the other hand, is concerned with "how things *should be*." Positive theory is said to be descriptive; normative theory can be characterized as prescriptive.

Shelby Hunt recently suggested that all marketing phenomena, issues, problems, models, theories, and research could be categorized into eight cells using the three categorical dichotomies of (1) profit sector/nonprofit sector, (2) micro/macro, and (3) positive/normative (31). While not disagreeing with Hunt, the writer would like to invoke the law of parsimony and suggest an examination of marketing theory categorized by only four cells:

	Micro-Marketing	Macro-Marketing
Positive What is?		
Normative What ought to be?		

Micro-marketing is concerned with activities at the firm level; macro-marketing, in its broadest connotation, analyzes the role of marketing with respect to all of society.

The contention here is that the discipline of marketing relates to each of the four cells. Much of what marketing scholars research

Marketers are indeed interested in the social implications of marketing. Today, few, if any, marketing scholars look upon the bridge as neutral. However, marketers should offer more than mere opinions when commenting about public policy. Arguments should be based on a positive theory of macro-marketing. Such a theory would contribute to the understanding of social problems, to predictions associated with proposed action programs, and to the orderly integration of marketing knowledge.

THE NATIONAL PURPOSE

A fundamental concern of macro-marketing relates to the following question: "How can the marketing system of a country help find better ways to accomplish its national purpose?"

The very question is prescriptive; it asks what <u>ought</u> to be done. However, this paper emphasizes that prescriptions can be made scientifically and better only if based on positive theory of macro-marketing.

The national purpose of the United States has evolved throughout our history, shaped by political debate, elections, by consumers rating in the marketplace, and by protests of those advocating a cause.

<u>Employment Act of 1946</u>. An historic statement of national purpose was the Employment Act of 1946. It read in part:

> "The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government to use all practicable means . . . to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment,

Specific Goals. In this paper, the national purpose is viewed as a broad statement of ends to be searched for and attained. Reasonable men continue to debate and have honest differences of opinion about which ends are worthy of attainment. The following are tentatively suggested:

It shall be the national purpose to:

1. Maintain the national security.
2. Seek to satisfy consumers and promote the general welfare.
3. Direct resources and employment toward social ends.
4. Preserve the environment and resources for future generations.
5. Sustain a high level of economic activity, and economic growth.
6. Keep inflation at less than 6 percent per annum.
7. Search for equitable ways to distribute goods and services.
8. Maintain and protect human rights.
9. Foster economic and social institutions that can facilitate the highest order of individual freedom.

ROLE OF MACRO-MARKETING

Macro-marketing plays an important role in searching and attaining the national purpose.

Tasks of Macro-Marketing. Twenty-five years ago Vaile, Grether, & Cox contended that marketing had two basic tasks: (1) to allocate or ration resources and products, and through this process direct production, and (2) to give energy, motion, and dynamic movement to production and consumption. The second task of making consumption

Norge. This principle applies to most goods and services with consumers voting daily in the marketplace.

The principle of consumer sovereignty is under siege. It is said that ordinary people cannot be entrusted with judgments concerning their own welfare; that they are manipulated by "the General Electrics and the Whirlpools" of the marketing system. Some claim that we are in the position of the Indian brave who has been hooked on cheap fire water by the greedy fur trader. One asks: "Is the Indian better off because he trades muskrat for rotgut?"

While Adam Smith's Invisible Hand quotation is well known, another quotation from him addressed this very issue:

> "It is not the multitude of alehouses, to give the most suspicious example, that occasions a general disposition to drunkenness among the common people; but that disposition arising from others causes necessarily gives employment to a multitude of alehouses" (36).

The social critic, John Kenneth Galbraith, complained that as a society became increasingly affluent, consumer wants were increasingly created by the very process by which they were satisfied. Galbraith also claimed that the person who urges the importance of production to satisfy wants is precisely in the position of the onlooker who applauds the efforts of the squirrel to keep abreast of the wheel that is propelled by his own efforts! Galbraith complained that one of the problems of a production oriented society was the disparity between privately produced goods and services and the supply of public services. He observed that a great part of modern scientific work was outside the scope of the market and private enterprise. His prescription was to rely less on the market and more on government control of the market (37).

Other observers point to examples where cumulative consumption acts by individuals run contrary to social goals. Beer and soft drinks in cans come to mind. And America's love for large cars is a more conspicuous example.

Consumers complain of high prices. Farmers, steel manufacturers, and others complain of low prices. This paper asks: Is discordancy in the marketplace merely a facade which hides the true tasks of macro-marketing?

AREAS OF CONFLICT

Any positive theory of macro-marketing must explain the conflict among goals. When there is conflict, suboptimization results. What is the role of marketing here?

There is continuous debate about each goal that relates to the national purpose. Some of this debate has almost a frenzied ferver to it. For example, advocates want a neutron bomb; opponents do not. Such debate should continue. Issues will be resolved through the political processes.

However, what is not emphasized nearly enough by policy makers is that some of the goals associated with the national purpose are conflicting. For example, high levels of economic activity and economic growth may very well be in conflict with goals of preserving the environment and the availability of sufficient resources for future generations.

Macro-marketing can contribute to establishment of the national goals. It also can contribute to the political debates that shape the goals. Communication and persuasion used to further a pre-selected position.

hopefully would give us a better more comprehensive base on which to decide.

What is the role of marketing with respect to gasoline consumption? Without a doubt the earth's supply of oil is finite. And, without a doubt the policies announced daily from Washington have tried to curtail consumption. Legislation directed at producers has been passed making increased gasoline mileage mandatory. And, tax measures have been enacted against the "gas-guzzler." Yet, out there in the marketplace, consumers have been exercising their sovereignty. They continue to buy more large automobiles than small automobiles. And, Washington continues talking about price controls and rationing.

RESOLUTION OF CONFLICT

A positive theory of macro-marketing might extend use of some of the theories now associated with other disciplines.

1. Theory of negotiation. The price of milk, for example, is set by extensive bargaining.

2. Theory of trade-offs. Is there some way that the trade-offs can be more precisely measured?

3. Cost-benefit analysis (40). Is there a better way that costs can be measured against benefits? Advocates might argue, for example, that all electric lines should be placed underground. There are substantial costs associated with this. How do we measure the benefits--especially when it may be largely in the area of aesthetics?

4. Orderly marketing. The market is interested in an orderly and sustained flow of goods. How can the marketing system do a better job of encouraging this? For example, consumers want apricots not only in Denver but in St. Louis and on an orderly basis too. Are there some orderly marketing principles that would contribute here?

REFERENCES

1. For an exhaustive bibliography on marketing theory, see Shelby D. Hunt, _Marketing Theory: Conceptual Foundations of Research in Marketing_ (Columbus, Ohio: Grid, Inc., 1976), pp. 139-146.

2. Wroe Alderson, _Marketing Behavior and Executive Action: An Functionalist Approach to Marketing Theory_ (Homewood, Illinois: Richard D. Irwin, Inc., 1957), p. 3.

3. Reavis Cox and Wroe Alderson, eds., _Theory in Marketing_ (Chicago: Richard D. Irwin, Inc., 1950).

4. Reavis Cox, Wroe Alderson, and Stanley J. Shapiro, _Theory in Marketing_, Second Series (Homewood, Illinois: Richard D. Irwin, Inc., 1964).

5. Robert Bartels, _Marketing Theory and Metatheory_ (Homewood, Illinois: Richard D. Irwin, Inc., 1970), p. 18.

6. _Ibid_., p. 19.

7. Robert Bartels, _The Development of Marketing Thought_ (Homewood, Illinois: Richard D. Irwin, Inc., 1962), p. 2.

8. Wroe Alderson, _Marketing Behavior and Executive Action_, p. 5.

9. _Ibid_.

10. Robert Bartels, _Marketing Theory and Metatheory_, pp. 1-2.

11. _Ibid_., p. 2.

12. Shelby D. Hunt, _Marketing Theory: Conceptual Foundations of Research in Marketing_ (Columbus, Ohio: Grid, Inc., 1976), p. 104.

13. Clarence C. Walton in _Beta Gamma Sigma Invited Essay for September 1976_. Walton was quoting Edmund D. Pellegrino, "Philosophy of Medicine: Problematic and Potential," _Journal of Medicine and Philosphy_, Vol. 1 (March 1976), p. 5.

14. Hans B. Thorelli, "Political Science and Marketing," in Reavis Cox, Wroe Alderson, and Stanley J. Shapiro, eds., _Theory in Marketing_, Second Series (Homewood, Illinois: Richard D. Irwin, Inc., 1964), p. 125.

15. John Maynard Keynes, _The General Theory of Employment Interest and Money_ (New York: Harcourt, Brace and Company, 1936), p. 304.

16. _Ibid_., p. 3.

17. Wroe Alderson in _Theory in Marketing_, Second Series, p. 92.

37. John Kenneth Galbraith, The Affluent Society, Third Revised Edition (Boston: Houghton Mifflin Company, 1976).

38. Edwin G. Nourse, Price Making in a Democracy (Washington, D.C.: The Brookings Institution, 1944), p. 449.

39. Reavis Cox, "Changing Social Objectives," p. 18.

40. An excellent example of the use of benefit/cost analysis is George Fisk, "Criteria for a Theory of Responsible Consumption," Journal of Marketing, Vol. 37 (April, 1973), p. 27.

41. Shelby D. Hunt, Marketing Theory, p. 105.

42. Ibid, p. 134.

43. See Charles C. Slater, "Toward an Operational Theory of Market Processes," in Phillip D. White and Charles C. Slater, eds., MACRO-MARKETING: Distributive Processes From a Societal Perspective, An Elaboration of Issues. Boulder, Colorado: Business Research Division, Graduate School of Business Administration, University of Colorado, 1978.

44. See Johan Arndt, "A Critique of the Marketing and the Broadened Marketing Concepts," in Phillip D. White and Charles C. Slater, eds., MACRO-MARKETING: Distributive Processes From a Societal Perspective, An Elaboration of Issues. Boulder, Colorado: Business Research Division, Graduate School of Business Administration, University of Colorado, 1978.

THE QUALITY OF LIFE AND A NEW DEFINITION OF MARKETING

by

Donald F. Mulvihill

College of Business Administration
Kent State University

Introduction

In attempting to keep current with business problems, particularly marketing ones, a marketer becomes confused because of concepts which appear without definition. Among other phrases, he is asked to accept the idea of the social responsibility of the businessman and, with it, the concept of the "quality of life." Somewhat analogous to the "standard of living," the quality of life concept seems to embrace broader areas of marketing activity and have some micro applications but greater macro-marketing aspects. If he turns to the textbooks on marketing for a definition of the term, he finds little help; if he reads periodicals and even the daily press, he obtains the impression that the quality of life is in the province of the environmentalist, but in some way plays a part in the marketer's social responsibility.*

To aid, hopefully not confuse, the marketer, whether teacher. student, or businessman, presented here is an incomplete, but perhaps useful, resumé of some thoughts on the quality of life from different points of view; a summary of an abortive attempt to define the quality

---

*At least two articles presented at the Macro-marketing Seminar at the University of Colorado, August 1976, had some bearing on this concept: Shelby Hunt's "The Three Dichotomies Model of Marketing" and Edwin Greif's "Theory: The Basic Essential to a Maturing Discipline," in Macro-Marketing: Distributive Processes from a Societal Perspective, Boulder, Colorado: Business Research Division, Graduate School of Business Administration, University of Colorado, 1976.

used. These dealt with economic, political, environmental, health and education, and social data.

Often the measurements standards are referred to as social indicators. In 1974, Social Indicators, 1973 was published by the Office of Management and Budget, the result of a four-year study. Eight areas of life were taken to be the key elements of human well-being: health, public safety, education, employment, income, housing, leisure, and population growth. Most of the data are comparative through time and, in some elements, desired data are inadequate (4).

Paul A. Samuelson in the 1973 edition of Economics: An Introductory Analysis introduces a life-quality indicator referred to as net economic welfare or NEW. Quoted in Business Week (March 24, 1973), he said: "It's an absolutely overdue concept in economics, that people can trade off quantities of goods for quality of life . . . The quality-of-life considerations that are involved in NEW will be in all the textbooks 10 years from now" (5).

Others had attempted to set up social indicators. Reported in 1972 are the attempts by the Economist of London to compare fourteen countries by fifteen social indicators; the modification of the gross national product by William D. Nordhaus of Yale, to provide what he titled a measurement of economic welfare or MEW; and, in 1969, the comparison of changes in the satisfaction of six basic needs--love, status, information, money, goods, and services--was proposed by Urao G. Foa (6).

Symposium on the Quality of Life Concept (13) was published. These two volumes merit study by the marketer but no definition of the term nor any direct connections to marketing will be found.

Environmental Concepts

As the consensus appeared that such a term must not be confined to material bases, more concentration has been placed on the environmental aspects. Evidence of this would be the National Environmental Policy Act of 1969 which established the Council on Environmental Quality charged at the Federal level with the survey of environmental accomplishments and making recommendations to correct or enhance existing Congressional actions. An examination of its annual report shows it to be concerned with air, water, living resources, population, and energy technology aspects of environmental quality (14). For the same period, the National Wildlife Foundation has attempted to evaluate the environmental quality of the United States through its Environmental Quality Index. Its EQ is broken down into seven factors: wildlife, air, minerals, soil, timber, water, and living space (15).

This changing emphasis in defining the quality of life, according to Dwight R. Lee, is shown by the shift of importance from traditional goods (individual material things) to environmental goods ("open space, smogless sunsets, clear blue skies, clean lakes and rivers, and other environmental amenities") (16).

An Attempt to Define the "Quality of Life"

With such a complex of concepts for the term, "quality of life," it seemed well to see if some agreement might be reached using the Delphi technique. To obtain a consensus, a first stage questionnaire

> At the same time, it is clearly to the self-interest of business and businessmen to accept this responsibility for the quality of life in our society and to build it into businesses and into the vision of senior executives. This is, of course, particularly true for the large corporation.
> The quality of life in our society is involved with the self-interest of business for three reasons (17).

The three reasons are: the penalty for neglecting this area is so very high; a healthy business and a sick society are not compatible; and the improving of the quality of life of society should be a tremendous business opportunity.

Marketing Textbooks and Quality of Life

To link the term quality of life with marketing activities, it might be expected that some reference would be found in textbooks on the subject. A study made by the author in 1976 of 44 marketing textbooks and books of readings from 1921 to 1976 indicates that most definitions of marketing rely on those presented in the early texts or by the Committee on Definitions of the American Marketing Association. Even since that time, new books or revisions have not changed basic definitions of marketing.

References to social responsibility began to appear around 1970 with newer textbooks having sections or chapters bearing on some form of this subject. Usually, such items were at the end of the book in the same way that industrial marketing and, later, international marketing were introduced. Virtually no books have the term quality of life in the index or in the discussion in the text.

An Expanded Definition of Marketing

In order to have some framework of reference so that marketers would keep this concept in mind, one way would be to expand the definservices will be conducive to a higher quality of life. Decreasing social costs may offset any increased product costs. Costs directly associated with the product will eventually decrease because of greater acceptance by the consumers as they become aware that producers and marketers of goods are accepting their social responsibility so as to bring on desired social change and, hence, a different, hopefully better, quality of life. Because of his visibility to the consumer as the representative of business activity, the marketer must become the leader in this new aspect of business venture. Unless he does, the present structure of business activity may be overthrown. The new structure may be one less desirable from both the consumer's and the marketer's points of view and which may not even sustain the present quality of life.

REFERENCES

1. William Lazer, "Marketing and the Quality of Life," Annual Conference, Southern Marketing Association, Houston, 1933.

2. James E. Carter, Jr., Presidential Inaugural Address, Washington, January 20, 1977.

3. Quality of Life Study, Midwest Research Institute of Kansas City, Missouri, 1975.

4. Social Indicators, 1973, Office of Management and Budget, Washington: Government Printing Office, 1974.

5. Paul A. Samuelson, Economics: An Introductory Analysis (quoted in Business Week, March 24, 1973).

6. Richard J. James, "Measuring the Quality of Life," The Wall Street Journal (New York: May 18, 1972).

7. "Marketing's Changing Social-Environmental Role," Journal of Marketing (Chicago: American Marketing Association, Vol. 35, No. 3, July 1971).

APPENDIX

Presented below are summaries of the responses to what was to have been the first stage of the Delphi technique used to determine a consensus on the term "quality of life." As stated in the text, too few responses were received. The ones below may be indicative of the confusion surrounding the term.

Results of the Inquiry

The first stage of the inquiry consisted of seven free response statements. These had been pretested before the mass mailing. The dominant responses are presented below.

Statement 1. Here is a definition of the "quality of life": No one response stood out, but two ideas were emphasized: the characteristics of the life environment should be such that there would be the opportunity for self-satisfaction and self-fulfillment and that basic needs (variously defined) should be met. Terms such as better life, personal wants (including health, freedom, and security), elimination of pollution, monopoly, and waste, also appeared.

Statement 2. The value system(s) used to determine what the quality of life should be will be determined by: For this, more than one-half of the respondents indicated that the principal determinant would be the individual as he relates to his culture and to the greater community. More specific determinants were consumers, individually or in groups, or government agencies learning consumer choices and taking actions against monopoly, pollution, or waste.

Statement 7. Here is how the quality of life may be extended on a world basis: Freedom of movement of persons and communications; unreasonable to expect multinational objectives in light of national interests; perhaps small steps may be made by bilateral or multilateral agreements on minor issues or mutual self-interest. (Only four responded to this statement.)

Graduate Student Opinion as to Concept

It had been hoped to obtain differing views from other parts of the world so as to contrast such views with American concepts. However, only one practical extension of the study was available. A group of M.B.A. and Ph.D. students in a course dealing with marketing and society was asked to respond to the statements above.

Statement 1. Quality of life is that level of satisfaction that makes individuals happy-professionally, economically, and physically. It is subjectively determined and dependent upon an individual's interaction with his society and culture.

Statement 2. Quality of life is determined by the individual with a perspective that includes the entire society and total environment. It cannot be dictated by any individual or group for others.

Statement 3. Increasing the quality of life means the enhancement of both tangible and intangible things. The need for these is different for different individuals. In addition to providing the necessities, it should decrease the fear of the future.

Statement 4. Quality of life is measured both quantitatively in terms of material possessions and also qualitatively in terms of social and political trends. The first group may be measured in terms of past levels; the second is probably too difficult to measure adequately.

physical attributes--may be used to measure the changes in the quality of life although it is difficult to have an accurate measurement of the qualitative aspects such as the environment and personal satisfaction. Individuals or small groups may bring about changes in the quality of life through paying more attention to individual self-satisfaction and permitting others to have a similar success in terms of their goals. The first group seemed to have more reliance on national governmental agencies to improve the quality of life than did the students, while both indicated the United Nations, international conferences, and social and religious organizations might do something. In both groups, few replied that much could be done to improve the quality of life on a world-wide basis. Perhaps better communication and mutual aid might be helpful.

MARKETING AND THE POLITICAL ECONOMY: RETURN TO THE WOMB?

David Carson

Boston University

A heightened interest in cultural heritage, accentuated by the success of Alex Haley's "Roots," has become manifest in recent years. As a professional discipline, marketing can be traced most directly to the late 18th and the early and mid-19th century's political economists, including Adam Smith, Thomas Malthus, David Ricardo, J. B. Say, John Stuart Mill, and Karl Marx. Although these men are frequently cited as the precursors of contemporary economics, their wide intellectual breadth is not contained by economics alone today. Rather, it forms the common mainstream flowing through all of the social sciences and permeating with particular rigor cultural anthropology, history, law, political science, social psychology, and sociology.

In the late 19th and early 20th centuries, economics as a profession was pressed into more particularistic avenues by a less worldly, more academically-oriented body of economists, among whom Alfred Marshall and W. S. Jevons were most outstanding. During this period the need for professional management education came to be recognized in the U.S.A., and since most professional economists were then more interested in pedantic speculation than in mundane applications, management education created its own branch of applied economics. By the latter half of the 20th century the Keynsians, the post-Keynsians, and Monetarists, and other "schools" had forced professional economists to concern themselves once again with pressing real-life situations and problems. Even so, vulnerable to disruptions, cataclysms, and stoppages. Many individuals greeted the 1972 publication of the Club of Rome's report with indignation, incredulity, and even hostility (4). Yet later that year a combination of climactic and political shifts depleted the "Granaries of the World," and with the outbreak of war in the Middle East in 1973, cessation of the flow of inexpensive oil exposed another tenuous foundation of the contemporary world's economic order. Despite increasingly audible warnings of radical shifts in our underpinnings, a number of prognostications continue to paint future American markets in brightly-colored hues (5).

But readings of the likely effectiveness of research and development efforts to ward off or to alleviate serious shortages of supplies required to support human life at its most minimal levels are problematical; many serious forecasts of supplies to meet rising expectations of living standards remain even more dismal (6).

At this time when the need for huge leaps in research and development is so great, new obstacles have surfaced:

> ... The economic recession in the U.S.A. led to sharp cutbacks in industrial research which had traditionally provided the major impetus for this nation's technological advances.
>
> ... Much, if not most, government-sponsored research in recent years may have been directed toward goals of questionable socio-economic value for the foreseeable future at the expense of ignoring or stinting on more immediate challenges. And Government-funded R&D as a whole has declined from 1.9% of GNP in 1965, to 1.2% in 1974 (7).
>
> ... Large-scale efforts to expand energy supplies have so far been niggardly or uneconomic, with examples ranging from oil shale, tar fields, and solar power to nuclear sources.

As the halcyon days were nearing their end in a most decisive fashion, Kenneth E. Boulding fairly well summed up the situation when he argued that "there is a quite high probability the great age of change

Moves Toward Central Planning

A particular indication of change in socio-economic-political ideology relates to central planning. For millenia centralized socio-economic direction was the norm rather than the exception for most nations, reaching its zenith in Western Europe during the 16th and 17th centuries as Mercantilism. The Industrial Revolution helped break the bonds with which national governments had yoked private enterprise. It was during this very period that the U.S.A. was founded and flourished. Karl Marx's attacks on (Western) capitalism epitomized the questioning attitudes toward laissez-faire expressed by many during the 19th century and which spread during the 20th century from the political Left to a wide array of political Centrists. Calls for some type of national socio-economic planning in the recent past have come from such disparate individuals as Senators Hubert H. Humphrey and Jacob K. Javits, Nobel laureate economists Wassily Leontief and Paul Samuelson, senior business executives Henry Ford 2nd and Robert V. Roosa, and labor leaders George Meany and Leonard Woodcock.

Much of the impetus for centralized planning in the U.S.A. derives from dissatisfaction with housing, medical care, municipal services, transportation, energy, and the fundamental equity in the distribution of goods and services. Inasmuch as the marketing system plays a crucial role in the distribution of national resources, marketing and marketers cannot escape being implicated with this criticism. A particular aspect of this situation was treated in greater depth by Barry Mason in his 1977 Seminar presentation on environmental legislation (12). Many of the issues and problems of national planning as related to marketing were also considered by Charles Slater (13).

that in 1982 the average U.S. household would enjoy a "much richer standard of living" than in 1972 (15). Following suit, RCA announced that by 1980 annual expenditures for consumer durables would likely double 1970 levels, from $110 to over $220 billion (16). Typical of many market-oriented forecasts was one issued in 1974 by Ben Wattenberg, and another published several months ago by William Lazer, based largely on the extrapolation of existing trends with little recognition of the major environmental alterations already besetting us (17). On the other hand, these very real problems have been faced more realistically by a few members of the marketing profession, notably by Enis and Kangun (18).

2. Grasping for the New and the Different: Perhaps because of their close involvement with changing products, markets, and techniques, marketers tend to be swayed inordinately by the new and the different, whether social, economic, or technological matters. Marketing historians should find a wealth of materials in comparing the messianic expectations of an earlier era with what actually transpired. Great claims were made in the late 1950s for Brainstorming, for Merchandise Management Accounting, and for applications of Operations Research to Marketing. Yet roughly a generation later, for instance, results in O.R. applications have varied from insignificant to at best modest (19).

3. Overselling the Marketing Concept: The modern marketing concept was articulated in a post-World War II America which enjoyed the financial power to supply its farm and factories, and its distributive channels, with more raw materials and finished goods than its domestic markets could absorb. With its accent on customer orientation and focus on marketing within the firm, the concept blossomed in an uniquely hospitable climate.

> ... Not to be outdone, the President of the American Marketing Association used his official position in 1972 to decry "deeply rooted antagonisms towards the marketing world... The major problem is that of higher marketing costs caused by government intervention and regulation." All this without a shred of evidence analyzing the host of complex factors inherent in the situation, but suggesting that marketing educators should "contribute to the overcoming of the misconceptions about marketing." (Brainwash their students?) (24)

Return to Environmental Basics?

A systematic review of major marketing textbooks, periodicals, monographs, and speeches published during the past five years reveals that while some marketers apparently recognize actual or potential breaks in fundamental environmental factors, most continue under the assumption that it is "business as usual"; i.e., that our professional interest revolves largely about private property and largely profit-oriented enterprise. Whether it is the conventional functional approach to marketing or new orientations such as consumer behavior or Mathematical Modeling, the main thrust of contemporary marketing remains encased in environmental concept unaltered by most practitioners and academicians since marketing was first recognized as a distinct managerial function and discipline.

While this parochial approach of most marketing practitioners can be readily understood, the willingness of most marketing academicians to slavishly follow the socio-political dictates of private enterprise must be questioned. In restricting their interests to so narrow a base, marketing professionals have ignored arguments and directions propounded by thoughtful leaders in social economics, sociology, political science, and other social sciences basic to marketing.

Perhaps by returning to its roots in political economy, marketing will find the breadth of vision necessary to confront the really significant problems of the future. It would be foolhardy at this stage

REFERENCES

1. Robert Bartels, "The Development of Marketing Thought," ch. 2, p. 12 ff. (Richard D. Iwrin, 1962); Robert L. Heilbroner, "The Worldly Philosophers," Rev. Ed. (Simon and Schuster, 1953); and Guy Routh, "The Origin of Economic Ideas" (International Arts and Sciences Press, 1975).

2. Bartels, op. cit., ch. 3, p. 28 ff.

3. Robert Aaron Gordon and James Edwin Howell, "Higher Education for Business" (Columbia University Press, 1959).

4. Donella H. Meadows et al., "The Limits to Growth" (Universe Books, 1972); and Peter Passell et al., The New York Times Book Review, Section F, April 2, 1972, p. 23.

5. E. g., Herman Kahn and A. J. Wiener, "The Year Two Thousand" (Macmillan, 1967); "Resources: A Calm Voice," The New York Times, May 12, 1974, p. F-5; "A Little More Time," The Economist, June 29, 1974, pp. 15-16; and William Lazer, "The 1980s and Beyond: A Perspective," MSU Business Topics, Spring 1977, p. 21 ff.

6. E. g., John T. Connor, "If the Energy Crisis is Over, Why Worry About Conservation?" in The Conference Board Record, December 1975, p. 47 ff.; Edmund Faltermayer, "Solar Energy is Here, But It's Not Yet Utopia," Fortune, February, 1976, p. 103 ff.; and special issue on Materials in Science (weekly journal of the American Association for the Advancement of Science), February 13, 1976.

7. M. G. Allen, "Strategic Problems Facing Today's Corporate Planner" (Paper, 36th Annual Meeting, the Academy of Management, 1976), p. 19.

8. Kenneth E. Boulding, "The Future of Personal Responsibility," American Behavioral Scientist, 1972, Vol. 15, p. 329 ff.

9. George Fisk, "Marketing In Post-Industrial Recycle Societies," in MACRO-MARKETING: Distributive Processes from a Societal Perspective. Boulder, Colorado: Business Research Division, Graduate School of Business Administration, University of Colorado, 1977.

10. E.g., Walter S. Weisskopf, "Aberration and Economics" (Dutton, 1971); Michael Harrington, "Socialism" (Saturday Review Press, 1972); Robert L. Heilbroner, "In the Name of Profit" (Doubleday, 1972); Michael Sherman, "Radical Political Economy" (Basic Books, 1972); Robert S. Browne, "The Twilight of Capitalism" Business and Society Review, Spring 1972, p. 29 ff.; and Richard C. Goodwin, "The American Condition" (Doubleday, 1974).

11. Joseph C. Miller, "International Production Sharing: Marketing Implications," in Phillip D. White and Charles C. Slater, eds., MACRO-MARKETING: Distributive Processes From a Societal Perspective, An Elaboration of Issues. Boulder, Colorado: Business Research Division, Graduate School of Business Administration, University of Colorado, 1978.

22. Max Ways, "It Isn't A Sick Society," Fortune, December 1971, p. 100 ff.

23. "Executive View to No-Growth: No Dice," Boston Sunday Globe, May 26, 1972, p. 58 ff.

24. "Hardin: Marketing Freedom Periled," The Marketing News, October 1, 1972, p. 1 ff.

III

TOOLS APPLICABLE TO THE STUDY OF MACRO-MARKETING

In arguing that study should be devoted toward understanding the performance and impacts of marketing on broader aspects of the social system, the question invariably arises of how such studies are to be conducted. What tools or methodologies can be used to identify and measure the impacts of the marketing system from a macro perspective? While no final answers were offered, a number of papers focused on the applicability of various tools to such research. These papers provide interesting discussions of some alternative methodological approaches which are useful in the study of macro-marketing issues.

Jutila/Flaschner discuss one approach for systematically assessing the perceptions that individuals have concerning the anticipated impacts of new technologies or programs. This type of information is sought from the population which is divided into relevant segments. This approach is obviously useful in assessing probable reactions to impacts which result from changes in various aspects of the marketing system. As such the methodology provides an important opportunity to expand understanding of the impacts of proposed changes in a systematic way as perceived by various segments of the population.

Slater provides an example of an alternative approach which can be used to study the impacts and performance of the marketing system. Slater discusses the modeling of market processes based on available empirical data. Progress in using this methodology is discussed in the context of various economies. As the author notes, the level of the model and resulting simulations involve a high level of aggregation. In addition topic appears to be particularly worthy of consideration by those interested in the progress of macro-marketing. While interest in this subject is increasing, it was only one of several topics covered in the seminar.

A POSITIVE MACRO-ASSESSMENT OF TECHNOLOGY ALTERNATIVES

by

Sakari T. Jutila

and

Alan B. Flaschner

The University of Toledo
Toledo, Ohio

A positive approach to a macro-assessment of alternative technologies or programs is introduced. Utilizing various segmentation methods, the general public of a region, nation or set of nations is first partitioned exhaustively to a set of relevant segments. Each segment is characterized by its own unique set of economic, social, political and cultural factors. Then a sponsor offering a set of alternative technologies or programs to the public and each and all segments of the population jointly evaluate each and all of the alternative technologies or programs. The scores provided on one hand by the sponsor and on the other hand by each and all of the segments of the population for each and all of the alternatives are jointly combined in a cross comparison matrix into two types of indices: an index of twist for or against an alternative and an index of cooperation/conflict measuring degree and kind of stress generated between the sponsor and a segment about a specific alternative. These indices can further be weighted by various economic, social, political and cultural factors in order to provide additional comparative profiling of each and all alternatives for their relative multidimensional desirability from the perceived points of view reflected by the scoring of the sponsor and of each segment of the population.

problems and life style changes affecting large segments of the population. The apparent or real lack of interest in the technology assessment of fuel alcohols is consistent with the concerns of powerful vested interest groups.

As long as the activities of a firm are viewed strictly from an economic point of view, and in terms of no externalities, the firm can easily justify its contribution to the society by its contribution to the GNP. But many of the impacts of production and consumption activities are outside of an exchange market system and not accountable within that system. Such impacts can generate social costs with no market precedents and, therefore, are not imputable in terms of market prices. Nevertheless, such impacts and their social costs can lead to severe conflicts between satisfying individual needs on the one hand and the social aspect of quality of life on the other. Somehow, in the process of evaluating alternative technologies or programs, the public as well as individuals should have an opportunity to reflect their evaluations in terms of a "consumer-citizen" duality combining the perceived benefits and costs of immediate individual self-centered satisfactions and those of the more global and long-run social consequences.

Segmentation of the Total Public

Direct and indirect impacts of a technology or a program typically differentially affect different parts of a population. Therefore, it is essential to identify those relevant segments of the people which could perceive a technology or a program and its benefits and costs to the segment in some significantly different way than the other segments. For example, per capita disposable income, per capita tax burden, ethnic and religious background, educational background, or experiences and relevant segments of potential or actual users or any segment in any way influenced by the use of the proposed alternative technologies. The sponsor should combine his scores and those provided by all the relevant sectors for each and all of the alternatives in order to assess the desirability or undesirability (twist) and the respective intensity of agreement or disagreement (stress). Such information from the segments should be obtained by in-depth interviews or sample surveys, utilizing methods and techniques appropriate to the segments affected. Such direct feedback from the segments bypasses many of the barriers existing within the conventional institutional framework. The first task is to identify each and all relevant segments. The second task is to obtain direct feedback from these segments.

The Assessment of Alternative Technologies

The third task for the sponsor is to assess all the alternatives using his and the segments' inputs combined to appropriate indices and profiles for each and all the alternative technologies or programs. The fourth task consists of follow-up iterations and evaluations to monitor various possible shifts due to learning, and new influences on the perceptions of all the parties involved in the process.

A Positive Macro-Evaluation of Alternative Technologies

Traditionally macro-economics has emphasized the structuring and deaggregation of the producer's sector (e.g., an inter-industry input-output structure). For the purposes of taxation, income distribution or redistribution, levels of employment, inflation or balance of payments, the population is viewed in terms of income and age groups. It is suggested here that the structuring of the consumer sector is better

SEGMENTS P_j

SPONSOR'S ALTERNATIVES T_i

		1	2	3	....	j	....	n	Σ
1		11	12	13	....	1j	....	1n	
2		21	22	23	....	2j	....	2n	
:					....		....		
i		i1	i2		....	ij	....	in	
:					....		....		
m		m1	m2	m3	....	mj	....	mn	

Figure 1. The format of a cross comparisons matrix with cells (ij) (technology i versus segment j)

	strongly favors the alternative	favors the alternative	indifferent toward the alternative	against the alternative	strongly against the alternative
score:	+2	+1	0	-1	-2

Figure 2. An illustration of a symmetric interval scale to be used by the sponsor and segments for evaluation of alternative technologies or programs.

The first index to be generated is the <u>index of twist</u> (torque index) for or against an alternative. It combines the scores of the sponsor and a segment j as illustrated in Figure 3. This index utilizes the concept of torque with a right hand screw positive the other party is indifferent toward an alternative, the respective score is zero. Then, the non-zero score of the remaining party will determine the twist for or against the alternative. Let x_i, ranging from -2 to +2, be the score of the sponsor for the i^{th} alternative. Let y_{ij}, ranging from -2 to +2 be the score of the j^{th} segment for the i^{th} alternative. Let z_{oij} be the simple twist index of the i^{th} alternative. Then

$$(1) \qquad z_{oij} = x_i + y_{ij} \qquad \begin{array}{l} i = 1,2,\ldots,m \\ j = 1,2,\ldots,n \end{array}$$

The aggregated (over the whole population) simple twist index for the i^{th} alternative is then:

$$(2) \qquad Z_{oi} = n\, x_i + \sum_{j=1}^{n} y_{ij} \qquad i = 1,2,\ldots,m$$

In order to provide profiling of the program or technology, it is desirable to consider weighted twist indices. Weights can be introduced, both, for the sponsor, for each segment, for each technology alternative, w^1_{kij}. The same can be done for each segment w_{kij}. These weights are now the magnitude of the sponsor's and segment's torque or twist lever arms as illustrated in Figure 3. The subscript k refers to the set of relevant characteristics of the P_j segment or population P where $k = 1,2,\ldots,p$. There are P distinct factors characterizing the population. The weights w^1_{kij} and w_{kij} are non-negative numbers and sum up respectively, to unity over the j segments. For example, the various weights w_{kij} could be:

give a complete indication of a degree of cooperation or conflict (agreement/disagreement) between the sponsor and a particular population segment. It is, therefore, desirable to introduce a complementary index of cooperation/conflict, or a c-index. A twist index for a program can be zero if both the sponsor and a segment are indifferent about the alternatives, both scoring it zero. The twist index is also zero if both parties give a score of equal magnitude with opposite signs. The former case is a situation of a much lesser conflict than the latter one. The simple index of cooperation/conflict is defined as follows:

$$c_{oij} = x_i y_{ij} \qquad \begin{array}{l} i = 1,2,\ldots,m \\ j = 1,2,\ldots,n \end{array} \tag{5}$$

For example, using the illustrated scale, if a sponsor and a segment are strongly for a program, or if both are strongly against it, this index would be +4, indicating the highest degree of cooperation. If one party is strongly for and another strongly against a program, then the index would be -4, indicating the highest degree of conflict. If one, the other, or both are indifferent, the index would be 0. This, in turn, means that if a twist index is zero with a c-index zero, there is no conflict. But if a twist index is zero with a c-index equal to -4, there is serious conflict. The aggregated c-index for the whole population for each technology alternative is:

$$C_{oi} = x_i \sum_{j=1}^{n} y_{ij} \qquad i = 1,2,\ldots,m \tag{6}$$

The sponsor's score can also be multiplied by the weighted score of a segment:

$$c_{kij} = x_i w_{kij} y_{ij} \qquad \begin{array}{l} k = 1,2,\ldots,p \\ i = 1,2,\ldots,m \\ j = 1,2,\ldots,n \end{array} \tag{7}$$

over time and space; for example, due to learning processes, changing needs, and new influences on the minds and actions of people. This suggests a periodic assessment in order to detect longitudinal shifts in the space-time patterns of the population segments, and the shifts in the perceptions of all parties concerned with the various alternative technologies or programs. Clearly, technology assessment must be done assuming a background of dynamic societal change in which the various perceptions of costs and benefits by different parties change over time.

Summary

A possible procedure for technology assessment has been described. The approach is positive in that it is empirically oriented, making no assumptions nor normative requirements about the value systems of the sponsor or experimentally determined segments of population. It is a macro-approach in that it starts at the level of the total population of a region, nation, or set of nations while making no assumptions about the absence or presence of externalities potentially or actually influencing the minds and actions of people. It is a marketing approach in that it tries to find a match between the various perceived needs of the population and the potentially or actually produced technologies or programs. It is an approach that provides direct feedback from the public to a program planner thereby bypassing the political process which seriously distorts assessment in favor of powerful vested interest groups and against (to the detriment of) the public.

TOWARD AN OPERATIONAL THEORY OF MARKET PROCESSES

by

Charles C. Slater

University of Colorado

This paper represents a second installment of my paper offered for discussion at this seminar last year. The paper last year focused on the links between marketing concepts and post-Keynesian economic theories. That effort was more a statement of a concept, and now an effort is made to tie the theoretical concepts more closely to some operational tests in the form of simulations. This paper is an attempt to link some marketing concepts that guide the actions of firms and consumers to the economic and social processes of market societies. Three topics are addressed: first, the theory of market processes; second, efforts to implement and operationalize the theory; and third, an assessment of some of the consequences of the application of the theory to planning in a market society.

The theory of market processes utilizes four rather generally accepted marketing principles:

1. The "marketing concept" that urges the firm to identify the needs and interests of the customers (and even the final buyer in the distribution chain) and to use this information to focus the resources and structure the activities of the firm and its channel affiliates so that the customers are optimally served.
2. The "marketing mix concept" that urges the firm to respond to the needs of the customer by adjusting the offering of product,

and in a few cases simulations of systems can be used to forecast complex and interactive behavior. The problem of understanding market processes appears to be a case where simulation can be employed to gain insight, to forecast and, in a limited way, to test some of the key concepts. Before discussing the application of simulation to this problem, it would be appropriate to set out the operational hypotheses that correspond to the four general tendencies of market processes above.

1. It is hypothesized that the market process economy is demand driven: the rate of production is set by the effective demand for consumption, capital formation and export demand, not by available production capacity.

2. Prices are guided by the price levels external to the economy for imports and exports and internal policies changing the tax and interest rates as well as politically derived guidelines for the ratio of wages to residualist incomes.

NOTE: The above two hypotheses are an effort to describe the application of the marketing concept, for in a system of organizations dedicated to serving the buyer, production in the short run would be demand driven, and yet respond to external forces on prices.

3. Private investment primarily aims to affect capacity and is less oriented to affecting the technology, or ratios of inputs to output of the sector. This results in idle capacity in most sectors, most of the time.

NOTE: This hypothesis is designed to reflect the way in which the marketing mix and risk avoidance strategies are usually interpreted by management. Most firms appear to be reluctant to reduce prices and forego the rent from present customers in the hope of selling more to other

2. Foreign investments in the economy as well as investments in foreign areas by citizens,
3. Export levels and types of products and services exported,
4. Guidelines for relative prices of imports, exports, taxes, interest, wages subsidies and residualist incomes.

Using these four tools in a market economy, governments are charged with optimizing five goals. Unfortunately, the improvement of any one of the goals usually calls for a different mix of tools used to guide performance. The five somewhat contradictory goals of government are easily listed:

1. Growth of the economy,
2. Income distribution,
3. Employment,
4. Balance of payments,
5. Inflation.

But ranking them is less easily agreed upon by the several parties in interest.

Reasoning that market processes concepts give a more useful description of the way things work than Harrod-Domar variations on neo-classical economics, or static input-output analysis, or even post-Keynesian doctrines, an evolving effort to simulate the market process problem has occupied my attention. The result has been a series of simulation models. Among the first was a system of 38 simultaneous equations designed to assess the tradeoffs associated with changes in technology and labor use in a single sector of the food system of Puerto Rico (1). Next, a slightly broader model of the food system of the Northeast of Brazil (2). These early efforts to assess the impact of change upon one sector grew into a broader interest in the market

The Kenyan model consists of nine input/output sectors. The input/output is linked to a sales component; in this case, of four sectors. Consumers make purchases or receive transfers from the sales component. The sales component serves two purposes in the model: first, it represents the flow of goods and services to consumers more realistically than the usual input/output system of allowing output of all sectors to flow directly to consumers; second, the sales component groups goods and services to minimize the cross elasticities of demand as a result of changes in the relative prices of goods and services.

The consumption component is disaggregated into nine groups. Four are rural households of different income levels, and five are urban households of different income levels. Income is generated from wages, residual income, and transfers from other households and from government. Residual income (rents) also includes traditional direct consumption in kind. Each class is characterized by a fixed set of parameters representing real income, average consumption and savings propensities, average taxation, and transfer behavior with respect to households outside the income class. Thus, the income and expenditure behavior remain constant for each group over time, but the number of households in each group varies over time as income, population, inflation, tax rates and migration affect the consumption component.

The government component receives revenues from consumers as well as the production sectors. The government can receive grants or borrow from outside the economy as well. The government engages in "consumption" of services and goods, creates investments, transfers funds to consumer and industrial groups, and creates a deficit or surplus as a result.

4) Interest rates,

5) Wage rate policy and residualist rate policy,

6) Estimates of the weather as it may affect commercial and traditional agricultural performance,

7) Population growth rates and urban "drift" of the population.

The simulation is a relatively inexpensive computer program so that a variety of policy options can be evaluated to compare results when even small changes in the economy are to be assessed. Figure 2 is a simplified flow chart of the model's sequence of computer computations after it is parameterized and balanced. The model is demand driven, with demand arising from consumers, government investment and consumption, as well as business reinvestment and foreign private investment. The impact of capital investment upon construction, as well as capacity and technical coefficients, all affect the level of demand. Demand activates both the production function as well as triggering imports. The impact of inflation is calcualted, based upon the exogenous price and factor cost changes. Payments to various factor services are calculated in currency units and the income distribution is made to factor services as well as income classes in the consumption component. Both current and constant money levels are calculated. This distribution of income, together with the policies for the next year, set up the demand to activate the model for a subsequent year. The model conforms quite closely to the market process concepts sketched earlier.

The DIOSIM model has had five applications. Work began with the simulation of the Kenyan economy in 1973. The Kenyan model was developed without sponsorship, merely as the research interest of the two initial authors. However it has been made available to the Government of Kenya will be released by Westview Press early in 1978 (3).

A second application of the model was a simulation of the economy of Rhodesia designed to assess the consequences of transition to majority rule (4). This work, done entirely in the United States for the U.S. Department of State, Agency for International Development, was completed from December 1976 to February 1977 at Boulder, Colorado and Washington, D.C. It developed two additional features and explored constraints upon agricultural production more fully than the Kenyan model. The new features are a mechanism to describe the impact of out-migration that may accompany the transition to majority rule in Rhodesia, and a means of constraining the growth of the economy that would be associated with limitations on the imports due to balance of payments problems. Seven perturbations were imposed on the model forecast of the Rhodesian economy for 1977 through 1985. These changes were:

1) A reduction in exports of agriculture due to operating problems in large farms,
2) A shift in the consumption demand from modern industrial agriculture to traditional agriculture,
3) A reduction in the efficiency of the modern agricultural sector,
4) A reduction in the transport component of the costs of imports,
5) Increase in urban drift associated with the relaxing of the constraints on mobility, particularly from the Tribal Trust areas,
6) Increase in the emigration of the upper income households,

economy. At a week-long seminar, several planning models were reviewed for application to the next national planning cycle 1980-1985. It is likely that DIOSIM will be used in this planning work and it is also likely that a small team from the University of Colorado and Cambridge University will assist in the work.

In general, the application work has gone well. However, several important development tasks are needed. Here are some of the topics for future development:

1. The introduction of a monetary stock feature to the model. Presently the model is entirely a flow system with very limited stocks change behavior.
2. Lagging of capital investment impacts for capacity change and technical coefficient change.
3. Alteration of the demand drive feature to allow price cross-elasticity effects to be utilized in demand estimation.
4. Development of population segmentation systems in addition to rural/urban classes by income. Age groupings, for example, have been suggested (7).

There are positive and negative aspects to the potential broad application of a market process planning model. On the positive side, planners may be more sensitive to income distribution effects of their plans. Also, the emphasis currently given to expanding productive capacity without attention to demand and income distribution will be altered for the better. Scarce resources might be better managed and perhaps such problems as the energy and resource constraints can be more effectively evaluated using future generations of this type model.

3. Charles Slater, Geoffrey Walsham, and Mahendra Shah, KENSIM: A Systems Simulation of the Developing Kenyan Economy, 1970-1978 (Boulder: Westview Press, 1978).

4. Charles Slater, et al. "Rhodesian Economic Simulation 1975-1985," (prepared for the Director of Eastern and Southern African Affairs, U.S.A.I.D., 1977).

5. Laszlo Pook, "A Method for Establishing Sensitivity and Reliability Measures for a Class of Simulation Models," Doctoral Thesis, University of Colorado, 1977.

6. Charles Slater, et al. "Simulating Colorado's Drought," project report to the Governor of Colorado, 1977.

7. Charles Slater, Laszlo Pook, and Paul Talmey, "Using a Dynamic Simulation Model to Assess the Impact of Technological Change on a Developing Economy-Kenya," paper presented at the XIII International Meeting of the Institute of Management Sciences, Athens, Greece, 1977.

IS THE CURE WORSE THAN THE PROBLEM: SOME PRELIMINARY THINKING ABOUT MEASURING SECONDARY EFFECTS OF GOVERNMENTAL REGULATION

by

David M. Gardner

and

Wesley D. Seitz

University of Illinois at Urbana-Champaign

The marketing community has become very aware of the effects of governmental regulation in the last several years. This paper represents some preliminary thinking as to how the tools of marketing research can be applied to predicting reaction to governmental regulation in advance.

The research reported here was sponsored by the Illinois Institute for Environmental Quality, Contract No. 20.079.

The increasing distrust of our major institutions, but especially business and government, has been regularly reported in the press in recent years. Explanations for distrust have been numerous. But one of the major reasons has received little attention. It is the purpose of this paper to explain in a preliminary way what Walker and Ford have labeled as the "secondary effects" of legislation and regulation (6). Also, a relatively simple methodology for anticipating "secondary effects" is proposed and tested.

Marketing: A Macro View

Underlying the research presented in this paper is a view of marketing that is clearly macro. This view holds that marketing is that set of

It should be clearly recognized that secondary effects may be positive as well as negative in their effect. While most examples focus on negative effects, there is a need to predict unanticipated positive effects as well as negative effects. Negative effects are to be avoided or plans made to cope with them. Positive effects are to be encouraged and taken advantage of. Both, however, need to be detected and incorporated into the policy making process.

Predicting secondary effects is clearly consistent with the Technology Assessment Act of 1972. This legislation is designed "to provide Congress with unbiased information concerning the physical, economic, social and political effects of the actions Congress may take on programs involving science or technology" (5).

Examples of secondary effects are subject to interpretation because of the variety of perspectives that are brought to bear on each issue. However, one example may be illustrative.

The state of Washington passed legislation reducing the maximum interest rate retailers, finance companies, and banks could charge on retail credit transactions from eighteen percent to twelve percent. This legislation was designed to save consumers money. The secondary effects certainly were not those desired by the sponsors of the legislation. Large bank chains reported their losses on bad debts had declined some twenty-five percent. This certainly is not an undesirable side effect; however, it does reflect a tightening of credit towards lower income groups. This is evident as 67 percent of all retailers surveyed (4) indicated that they now were rejecting credit applications which prior to the passage of the law would have been accepted. As a result of this decline in sales, due to a lack of credit, retailers attempted to recoup their losses through price increases. Also, disare used to rank policies and to give insight into possible behaviors. Policy fairness is the first attitude measure. If a respondent feels a policy is unfair, he is going to be less likely to embrace the policy than if he perceives it as fair, all other things equal. The second indirect measure of attitude is to ask the respondent what groups might be unfairly treated if such a policy were in force. The types and size of groups listed suggest what group might be perceived as being unfairly treated and rallied around or ignored. The third indirect measure of attitude is to ask what proportion of respondents in similar circumstances would cooperate, participate, or otherwise comply with the regulation if it were in force.

This first procedure, however, must generally be used in conjunction with cost-benefit analysis, equity analysis and social impact analysis to narrow the policy choice to one or two possible or realistic policies. Then, the second methodology is appropriate.

The second methodology has two major parts. The first part consists of in-depth interviews with several groups who would be asked to anticipate economic and social behaviors resulting from a specific piece of legislation or a new regulation. If a farmer is asked what he would do if he could no longer plow in the fall, he can tell you his particular views and also what types of behavior he and others in similar situations would most likely engage in.

These behaviors are then presented to a representative group of those potentially affected by the policy. Fairness, while still measured, is not the main thrust of this procedure. Rather respondents are asked to estimate what proportions of firms or consumers, often broken down by size or other demographics, would engage in specific behaviors and in what time frame.

Completed questionnaires were obtained for 87 farmers and ten ASCS county executive directors. The sample size and number of completed questionnaires was adequate for this type of investigation with its rather general objectives. The proportion of farms covered in each acreage category appears to be consistent with farm size in each of the counties. It is important to note, however, that while the counties samples represent most of the soil structures and farming practices to be found in the corn belt, some caution must be used in extrapolating these data to the entire corn belt.

To give the reader some idea of the data resulting from this completed questionnaire, several portions of the complete report are presented (1).

Table 1 reports the perceived fairness of all seventeen policies broken down by whether or not the farmer has developed a soil conservation plan. Except for two policies (prohibition of fall moldboard plowing and required conservation tillage), having developed a plan does not affect attitudes. However, there is a clear difference in perceived fairness between policies. Policies that are very similar to existing policies are seen as more fair. Policies one to five are familiar to most farmers. As expected, policies that prohibit, require or tax are considered less fair, but there are surprises. Required greenbelts along streams (an effective filter) are rather favorably received. Another surprise is that policy thirteen is seen as unfair by such a large proportion because it reflects desirable land management practices. However, a clue to this comes from a separate question. When asked if soil loss could be estimated on a farm-by-farm basis, only 45 percent replied "yes."

Table 1 (continued)

	Soil Conservation Plan Developed	Very Fair	Somewhat Fair	Somewhat Unfair	Very Unfair	Total
8) Required Recreational Greenbelt Along Streams	(Yes)	21.9	31.3	18.8	28.1	100%
	(No)	11.8	35.3	23.5	29.4	100%
9) Required Nonrecreational Greenbelt Along Streams and Drainage Ditches	(Yes)	41.2	23.5	11.8	23.5	100%
	(No)	21.1	42.1	10.5	26.3	100%
10) Prohibition of Fall Moldboard Plowing	(Yes)	15.6	18.8	31.3	34.4	100%
	(No)	11.8	11.8	17.6	58.8	100%
11) Required Conservation Tillage	(Yes)	25.0	25.0	6.3	43.8	100%
	(No)	10.5	26.3	42.1	21.1	100%
12) Soil Losses Required to Be Less Than 3 Tons Per Acre	(Yes)	13.8	51.7	17.2	17.2	100%
	(No)	13.3	33.3	20.0	33.3	100%
13) Soil Losses Required to Be Less Than 5 Tons Per Acre	(Yes)	33.3	33.3	5.6	27.8	100%
	(No)	17.6	29.4	17.6	35.3	100%
14) Required Contouring or Terracing on Slopes Greater Than 9%	(Yes)	40.6	37.5	6.3	15.6	100%
	(No)	29.4	35.3	23.5	11.8	100%
15) Nitrogen Applications Limit of 100 Pounds Per Acre	(Yes)	21.1	5.3	31.6	42.1	100%
	(No)	26.3	15.8	15.8	42.1	100%
16) Nitrogen Tax of 20¢ Per Pound	(Yes)	--	6.5	16.1	77.4	100%
	(No)	6.7	13.3	6.7	73.3	100%
17) Nitrogen Tax of 10¢ Per Pound	(Yes)	5.3	--	15.8	78.9	100%
	(No)	--	5.3	5.3	89.5	100%

TABLE 2

Estimates of Farmer Acceptance and Cooperation Rates

Policy	Percentage of Farmers Who Would Participate
1) Full Cost Sharing for Cost of Terracing	43.4%
2) 50% Cost Sharing for Cost of Terracing	36.1%
3) 50% Cost Sharing for Slope Modification	26.5%
4) Interest-Free Loans to Cover Farmer Cost of Soil Conservation Work	57.2%
5) Investment Tax Credit for Farmer Cost of Soil Conservation Work	63.5%
6) Required Development and Implementation of Approved Soil Conservation Plan	44.6%
7) Prohibition of Deduction of Real Estate Taxes from Federal Income Tax Unless Approved Soil Conservation Plan Is Developed and Implemented	61.7%
8) Required Recreational Greenbelt Along Streams	41.5%
9) Required Nonrecreational Greenbelt Along Streams and Drainage Ditches	36.4%
10) Prohibition of Fall Moldboard Plowing	43.0%
11) Required Conservative Tillage	39.7%
12) Soil Losses Required to Be Less Than 3 Tons Per Acre	53.8%
13) Soil Losses Required to Be Less Than 5 Tons Per Acre	55.2%
14) Required Contouring or Terracing on Slopes Greater Than 9%	45.0%
15) Nitrogen Applications Limit of 100 Pounds Per Acre	40.7%
16) Nitrogen Tax of 20¢ Per Pound	58.9%
17) Nitrogen Tax of 10¢ Per Pound	47.1%

APPENDIX A

University of Illinois at Urbana-Champaign

FARMER ATTITUDE SURVEY--A

1. To start with, we would like some information on the kind of farm you operate. How many acres do you have planted:
   a)________acres in row crops
   b)________acres in grain crops
   c)________acres in permanent pasture

2. Do you practice contouring? ______Yes. How many acres are contoured? _______
   ______No

3. Is any of your land terraced? ______Yes. How many acres are terraced? _______
   ______No

4. Over the last 5 years, what was your average yield of corn? _______ bushels/acre.

5. Of the land you farm, do you own it, rent it, or do you own some and rent some? ____Own all
   ____Rent all
   ____Own some, rent some

6. a. How much nitrogen fertilizer per acre are you applying this year to your corn acreage? ______lbs/acre
   b. How many pounds of actual nitrogen is that per acre? _________lbs/acre
   c. Which fetilizer formulation do you use most often on corn (either singly or in combination)?
   ____Nitrogen solution (liquid nitrogen)
   ____Anhydrous ammonia
   ____Ammonium nitrate
   ____Urea

7. What sort of tillage practice do you follow for corn
   a. in the fall? ________________________________
   b. How about in the spring? ________________________________

8. Now to some questions on soil erosion control.

	Yes	Maybe	Not Sure	No
a. Do you think erosion control is needed to maintain soil productivity on farms like yours?	1	2	3	4
b. Do you think erosion control is needed for the achievement of water quality?	1	2	3	4
c. Do you think the amount of soil erosion can be estimated on a farm-by-farm basis?	1	2	3	4
d. Do you think the amount of soil erosion can be estimated for a watershed?	1	2	3	4

9. How effective do you think the following practices would be in reducing erosion on <u>your</u> farm and on others with similar conditions?

	Very Effective	Somewhat Effective	Not Very Effective	Not at all Effective
a. Terracing	1	2	3	4
b. Contouring	1	2	3	4
c. Conservation tillage (zero, chisel, strip, etc.).	1	2	3	4
d. Elimination of moldboard fall plowing	1	2	3	4
e. Changing crop rotations	1	2	3	4

	Very Fair	Somewhat Fair	Somewhat Unfair	Very Unfair
F. A regulation prohibiting the deduction of real estate taxes from federal income tax unless an approved soil conservation plan has been developed and implemented.				
a. How fair would this policy be?	1	2	3	4
b. What group, if any, would be unfairly treated if this were adopted? ______				
c. If this policy were adopted, about what percentage of farms like yours do you guess would implement a soil conservation plan? ______%				

SOIL LOSS REGULATIONS

	Very Fair	Somewhat Fair	Somewhat Unfair	Very Unfair
G. A regulation requiring soil losses to be less than 3 tons per acre (3 tons equal about 3 cubic yards).				
a. How fair would this policy be?	1	2	3	4
b. What group, if any, would be unfairly treated if this were adopted? ______				
c. If this policy were adopted, about what percentage of farms like yours do you guess would achieve less than 3 tons of soil losses per acre? ______%				
H. A regulation requiring a recreational green belt along streams to achieve increased water quality.				
a. How fair would this policy be?	1	2	3	4
b. What group, if any, would be unfairly treated if this were adopted? ______				
c. If this policy were adopted, about what percentage of farms like yours do you guess would develop the required green belt? ______%				

11. As you know, for a long time the Soil Conservation Service has helped farmers develop soil conservation plans for their land.

   a. Have you developed such a plan for your farm? ____Yes
   ____No (If not, go to question 12)

   b. How long ago did you develop your plan? ______years

   c. How much of the plan have you implemented?
   ____All
   ____Most
   ____About half
   ____A little
   ____None

12. Do you think this approach of farmers developing their own conservation plan for their land with technical assistance from the Soil Conservation Service is reasonable?
   ____Yes
   ____No

   Why or why not? ______________________________
   ____
   ____

13. How could you be better assisted in <u>your own</u> soil conservation activities? (Please list)

____
____
____
____

(Over)

APPENDIX B

University of Illinois at Urbana-Champaign

FARMER ATTITUDE SURVEY--B

1. To start with, we would like some information on the kind of farm you operate. How many acres do you have planted:
   a) ________ acres in row crops
   b) ________ acres in grain crops
   c) ________ acres in permanent pasture

2. Do you practice contouring? ______ Yes. How many acres are contoured? _______
   ______ No

3. Is any of your land terraced? ______ Yes. How many acres are terraced? _______
   ______ No

4. Over the last 5 years, what was your average yield of corn? _______ bushels/acre.

5. Of the land you farm, do you own it, rent it, or do you own some and rent some?
   ____ Own all
   ____ Rent all
   ____ Own some, rent some

6. a. How much nitrogen fertilizer per acre are you applying this year to your corn acreage? ______ lbs/acre
   b. How many pounds of actual nitrogen is that per acre? _________ lbs/acre
   c. Which fetilizer formulation do you use most often on corn (either singly or in combination)?
      ____ Nitrogen solution (liquid nitrogen)
      ____ Anhydrous ammonia
      ____ Ammonium nitrate
      ____ Urea

7. What sort of tillage practice do you follow for corn
   a. in the fall? ____
   b. How about in the spring? ____

8. Now to some questions on soil erosion control.

	Yes	Maybe	Not Sure	No
a. Do you think erosion control is needed to maintain soil productivity on farms like yours?	1	2	3	4
b. Do you think erosion control is needed for the achievement of water quality?	1	2	3	4
c. Do you think the amount of soil erosion can be estimated on a farm-by-farm basis?	1	2	3	4
d. Do you think the amount of soil erosion can be estimated for a watershed?	1	2	3	4

9. How effective do you think the following practices would be in reducing erosion on <u>your</u> farm and on others with similar conditions?

	Very Effective	Somewhat Effective	Not Very Effective	Not at all Effective
a. Terracing	1	2	3	4
b. Contouring	1	2	3	4
c. Conservation tillage (zero, chisel, strip, etc.).	1	2	3	4
d. Elimination of moldboard fall plowing	1	2	3	4
e. Changing crop rotations	1	2	3	4

TAX CREDITS	Very Fair	Somewhat Fair	Somewhat Unfair	Very Unfair
F. An investment tax credit for the farmer's cost of soil conservation work.				
a. How fair would this policy be?	1	2	3	4
b. What group, if any, would be unfairly treated if this were adopted? ______________________				
c. If this policy were adopted, about what percentage of farms like yours do you guess would take advantage of the investment tax credit? ______%				
G. A regulation requiring the development and implementation of an approved soil conservation plan.				
a. How fair would this policy be?	1	2	3	4
b. What group, if any, would be unfairly treated if this were adopted? ______________________				
c. If this policy were adopted, about what percentage of farms like yours do you guess would implement a soil conservation plan? ______%				
SOIL LOSS REGULATIONS				
H. A regulation requiring soil losses to be less than 5 tons per acre (5 tons equal about 5 cubic yards).				
a. How fair would this policy be?	1	2	3	4
b. What group, if any, would be unfairly treated if this were adopted? ______________________				
c. If this policy were adopted, about what percentage of farms like yours do you guess would achieve less than 5 tons of soil losses per acre? ______%				
I. A regulation requiring a non-recreational green belt along streams and drainage ditches to achieve increased water quality.				
a. How fair would this policy be?	1	2	3	4
b. What group, if any, would be unfairly treated if this were adopted? ______________________				
c. If this policy were adopted, about what percentage of farms like yours do guess would develop the required green belt? ______%				

11. As you know, for a long time the Soil Conservation Service has helped farmers develop soil conservation plans for their land.

a. Have you developed such a plan for your farm? ____Yes

____No (If not, go to question 12)

b. How long ago did you develop your plan? ______years

c. How much of the plan have you implemented? ____All

____Most

____About half

____A little

____None

(Over)

MANAGEMENT OF QUANTITY - A STUDY IN AGRICULTURAL MACRO-MARKETING*

by

Jehiel Zif, Dov Izraeli and Rami Shtark

Tel-Aviv University

In previous papers and presentations the authors have called attention to important differences between marketing decision-making in the competitive firm and in a joint, inter-sectorial institution (1,2). As an example of macro-marketing management, we presented the central marketing authority of agricultural boards. The opportunity provided by the marketing board for cooperative non-brand marketing efforts to regulate consumption and to plan a product line based on industry considerations, changes the nature of the marketing manager's role. The concept of the marketing manager as a strategist competing against adversaries shifts to that of a marketing manager primarily concerned with the development of a whole market working with a centralized data bank and affected only by indirect competition. Unlike his traditional counterpart, he is responsible for a branch rather than a firm marketing in a competitive environment.

Managing the quantity of goods offered in the market place is a key area of activity for a marketing board. When this activity is carried out for a whole branch, it has serious consequences for consumers, producers, distributors and Government. The marketing management literature,

*This study was conducted with the assistance of the Israeli Consumer Council and with the cooperation of "The Vegetable Production and Marketing Board."

This activity is financed by the Government and the Board conjointly. The Board's share in paying for the expense incurred by purchasing the surplus is progressive, that is, the percentage of the Board's participation rises proportionately to the growth in expenditures.

A major share of the expenses involved in the implementation of the Board's current policy, is financed by the Government. In addition, the current policy brings about a rise in the vegetable prices for the consumer, or rather prevents a price reduction for vegetables which are plentiful. It seems worthwhile to explore whether there is a more efficient way to secure an adequate return for the farmers' produce, simultaneously with cutting Government expenditures and raising the consumer's welfare level by lowering the prices of farm produce. This paper presents an exploratory study of this question based on the construction and analysis of demand curves.

The first section explains the theoretical considerations from the points of view of the consumer and the board. The second section presents the regression model and empirical findings. Summary and recommendations conclude the paper.

Theoretical Considerations

The Israeli Marketing Board is an intersectional institution which represents producers, distributors, consumers and the Government. It must, therefore, take into account different and sometimes conflicting interests in determining policy. Specifically, in managing the quantity of produce offered in the market place, the Board must take into account the income to producers, the consumers' welfare and the cost to the Government.

Analysis of the price elasticity of demand can determine at what point the Board should absorb surpluses in order to achieve its objectives.

$$|\eta| > 1 \qquad q'DBq > PP_{min}CD \tag{4}$$

Thus the revenues from consumers grow without the Board's intervention and vice versa. In other words, as already demonstrated, the Board is not to intervene, on condition that the elasticity of demand curve in the relevant area is greater (in its absolute value) than unity. In such a case, non-intervention of the Board by purchasing $q'CEq$ worth of surplus, and indirect support of farmers aimed at supplementing their receipts so that they reach $OP_{min}Eq$, will reduce Government and Board expenditures.

These will be reduced from:

$$OP_{min}Eq - OP_{min}Cq' = q'CEq$$

to:

$$OP_{min}Eq - OPBq = PP_{min}EB$$

An increase in the quantity supplied, which reduces prices, is clearly beneficial to consumers. The consumer's surplus - the difference between what he is willing to pay OABq and what he actually pays OPBq - will decrease by the policy of non-intervention. This increase in consumer's welfare amounts to the difference between PAB and $P_{min}AC$.

As for the farmers, it makes little difference to them where their receipts come from. They may even prefer to have low prices determined by market forces, without the fixing of minimum prices, because this may bring about increased demand for their produce and upward shift of the curve, which will improve their position in the long run.

With the change in Board policy and the annulment of minimum prices, the administrative difficulty of calculating the compensation payable to farmers and its form of distribution, may arise. This difficulty should not be overlooked. In order to overcome it, we should consider maintaining the minimum price at which the surplus will be purchased by the Board. However, the Board will market the surplus to consumers regardless of the minimum price and of reduction in consumer's price.

In other words, the whole quantity q will be purchased from the farmers by the Board at P_{min} (instead of the quantity q - q' purchased at present) and will be marketed to consumers at price P which is determined by the demand curve.

The adoption of this method could also prevent the opposition of part of the farmers resulting from their fear that the guaranteed minimum price would be annulled. This fear may stem from a failure to comprehend the market mechanism as manifested in elasticity of demand and its impact on revenues.

It is apparent from the above, that as far as the consumer's welfare level is concerned, non-intervention is advisable in all cases, and the reduction in Government expenses depends on the elasticity of demand for products. Since non-intervention is always desirable from the consumer's standpoint, non-intervention may probably be considered even when it entails an increase in the Board's and Government's expenditures (when elasticity is less than unity). This may be done so that the consumer's utility from the products and his welfare level are increased.

Empirical Study

The Model

The monthly data in the years 1971-73, concerning the marketed quantities of vegetables and their retail prices, served to derive demand curves of vegetables included in the "Vegetable Agreement". (See Appendix 1 for quantities and prices.)

In order to avoid possible effects of changes in the consumers' income level and tastes, the demand curves were calculated for each

a. Negative slope $\frac{dP}{dQ} = b + 2cQ < 0$

when: $(b < 0)\ \frac{b}{-2c} > Q$

b. Decreasing slope (in absolute value) $\frac{d^2P}{dQ^2} = 2c > 0$

when: $c > 0$

Indeed, these conditions are fulfilled in most cases, unless Q, expressing the marketed quantity is very large ($Q > b/-2c$). However, this occurs in rare and extreme cases, and with specific products only. Then we would have to limit the definition range of the demand function in order to avoid a rising function.

Regression Runs

The results of the regression runs for tomatoes, cucumbers, onions, carrots and potatoes for the year 1971-73 (for each year separately) are summarized in Appendix 2.

From the data in the Appendix, we can see that the majority of demand curves obtained, complies with the conditions specified above.

With regard to tomatoes and cucumbers, the percentage of explained variance (expressed by r^2) is relatively high in all three years, and fluctuates between .71 and .82 for tomatoes, and .92 - .95 for cucumbers. This implies that the bulk of price variations can be accounted for by variations in quantities absorbed in the market. There also is a close quantity-price relationship, at a high level of significance ($\varepsilon = .995$ in F tests) for both these goods.

The results obtained for the other products (onions, carrots and potatoes) are less significant: Not every year did the demand curves obtained, meet the requirements of economic criteria. At least one curve for each product, does not fulfill all the conditions which were

One may reasonably assume that the above mentioned limiting factors affected all results, to a certain extent, and particularly so the results for carrots, potatoes and onions.

According to the Director General of the Vegetable Board, the Board intervenes in the marketing of carrots, potatoes and onions, by directing surpluses to storage and selling them at a later date. Thus, the Board manages to guarantee minimum prices without resorting to purchase of the surpluses for purposes other than their sale and without incurring major expenses, since the above mentioned regulating activity involves storage cost and financing expenses only.

Consequently, we limited ourselves to an analysis of the demand curves obtained for tomatoes and cucumbers, in order to examine possibilities of taking alternative measures to those practiced at present. This is particularly important for tomatoes, since the surplus quantities of this produce purchased by the Board, are larger than those of other products, in absolute terms as well as in proportion to the total quantity marketed (See Appendix 3). The reason for that is, that tomatoes are not storable, therefore the Board can only intervene by purchasing the surplus and diverting it to purposes other than direct consumption.

Analysis of Demand Curves

Analysis of the price elasticity of demand can determine at what point the Board should absorb surpluses in order to achieve its objectives.

As long as the price elasticity of demand is greater than unity there is little justification to purchase surpluses for destruction or other uses. The quantity marketed for direct consumption can be expanded, thereby consumer prices will decline and total revenues from consumers will increase.

curve. Based on the conditions specified for the demand curve, it can be shown that the elasticity will decrease as we move to the right along the quantities axis.

An examination of elasticities at the maximum and minimum points of the demand curves for cucumbers and tomatoes, within the range of the quantities marketed between 1971 and 1973, shows the results specified in Table 1.

Table 1

Demand Elasticity for Tomatoes and Cucumbers

(in Absolute Value)

Product	Year	Minimal Elasticity	Maximal Elasticity
Tomatoes	1971	.13	1.56
	1972	.19	1.22
	1973	.21	1.45
Cucumbers	1971	1.22	21.53
	1972	7.19	17.69
	1973	2.46	12.29

A comparison of curves for various years does not reveal significant changes in the demand elasticity of the curves. Demand elasticity for identical quantities remains almost constant (the differences between elasticities at the maximum and minimum points in Table 1, stem from the fact that different quantities were considered in each year). Insofar as variations in demand elasticity from one year to another were detected, they were of minor importance and with no uniform trend which might have indicated a certain development in marketing and product consumption.

Yet, a constant trend of increasing demand for tomatoes and cucumbers can be observed in the years 1971-73, with demand curves moving upwards

To calculate this quantity beyond which revenue will decline with an increase in the quantity marketed, we will equate elasticity to -1 and solve for Q.

$$\eta = \frac{P}{Q}\,\frac{1}{b + 2cQ} = -1$$

$$P = -bQ - 2cQ^2$$

We will substitute the demand equation for P and obtain:

$$a + 2bQ + 3cQ^2 = 0$$

We will now solve the square equation, choose the suitable solution, and obtain:

$$Q = \frac{-2b - \quad 4b^2 - 12ac}{6c}$$

The Q obtained shall now be marked as Q'. As recalled, the smaller the quantity, the greater the elasticity, therefore:

$$|\eta| > 1 \qquad Q' > Q$$

Findings Concerning Tomatoes and Cucumbers

An examination of the critical quantity Q' for tomatoes and cucumbers in the past years, shows the results appearing in Table 2.*

If we examine the quantities marketed in the years 1971-73 (for details of quantities see Appendix 1) we will find that in some months each year, tomato quantities are smaller than the corresponding critical

---

*In the demand functions for cucumbers, obtained according to the data for 1971-1973, an examination has revealed that the elasticity of demand is greater than unity throughout the definition range of the function. This is why the minimum point of the function was determined as the critical quantity. At the minimum point: $dP/dQ = b+2cQ = 0$, therefore: $Q = b/2c$. The Q obtained here, shall be regarded as the critical quantity Q'. The critical quantities in Table 2 were calculated on the basis of coefficient c in the demand function, at a precision level of 10^{-9}, while the precision level of the coefficients in Appendix 2, is 10^{-6} only.

Sometimes the surplus produce is destroyed, which involves expenses with no revenues whatever for the Board. Obviously, cutting the price will only be possible if indeed there are surpluses purchased by the Board; it is not enough that the quantity marketed should be smaller than the critical quantity.

An examination of the situation in 1973 indicates that the quantities of tomatoes marketed, were less than the critical quantity in the months March, April and September. As a matter of fact, only in March and April there were surpluses purchased by the Board and amounting to 3 tons and 22 tons, respectively. These quantities, however small, can affect the general price level, or at least the prices in certain outlets and some of the markets.

As for cucumbers, since throughout most of the months of the year the monthly quantity does not reach the critical quantity, the Board may refrain from purchasing the surpluses, and take the alternative measures specified before.

An examination of the situation in 1973 shows that in the months January to March, November and December, no surpluses whatever were purchased by the Board, and no further improvement could be introduced. However, in the months April to October the surplus purchased by the Board amounted to a total of 302 tons which if diverted to retail markets, would have enabled a reduction of prices and a cut in the Board expenses. Calculation of the impact of possible changes in the Board policy on the farmers' revenue and on the consumer's price can be carried out based on the demand function (6).

2. Jehiel Zif and Dov Izraeli, "A Central Marketing Authority - The Case of Israeli Marketing Boards," in Charles C. Slater, Editor, Macro-Marketing, Business Research Division, University of Colorado, 1977, pp. 238-246.

3. Clasue 3.a of "The Vegetable Agreement," 1974-75, between the Israeli Vegetable Board and the Ministry of Agriculture.

4. See: Philip Kotler - Marketing Decision Making - A Model Building Approach, Holt, Rinehart and Winston, 1971, ch. 2, p. 28; J. Johnston - Econometric Methods, McGraw-Hill, N.Y. 1972 (2nd ed.) ch. 3, p. 54. See Johnston for the calculation method of the regression coefficients.

5. Mundlak, Y., Forecasts of Demand and Supply of Agricultural Products in Israel, Falk Institute 1965, p. 81-83.

6. See D. Izraeli and J. Zif, Societal Marketing Boards, John Wiley and Israel Universities Press, 1977, Chapter 5.

Appendix No. 2

Summary of the Regression Findings for Products Included in the "Vegetable Agreement"

Product	Year	Coefficients of the Demand Curve Equation $P = a + bQ + cQ^2$			r^2	F	F_ε	ε	Significant Price-Quantity Relationship
		a	b	c*					
Tomatoes	1971	363.79	-.049	.000002	.81	18.68	10.1	.995	yes
	1972	530.45	-.082	.000004	.71	11.24	10.1	.995	yes
	1973	615.42	-.093	.000004	.82	20.85	10.1	.995	yes
Cucumbers	1971	339.48	-.086	.000008	.92	48.27	10.1	.995	yes
	1972	384.43	-.083	.000006	.95	80.86	10.1	.995	yes
	1973	407.51	- 085	.000007	.95	82.39	10.1	.995	yes
Onions	1971	181.61	-.101	.00002	.64	7.84	4.26	.95	yes
	1972	82.81	.017	-.00001	.38	2.78	4.26	.95	no
	1973	526.45	-.402	.00009	.68	9.55	8.02	.99	yes
Carrots	1971	154.30	-.060	.00001	.75	13.14	10.1	.995	yes
	1972	107.26	.007	-.00001	.11	.57	4.26	.95	no
	1973	462.71	-.300	.00006	.77	15.08	10.1	.995	yes
Potatoes	1971	47.82	.004	0	.37	2.66	4.26	.95	no
	1972	166.45	-.018	0	.35	2.39	4.26	.95	no
	1973	106.05	-.005	0	.65	8.40	8.02	.99	yes

P - Real retail price $P_R \frac{Ag.}{Kg.}$ (see 2.1. for calculation method)

Q - Quantity demanded (tons) at the price P

r^2 - Rate of explained variance (see calculation method in Appendix 3)

F - Statistical value obtained from the ratio between the explained variance and the unexplained variance for the given degrees of freedom.

F_ε - Distribution value F based on the degree of freedom at the level of significance

* In the cases where $c < 10^{-6}$ was obtained, c = 0 was denoted.

IV

SELECTED ISSUES FROM A MACRO-MARKETING PERSPECTIVE

One part of the multi-dimensional definition of macro-marketing proposed by Hunt and reiterated by Nickels/Hill includes the analysis of developments or issues in the larger social system which impact on the marketing system. Therefore, it is appropriate to focus on a number of issues which are emerging, either as the result of impacts by the marketing system on society or as a broader social system development which has the potential of significantly impacting on the marketing system.

The first paper in this group by Spratlen provides an excellent example of the analysis of a macro-marketing issue from the perspective of one impact which the marketing system is having on a broader aspect society. Using redlining as the issue, Spratlen identifies the impact that the decision making system involving mortgage loans is having on one aspect of the broader social system, specifically housing and property values in certain parts of major cities. In addition to providing an excellent analysis of the questions which underlie redlining and the justification in terms of social costs as well as other identifiable impacts, the author's discussion provides an excellent example of a macro-marketing issue. Spratlen's analysis of redlining decisions and their impacts is illustrative of the reason why positive macro-marketing is important. In addition, his analysis of the impacts and performance of the marketing system on the broader social system further illustrates the opportunities and frustrations associated with the analysis of marketing issues.

In contrast with the paper by Spratlen, the following papers focus on potential impacts that issues which are emerging may have on the

Using an approach similar to the papers presented above, Rajan presents an interesting perspective on the issue of product safety. His consideration of the product safety issue highlights the impacts on the system in addition to those related directly to the parties involved in the transaction. The problems associated with product safety provide another good example of the reasoning which has led to increased concern with macro-marketing issues and the overall performance of the marketing system. As other issues move to the forefront of public concern, the examination of the marketing system in terms of its externalities, will become increasingly common. This again underscores the need for a better understanding of macro-marketing along with better developed tools and techniques for analyzing the performance of the marketing system.

One of the developments in the world social-economic environment which has had a number of widely recognized impacts on the marketing system is the change in the costs and availability of energy. One aspect of the changing energy environment involves the basis upon which consumers make purchase decisions involving energy consuming products. Efforts to change energy consumption by changing purchasing behavior is yet another example of a development in the environment which is impacting on the marketing system. Once these changes in the operation of the marketing system become commonplace, a number of impacts on the broader social system in terms of more efficient use of energy will result. Hutton uses the concept of life cycle cost of products to illustrate this line of reasoning. He considers the likely impacts of this concept on the behavior of consumers and in time on the broader social system. The discussion is a good example of the range of public policy issues which are directly tied to the existing understanding of macro-marketing.

REDLINING: SOCIAL AND MACRO-MARKETING PERSPECTIVES ON THE AVAILABILITY OF REAL ESTATE MORTGAGE CREDIT

by

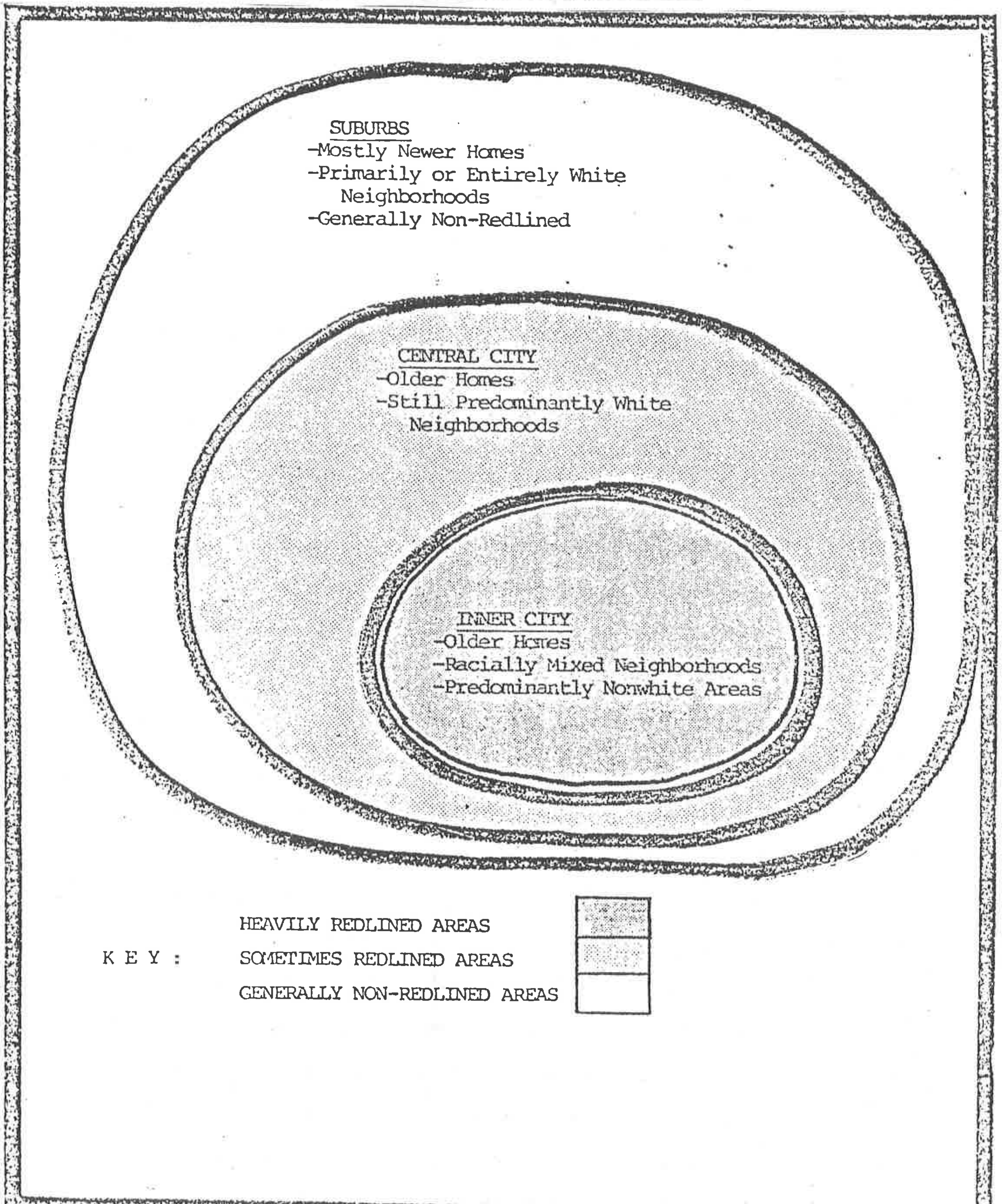
Thaddeus H. Spratlen

University of Washington

Redlining refers to a process in which biased categorical judgments and decisions are made by insurers, lenders and others regarding insurability and credit availability in a market. Instead of specific individual attributes of insurability, creditworthiness and property conditions influencing decisions, general categorical attributes are emphasized. From its primary application in portions of inner cities with older properties and predominantly minority or non-white populations, certain areas have been "redlined" and thereby restricted in or excluded from obtaining insurance and mortgage or other property loans. Thus, the categorical dimension involves the practice of not weighing specifically individual factors relating to an application for mortgage credit or insurance. Instead a categorical response is given: "no lending in certain areas"; extra-risk is assigned to certain borrowers or property locations; and the like (1).

In view of the many supply-demand relationships in such a practice, redlining has numerous consequences which need to be analyzed in social and macro-marketing. In social marketing there are issues and ideas involving the need for planned social change in order to design and manage strategies for eliminating the adverse effects of redlining. There are also aspects of redlining in which community groups, government agencies and other not-for-profit organizations are involved. These elements

Figure 1. Boundaries of Residential Mortgage Markets.



From a macro-marketing perspective redlining can be interpreted with respect to the barriers that it presents to residential mortgage credit and property sales, especially in older, predominantly minority parts of the city. These barriers are defined with respect to the following dimensions (3):

1. Psychological
2. Managerial Policy
3. Institutional
4. Public Sector
5. Local Community

The combined effects of these barriers help to explain why private lenders do not seek to fill the void or gap in the market which occurs through redlining. There is an over-compensation for the negative effects of these barriers.

Psychological Barriers

The polite and technical language of real estate credit decision-making reflects several psychological barriers to residential mortgage lending in the inner city. One is the virtually unquestioned acceptance of neighborhood cycle theory (and inevitability of decline). There is also a preference for newer homes and homogeneous white neighborhoods (which are equated with desirability, stability and low risks). Inner city, minority and older are all associated with higher risks and uneconomic or undesirable investment alternatives. Such perceptions are largely unsubstantiated by loan data or experience (4). Yet they have become part of the conventional wisdom of real estate credit decision-making. Even a widely publicized industry-sponsored study by an influential economist makes claims of riskiness which are more strongly worded than the statistical data presented actually support (United services, at least on arbitrary and categorical grounds. If lenders can do this with impunity, it is clear that mortgage credit availability will be substantially lessened. For example, mortgage companies now make almost 80% of all FHA-insured loans. Savings and loans associations, mutual savings banks, commercial banks and others lend only the remaining 20%. Yet these latter institutions are major lenders in the conventional mortgage loan field. For example, nationally over three-fourths of all mortgage loans extended are made by saving and loan associations--the thrift institutions. All lenders are needed to share in FHA-type loans, if mortgage credit is to be available throughout the older parts of cities, especially. Moreover, if an ample supply of mortgage credit is to be provided in traditionally redlined areas, the traditional fiduciary responsibilities will need to be placed in perspective and constrained by social-impact and social investment criteria to eliminate the social and economic losses associated with redlining (6).

Institutional Barriers

The complex and compound effects of appraisal, insuring and other institutional barriers must also be removed if the effects of redlining are to be eliminated as a source of influence on mortgage supply and demand. It is appraising and insuring that validate or support the lending process. If these become less biased so will lending decisions based on them. Also data exclusions or gaps must be removed or otherwise corrected. For example, the reasons why noninstitutional forms of mortgage credit (mortgage assumptions, real estate contracts (7), etc.) are relied upon so greatly in the inner city must become more fully understood. Disclosure data are also needed on mortgage companies that are not commercial bank subsidiaries. The whole subject of fair arise regarding mortgage lending. There are inescapable neighborhood effects involved in such lending. Sustaining growth in value and preserving the quality of investment in a neighborhood cannot be isolated and limited to just a single piece of real estate. Thus, whenever there are liabilities associated with portions of a residential community, the entire community is likely to suffer.

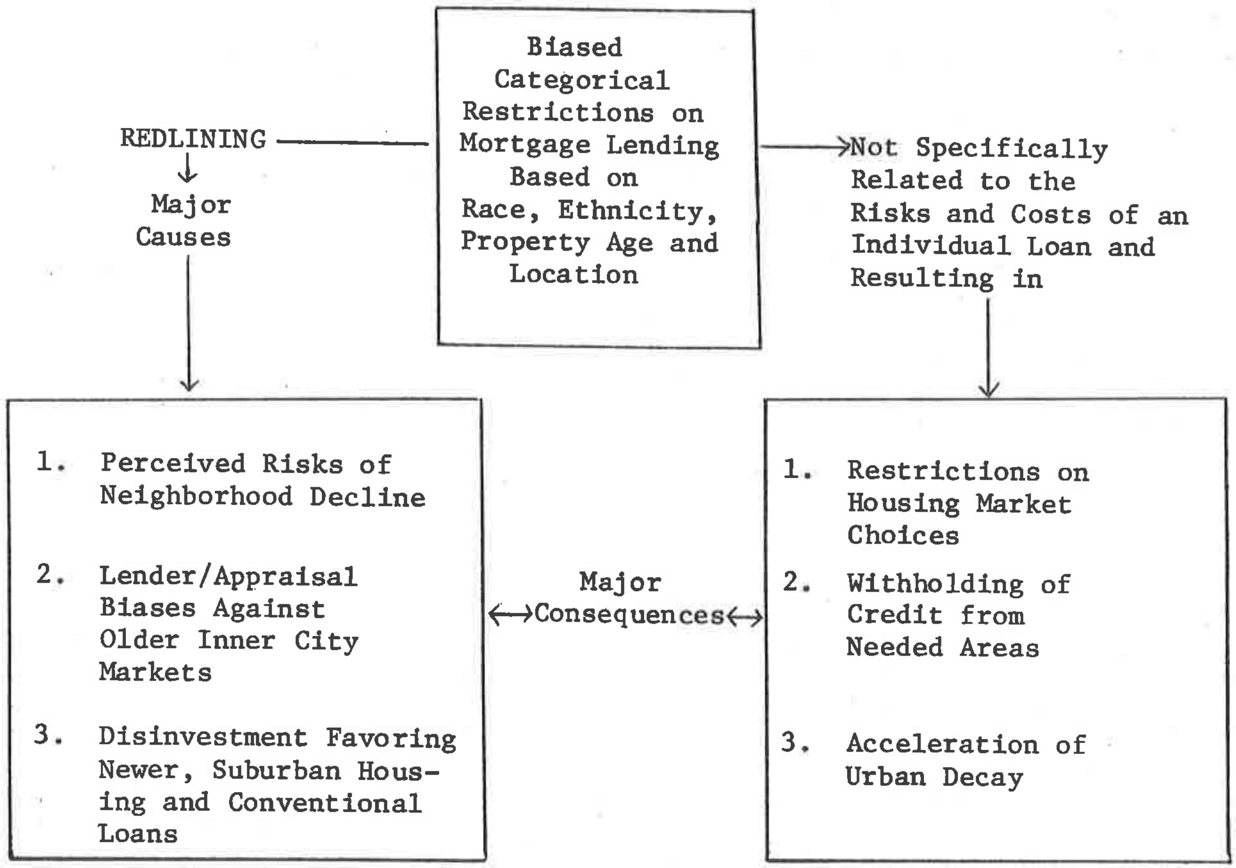
Conditions in a community, then, may reinforce lender biases against extending mortgage credit. As noted there may be a tendency to overcompensate for a community's liabilities, especially if they can be linked to some of the assumptions and experiences suggested by the relationships in Figure I.

Another aspect of community barriers can be related to the lack of community response to programs and activities designed to eliminate redlining. This may be an unwillingness to utilize grievance and complaint procedures. Coalitions and other community groups may not be supported adequately. Borrower experiences may not be reported in community surveys, even when confidentiality and anonymity are assured. Apathy and disinterest as well as a feeling that nothing will correct the situation (a certain resignation to neglect and lack of opportunity for home ownership) are all factors in this unwillingness to get involved. This occurs even when the future of their living environment is at stake.

Nevertheless, whenever those subject to redlining do not act in their own behalf, barriers are presented which impede the flow of mortgage credit. Lenders and others are then able to point to a lack of response as an indication that the problems and practices of redlining are not of concern to a community. This is used to further justify their traditional lending practices.

FIGURE II

MAJOR CAUSES AND CONSEQUENCES OF REDLINING



When combined with the previous discussion, these relationships identify redlining as a systematic or institutionalized form of restricted credit availability. Apparently, some of it can be explained as rational, risk-averse behavior on the part of lenders. Some of it also appears to involve discrimination. In view of the needs of communities and the consequencies of redlining, there is a need for alternative arrangements and policies to meet reinvestment and mortgage credit needs, especially in older, inner city communities. Research is needed which provides the basic theory and facts about these alternatives.

EXHIBIT A

RESIDENTIAL MORTGAGE LENDING SURVEY FORM

Sponsor: Washington State Human Rights Commission
1601 Second Avenue Building
Seattle, Washington 98101

Sample Copy

Note: The information requested is needed in order to determine the pattern of residential mortgage lending in selected areas of the state of Washington. The survey is being made pursuant to the Commission's responsibilities relating to the fair credit provisions of the Revised Code of Washington.

Name of Lending Institution ____________________
(1)

____
(2) Street Address (3) City (4) Zip Code

Loan Application No. ________ Date of Loan Application ________
(5) (6)

Other Identification Info. ____________________
(7) (Title company, miscellaneous info)

I. Information on Subject Property

____
(8) Street Address (9) City (10) Zip Code

Census Tract ____________ Appraisal Value ____________
(11) (To be completed by sponsor) (12)

Purchase Price ____________ Loan Amount Requested ____________
(13) (14)

Length or Duration of Loan ______ Interest Rate Charged ________
(15) (16)

Type of Financing: Conventional __ FHA __ VA __ Other ________
(17) (Write in)

Year Property Built _____ Will borrower/applicant occupy property?
(18) (19)

Yes __ No __ Unknown __ Decision by Lender: Approved ___
(20)

Not Approved ___ Other ____________
(Write in)

II. Information on Applicant(s) or Borrower(s)

Combined Annual Income ________ Monthly Mortgage Payment ________
(21) (22) (principal and interest)

Combined Outstanding Debts ________ Combined Assets ____________
(23) (total liabilities) (24)

Ethnic Identification of Applicant/Borrower: Caucasion/White _____
(25)

Black ___ Asian ___ Spanish Descent ___ American Indian ___ Other
____________ (Write in)

Applicant's/Borrower's Marital Status ________ Sex ____________
(26) (27)

Occupation ____________
(28)

For Coding Purposes by Sponsor

1 ________
2 ________
3 ________
4 ________
5 ________
6 ________
7 ________
8 ________
9 ________
10 ________
11 ________
12 ________
13 ________
14 ________
15 ________
16 ________
17 ________
18 ________
19 ________
20 ________
21 ________
22 ________
23 ________
24 ________
25 ________
26 ________
27 ________
28 ________

(11/23/75)

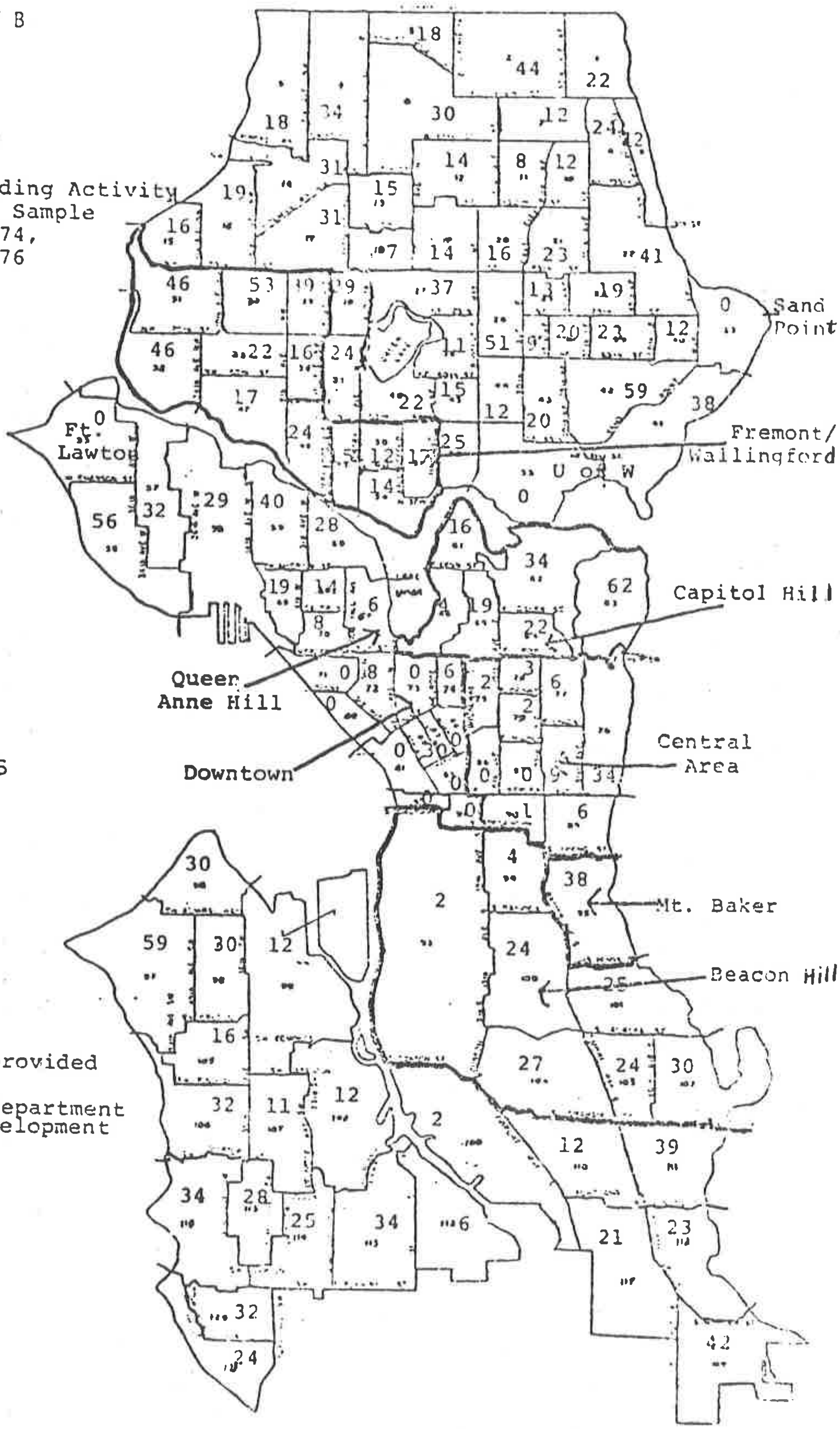
EXHIBIT B

MAP 1

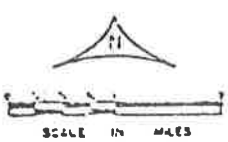
Residential Lending Activity in Seattle for Sample Months of 1974, 1975 and 1976

No. Transactions Per Tract
Median=20
Mean=20

Total Transactions
N=2387



CITY OF SEATTLE
1970 CENSUS TRACTS



Census Tract Map provided by
City of Seattle, Department of Community Development

FIGURE III

RISK CATEGORIES IN MORTGAGE LENDING

	Voluntary	Involuntary
Known	Borrower Credit History Financial Resources Risk-Related Demographic Attributes (marital status, occupation, etc.)	Neighborhood Effects (Upkeep of other property owners, public services, etc.)
Unknown	Social and Group Factors in Repayment; Race Class	Major Economic Reversals of Borrowers and/or Communities Catastrophic Events

size, etc.), then the industry position would be sustained. If there are differences redlining would be clearly indicated.

It is hypothesized that Quadrant II including primarily black residents or borrowers living in substantially black residential areas will experience the lowest rate of loan approvals. Just the reverse would be true for Quadrant IV with primarily white borrowers living in substantially white residential areas. White borrowers will fare somewhat better by buying into black areas than blacks would in white areas (Quadrants I and III, respectively).

More precise relationships are stated in the list of hypotheses. Since redlining may occur in different parts of the residential mortgage lending process, there are several corollary hypotheses which can be stated. Some relate to borrowers, while others relate to lenders' decisionmaking and the impact of mortgage lending practices on the inner city environment.

Hypothesis 1. (Loan terms; approvals/rejections)

> Redlining occurs in the form of differential rates of loan approvals and rejections in areas of the city which are comparable, except in terms of racial composition, geographic location and property age.

Measurement or testing would be expressed in terms of the pattern of lender approvals and rejections in various parts of the city. Although truly comparable areas are exceedingly difficult to find (because of past practices of discrimination in job and housing markets as well as for other reasons), there should be some census tracts (or perhaps census blocks) which could meet statistically valid indicators of comparability in different parts of the city or metropolitan area.

Hypothesis 2. (Costs/risks in redlined areas)

> Residents of redlined areas incur higher costs of mortgage financing than purchasers of comparable properties in non-redlined areas.

Hypothesis 2 would be expressed in forms such as higher rates of interest, larger downpayments, shorter amortization periods, and lower potential value in security or salability. The pattern would be similar to that shown in Figure IV. This could be extended to determine whether higher costs can be linked to or equated with higher risks.

Hypothesis 3. (Group-risk criteria)

> There are group-risk criteria or concepts which are explicitly or implicitly incorporated into loan officer guidelines and institutional policies.

That is, black or other nonwhite applicants may be viewed as one of a risk category rather than as applicants who are evaluated on the individual merits of their income, occupation, indebtedness, credit standing and like criteria as applied to white applicants. More stringent terms may be applied in evaluating nonwhite borrowers than is the case for white borrowers.

to age, overuse through congestion and generally restricted supply of housing, especially old or "used" housing, for minorities. This hypothesis should be evaluated in qualitative and direct terms. Some secondary data and interpretations would be used. Neither institutional nor census data provide direct evidence on this relationship.

Hypothesis 7. (Motivational effects)

> Property owners of redlined areas as well as lenders have fewer incentives or more dis-incentives to invest than owners or lenders in non-redlined areas.

There is a cyclical, insidious and ultimately a perverse attitude which prevails under redlining. It may lead to "milking" of property by absentee owners or to exaggerated estimates of costs and risks by lenders. In any event, there is an absence of a positive and long-term perspective on property values in redlined areas. Ultimately, the negative experiences and attitudes lead to a "discouraged borrower" state (analogous to the discouraged worker in the black and long-term unemployment labor force). Conditions become depressed from the supply and from the demand side of the market.

Hypothesis 8. (Origins of loan performance evaluation)

> Perceived and assumed rather than empirically-derived evaluations and judgments about losses, costs, yields and risks underlie lender policy in redlining.

The burden of risk assessment and other performance evaluations rests with the lender. Yet the literature reflects the efforts of community groups to document the practice of redlining. Lender statements have asserted rather than disclosed the pertinent risk and cost aspects of their mortgage lending practices.

The results from imaginatively designed and well-executed research on redlining could go far towards providing a persuasive and well-founded permit them to pick and choose where and to whom they will lend. Based on reported (and admittedly inadequate) research on mortgage lending, they have apparently chosen to follow a path of least effort which favors suburbs over central cities, predominantly white areas over predominantly nonwhite areas, newer homes over older homes, and homogeneous neighborhoods over heterogeneous neighborhoods. The extent of their favoring the indicated areas, properties and borrowers exceed expected levels based on strictly creditworthiness or financial criteria. While the procedures used have been justified on short-run, risk-averse behavior of management, it may be that in the long-run and from a macro point of view such practices may not be socially or even economically optimal. This is especially the case when sizable parts of entire market areas are written off as being outside the boundaries of credit service.

Of course in the conventional wisdom of private marketing, it is appropriate, indeed necessary, to demarket in the face of declining profit potential with a produce or service. The microanalytic prescription is likely to be withdrawal. Indeed a market-use cycle might well be conceived as:

Initiation → Exploitation → Saturation → Elimination

That is the way the commercial marketing world turns. But from a social and macro-marketing perspective it is very unclear how far this market-use cycle should be carried. After all, housing, shelter and the environment that people live in shape a very large part of who and what people are. They appear to be more in life than the physical targets of lenders marketing or demarketing efforts.

Unfortunately, when lenders abandon a market we do not yet have either a mechanism or a value set to fill the void. But some alternatives should soon be forthcoming. Pooling of risks and co-insurance arrangements are modest proposals for change. New institutional forms would be possible to define and design programs which can be effective in curtailing and eliminating redlining. Thus, social marketing might be effective in creating awareness and community action against redlining among segments of the population who have more political influence than those traditionally redlined. In particular, this would include middle-class whites who presently live in marginally-affected or transition communities, who may wish to return to the central city in response to energy shortages, quest for diversity, more convenient access to the cosmopolitan city, more affordable "used" homes, or with an interest in a more multi-racial life experience. A second positive contribution could come through values clarification and, especially, the adoption of a more humanistic orientation to exchange relationships. Such a reorientation would contribute to a broadening of the value perceptions and normative dimensions of managerial behavior involving residential mortgage credit. By more clearly establishing the social impacts of lender decisions, for example, it would be possible to develop strategies for selecting and implementing alternative lending practices. Greater social responsiveness could be encouraged. The requirements for sustaining credit availability could be more clearly delineated through social marketing.

CONCLUSIONS

Research and analysis of redlining are still in a very early stage of development. The modest beginnings have led to much controversy; more heat than light and more statements than statistics. To date we have few reasons or remedies that are clearly supported by solid empirical work.

[2]This brings to mind the closely related concept of disinvestment. Owners of capital, lenders and others who control wealth systematically withdraw their holdings or shift their resources to other markets and areas. As a systematic withdrawal of investment capital or other resources, disinvestment applies to this discussion in the practices of lenders shifting funds to new, suburban housing. But it could also be applied to a portfolio shift in which there is disinvestment in FHA or VA mortgage in favor of conventional mortgages.

[3]This section of the paper draws extensively upon the author's statement "Redlining as a Barrier to City Revitalization."

[4]This is of critical importance. Yet it is an often overlooked point in the redlining controversy. Lenders have managed to shift virtually all the burden of documentation to community groups or other organizations. Rhetoric and denials, not statistics or financial data, have been the mainstay of institutional responses to redlining in urban mortgage credit markets.

[5]The report was prepared by Brimmer and Company, Inc., economic and financial consultants of Washington, D.C.

[6]This means basically that accountability measures would include responses to community needs throughout the market area served as judged in an environmental or social audit procedure. Some examples would include: Deposit/loan ratios; loans by census tracts and census block groups as a measure of the geographic and racial/ethnic spread of loans; sample review of rejected loan applications; and of the appraisal criteria applied. These measures would facilitate the analysis and interpretation of "convenience and needs of the community" as a performance criterion.

[7]The legal status of the borrower/buyer and the costs involved suggest generally less desirable terms in noninstitutional financing than when loans are obtained from chartered financial institutions.

[8]A good beginning in this direction is the national, nine-state group of model projects initiated through the U.S. Department of Housing and Urban Development under contract with A. L. Nellum and Associates of Washington, D.C. Remedies for redlining, racial steering, affirmative marketing agreements and others should generate research and additional strategies/programmatic efforts sufficient to build on for many years to come.

[9]The remaining discussion in this section draws extensively on the author's paper, "Redlining in Residential Mortgage Lending: A Case of Racial and Location Discrimination in Mortgage Markets?"

Loury, Glenn C., "An Analysis of Discrimination in Mortgage Lending," report prepared for the Center for National Policy Review, Washington, D.C., no date, 1976 reference. Manuscript, 29 pp.

Mortgage Bankers Association Task Force Report. "Redlining Solution Requires Unified Approach," Part I (The Complex Process of Neighborhood Decline), Part II (Requisites for a Successful Rehabilitation Program). The Mortgage Banker (April 1977, p. 46 ff; May 1977, p. 48 ff).

Post, James E. Risk and Response. Lexington, MA: D. C. Heath and Company, 1976.

Sheth, Jagdish N. and Peter L. Wright, eds. Marketing Analysis for Societal Problems. Urbana, IL: Bureau of Business and Economic Research, University of Illinois, 1974.

Spratlen, Thaddeus H., "Redlining as a Barrier to City Revitalization," paper presented to the Urban Growth Forum, Sponsored by the U.S. Department of Housing and Urban Development and the Federal Regional Council, Federal Building, Seattle, WA, June 21, 1977.

__________. "Redlining in Residential Mortgage Lending: A Case of Racial and Location Discrimination in Mortgage Markets?" Working Paper, Social Science Research Center, Howard University, Washington, D.C., July 1976. Manuscript 22 pp.

United States League of Savings Associations. Risk vs. Discrimination in the Expansion of Urban Mortgage Lending. Chicago, IL: The League, April 1977.

Washington State Human Rights Commission. Patterns of Residential Mortgage Lending and Property Sales in Seattle, 1974, 1975 and 1976. Seattle: The Commission, 1977. (Preliminary Report of the Redlining Task Force.)

Webster, Frederick E., Jr. (Social Aspects of Marketing. Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1974.

MARKETING IMPLICATIONS OF THE WOMEN'S MOVEMENT

by

George Fisk

Syracuse University

and

Alladi Venkatesh

SUNY-Binghamton

The 1980 Census will not identify a household head and the Bureau of Labor Statistics already reports on employment of family members rather than the household head [105]. Even the government recognizes that the ways people earn, live and consume are changing life styles. These changes hold portentious implications for marketers, those who regulate them and those dependent on them to supply daily needs. What is causing these changes and what should marketers do about them? In this paper we examine the changing social roles of women and "the women's movement" as a contributing cause of shifting life styles and consumption. Our purpose is to trace their marketing implications.

To accomplish this task we first set forth a behavioral paradigm and then examine the interactions between its elements. Since the level of aggregation of our data is very high, we are obliged to use macrobehavioral typologies to identify changing roles including: 1) traditional; 2) transitional, and 3) futuristic social roles for women. These bases of analysis are applied in the manner shown in steps 2 and 3 of Figure 1. Briefly summarized, our paradigm asserts that interactions between women and their social environment is leading to role changes with respect to family structure, marriage, career commitment and the activities considered appropriate to masculine and feminine roles. These role changes are analyzed by behavioral modalities in our typologies above: traditional, transitional, and futuristic.

SOCIAL AND ECONOMIC ROLE CONCEPTS

For the purpose of our discussion, we define "role" as a set of expectations, behaviors and attitudes, considered appropriate to a social position (Znaniecki, 1965). The degree of commitment to a role may be affected by the kind of socialization, rates of social change, and contradictions in the prevalent role definitions. Komarovsky (1946) was one of the first to study how "imbalances in privileges and obligations" exist because of cultural contradictions in the roles of women. The social rank of women in almost all societies is derived through kinship attachments to men, early in life to the father and later to the husband (Blake, 1974). A consequence of this can be found in the current methods of social class measurement which have been seriously questioned by Haug (1973). "There seems to be a general practice to measure the social class determinants as pertaining to the male head of the household ignoring his wife's occupation... The use of the male's occupation as a single indicator of a family's social status may have to be re-examined... (and this) may lead to considerable distortion of the family's socio-economic status." In the traditional social role a woman is adjudged on the basis of how good a wife-mother-homemaker she is. The accompanying values associated with this role are concern for others, dependence, gentleness, nurturance and capacity to express feelings (Carden, 1974). The corresponding male values are aggression, individualism, objectivity, achievement orientation, competitiveness.

Present social values are believed to be closely linked with the economic roles that have historically separated men and women but are in no way related to biological differences between them. Writing in 1950,

WOMEN'S MOVEMENT TRANSFORMATIONS

In the traditional perceptions of social roles a women is expected to behave as mother, homemaker, hostess or a single girl preparing for these roles. As women move from this traditional view of females as subservient to male ideology [2, 28, 51], the transitional perspective begins to emerge. Today women can find more rewarding employment than that of secretary or office clerk, and their aspirations and expectations are rising accordingly. Even low paying jobs that take housewives outside homes a few hours a day as part time workers broadens their outlook and provides a measure of financial independence. Among young women earning professional degrees, this transition is far advanced toward futuristic norms. Thus, the women's movement portends further social changes having marketing implications such as the following:

1. The women's movement is a forerunner of significant changes in the social values and in the social system.
2. The life styles of women will be significantly affected with some bearing on economic behavior of consumers at large.
3. The traditional household decision making will undergo significant changes.
4. The economics of the household especially in the allocation of women's time in acquiring and processing commodities will change considerably.
5. As a result of anticipated changes in the life styles of women, we can expect changes in life styles of men.

The aim of the women's movement is to bring about a change in the role and status of women in the direction of equality with men. The term feminism embodies these aims and can be considered a revolt against psychological oppression, social and economic discrimination and an effort to establish a female ideology separate from and not subservient to male ideology [21, 28, 51]. Its basic aims include redefinition of concepts of marriage, motherhood and house-wifery; realization of equitable

Family Structure

The traditional family structure in the U.S. includes the bread-winning and status-giving father, the domesticated wife-mother-homemaker with or without children, and their respective role structures. In discussion concerning survival of the nuclear family the factors being considered related to changing family patterns and changing saliency of marriage and parenthood [53]. Blood (1972) has adequately discussed how the family structure changes with increasing education, increasing affluence, decreasing religious influence and changing urban environment. Simon de Beauvoir (1953), expressed the opinion that the existing family system acts as a barrier to women's advancement outside the family. In her words: "Desire for feminine destiny -- husband, home and children -- and the enchantment of love are not always easy to reconcile with the will to succeed."

Poloma and Garland's study (1971) expressed the same view after examining four categories of families, the traditional, neo-traditional, equalitarian and matriarchal. They conclude that in the traditional family, the wife's career was considered a "hobby" and her income was not generally counted as being essential in meeting the family's needs. In the neo-traditional family, income was needed and utilized to maintain the family's standard of living and the wife's professional activity assumed a certain level of importance in any decision the family made. A third category which is becoming more common is the equalitarian family, where the couple truly shared both the duties and rights of the "husband-father" and "wife-mother" role. A last category which is conspicuous by its absence is matriarchy, in which the wife plays a major economic role.

Tables 1-4 in scenario form suggest weak hypotheses based on existing studies. Our scenario for analyzing the changing family structure is given

The reason for changing views on marriage can be attributed to the historical transition of marriage from an "institutional" to a "companionship" arrangement. While the institutional approach reflects a normative framework embedded in duty bound tradition and religion, the companionship approach stresses such values as love, companionship, and mutual gratification of emotional needs (Mulligan, 1972). A result of this is an increasing number of divorces due to relaxation of traditionally dictated obligation to preserve marriage at any "cost". Other forces acting against the traditional family system include changing views on abortion, a diminishing role of the family as a transmitter of cultural values, increasing economic independence of women and alternatives to existing form of marriage (Davids, 1971).

Table 2. Marriage

SCENARIO FOR ANALYSIS OF CHANGING SOCIAL ROLES IN MARRIAGE

Traditional	Transitional	Futuristic
	MEANING OF MARRIAGE	
Institutional and Religious Meaning of Marriage	Institutional and Companionship Meaning of Marriage	Companionship Meaning of Marriage
	ALTERNATIVE TO MARRIAGE	
Low Acceptance of Divorce as Alternative	Higher Acceptance of Divorce as Alternative	Modified Nature of Marriage Makes Divorce Trivial
	SOCIAL DESIRABILITY CRITERIA	
Social and Economic Security for Woman an Important Criterion (Marriage is therefore socially desirable)	Some Security and some Freedom for Women Important Criteria (Marriage is still socially desirable)	Freedom will replace Security as More Women Become Independent (Expediency overrides social desirability)

more women are thinking seriously of career possibilities that are not secondary to their husbands' and this is what is leading to a "two-career" family system. Although the "two-career" family is an exception rather than the rule, indications are that it will become more common in the future (Holmstrom, 1972).

What are the major consequences of the "two-career" family system? It is expected that the roles of both husband and wife will deviate from the much theorized "instrumental" (task oriented) roles of men and "expressive" (socio-emotional) roles of women (Parsons, 1949). The traditional concepts of masculinity and feminity may be altered confirming the androgyny theory advocated by Rossi (1964). The wife will probably continue to play, for some time, a "super woman" role which combines career, housewifery and motherhood, but eventually will choose priorities that may have an effect on child bearing and child rearing patterns. The decision regarding the occupational mobility of the family will not be a male decision, nor will be decisions related to usage of time and leisure behavior (Long, 1974; Rapoport and Rapoport, 1969).

The two-career family also creates stresses and strains on women. Dowdall (1974) has observed that the woman who holds a paid full-time job is responding to a "complex combination of social, psychological and economic factors in the environment." In a recent study involving women in twelve countries, Robinson et al. (1972) found that employed men have relatively large amounts of leisure time while working women spend their weekends catching up on their housework.

Table 3 attempts to capture the basic issues under career commitment. "The two-person career is quite common and consists of the vicarious participation of wives in the professional role of their husbands who occupy high commitment positions...." (Johnson and Johnson, 1976). At the other extreme is the two-career family "which affects a relatively determined activities are unchangeable even in a changing environment, other activities will most likely undergo change, especially in their relative emphasis. An illustration of how these changes will occur is given in the following table. In the traditional environment the high feminine to low feminine activities are well established. In the transitional stage the change takes place within the context of traditional setting. In the futuristic stage a shift occurs resulting in the sharing of activities between men and women within the home and family environment. There is, however, a high emphasis on career and professional pursuits.

Table 4. Feminine-Masculine Activities

Traditional	Transitional	Futuristic
High Feminine		
Feminine (Unambivalent)	Feminine (Ambivalent)	Feminine (Achievement Oriented)
High Emphasis on Home Centered, Family Oriented Activities	High Emphasis on Home Centered, Family Oriented as well as Social, Cultural, Educational Activities	High Emphasis on Career Professional Activities
Medium Emphasis on Cultural, Social, and Educational Activities	Medium to Low on other Activities	Shared Emphasis on Others with men
Lowest Emphasis Career, Profession and Public Life Activities		
Low Feminine to High Masculine		

MARKETING IMPLICATIONS

Changes in consumption behaviors accompany transformations from traditional to futuristic family life styles. As depicted above in Figure 1, the womens' movement generates marketing sanctions which in turn modify toward child rearing. Their total commitment to homemaking will indicate a departure from the traditional levels.

Hill and Klein [83] cite four sources of power in household decision-making: (1) Economic (who brings in the income); (2) Information (who has the expertise); (3) Personality (dominance in interpersonal relations); and (4) Specially defined role expectations. The interplay of these sources determined the decision making environment.

The economic source of power has been traditionally attributed to the male head of the household who made major decisions about the overall pattern of expenditure for various goods bought in the family. With increasing contribution to the family income from wife's earnings, the balance of power is likely to shift markedly. The second source of power is information. In the traditional system, because of the division of labor and related task-performance, the husband and wife had different kinds of expertise. If one assumes that through career aspirations and the development of new social networks, women will not have access to conventional sources of information, this power base is likely to weaken for women. As for the third source of power, it is difficult to predict any fundamental changes in personality as a result of new roles women might assume.

Consumption Behavior: Changing Life Styles

In marketing literature, life style has been defined in broad terms representing a "distinctive mode of living of a society or segment thereof," or as a "totality of behavior comprising the characteristic approach to life" or as a "concept which deals with time and energy allocation" (Lazer 1963, Andreasan 1967, and Demby 1974). It is viewed more as a group phenomenon rather than a unique individual pattern of behavior and is influenced by individual participation in various social groups or exposure to them. Most of the life style (or psychographic) motivations for such participation would change. In fact, in the past, women engaging in various social activities did so to "kill time" or for status enhancement. With social and personal priorities changing because of greater labor force participation of women, social activities may become secondary to higher pursuits in life. Participation in leisure activities would be to enhance self-expression and to satisfy personal needs and with a view to making the best use of time. It has been pointed out by some social scientists that many women with full time jobs and careers do, in deference to established social attitudes, end up doing the same amount of housework during their non-office hours thus finding very little time to social and leisure pursuits.

Furthermore the gradual crumbling of "the husband-breadwinner" and "wife homemaker" model is forcing a shift in the traditional focus of the marketer who must increasingly include men in promoting domestic products [22]. The conventional masculine image in advertising is that of a success oriented self-confident, logically thinking and professionally strong individual. While nobody would argue that this impression will give place entirely to one of sensual, warm, comforting mother-like image, some changes need to be considered. Men's roles vis-a-vis the family and children are subject to some shifts, creating a new sense of values and life styles [3, 93]. Firstly, in raising children, the shifting roles of fathers is indicated by Weigand (1973), "As women discover that fulfillment in their lives can be more than raising children and ministering to a husband, and as men come to know that there is more to parenthood than bringing home a weekly pay check, men taking an active, even dominant role in the rearing of children will become increasingly common. Also, with increasing number of divorces the role of the single father becomes a fairly common reality."

Marketing Sanctions: Direct Patronage Impacts

The direct impact of liberated life styles on patronage includes more participation by men in brand, product and store choice, and more sharing of major financial commitments by women. Thus marketing managers cannot afford to disregard the shift in reward powers occurring as a result of the women's movement. Working women share with other family members including children day-to-day consumption choices with a result that as market targest many women no longer fit the "housewife-mother" role. At the same time their growing importance both as Family Finance Officers, as noted by Ferber and Chao, 1974, and as major independent decision makers on large purchases and long term buying commitments is expanding their power to reward or penalize sellers.

Marketing Sanctions: Indirect Impacts

Sex stereotyped advertising, discriminatory credit arrangement and similar kinds of behavior by sales clerks and other marketing people have also produced responses by women both individually as members of social and political organizations. Indirect responses are more diffuse in impact and may require a longer time to be felt by marketers but they are no less rewarding or penalizing than direct impacts. For example, failure of women to respond to sex stereotyped advertising has been rising incrementally. Advertisers who do not periodically monitor sales responses may take a long time to discover such slowly changing relationships between advertising expenditure and sales responsiveness.

Because of it relatively important consequences for marketing strategy, advertised portrayals of women's roles has been studied more extensively than other indirect sanctions. The roles portrayed by women is in the home, (b) women do not make important decisions, (c) women are dependent on men and need their protection and (d) men regard women primarily as sex objects and are not interested in them as people. In a rather remarkable expression of its objectives, the document describes in some detail the social and economic trends and changes relative to women and makes positive recommendations for avoiding negative appeals and developing constructive appeals. Lundstrom and Sciglimpaglia (1977) empirically examined male and female perceptions of 'sex role portrayals in Ads'. Their findings suggest that the "strongest critics of contemporary role portrayals are women from higher income households, younger women, more highly educated women, women whose role orientations are less traditional and women from higher occupational status households." Thus the very people most capable of switching patronage are those whose views are most opposed to sex role stereotyping in advertising. As their negative reactions to outmoded marketing strategies diffuse through society, the need for revision of marketing strategy grows more imperative.

Impact on Marketing Strategies

Marketing segmentation and marketing mix allocation strategies are constantly being modified to maintain competitive vitality. The changing social roles of men as well as of women suggest the desirability of still greater emphasis on non-sexist products and methods of marketing them. The potential shift from product-oriented asset ownership to labor and time-saving use values is especially promising in marketing mix strategies aimed at cultivating non-traditional homemaking market segments. To win rewards and avoid penalties from such consumers, marketers will need to develop strategic guidelines more appropriate to these emerging values than have thus far appeared as major trends.

Table 5. Summary of Market Target Opportunities as a Result of Changing Social Roles

Existing Emphasis	Changing To
Family	
Woman as the family purchasing agent	Man and woman both family purchasing agents
	Man in the role of domesticated parent (Concern for child's needs etc.)
Career and Jobs	
Women work for increasing family income	Women work for self-expression, independence and enhancing family status.
	Men compromise career ambitions and choose professions that give personal satisfaction.
Advertising Images	
Image of woman in advertisements as nurturant, passive, compliant	Image of women in advertisements as aggressive, professionally minded and creative
	Creating new image of men as a result of changing social realities
Leisure Activities and Social Life	
Women not engaging in physically demanding activities	Women engaging in physically demanding activities
Participation in home centered leisure activities with major emphasis on recreation	Participation in self-expressive leisure activities
Social activities (partying, clubs, etc.) for status enhancement	Social activities secondary to higher pursuits
Products and Services	
Targets for conventional feminine and family-oriented products	Targets also for non-conventional products, non-sexist products
Purchase of labor saving products to be able to give more time to family care	Purchase of labor saving products so that leisure time can be used for personal pleasure, other life objectives
Product-oriented asset ownership	Time-oriented use values

CONCLUSION

In summary, feminists demand more equal treatment in social role performance with respect to job access, equal treatment in public places and with respect to legal rights including access to credit, ownership of property and buying decision making than do traditional women.

In responding to the shift toward feminist values, however, a note of caution is warranted. One can do no better than to quote Miller and Margulies (1974) who have reacted to some marketing responses to changing life styles of women.

> ...this suggests that women are creating a 'life style' -- perhaps a style of liberation, an image created by their clothes, their far out new interests, their rhetoric. Many of the media are picking up on the life style of liberation because 'style' is what they are selling. However, women who are changing their perceptions of themselves and their realities are not just living a 'life style,' they are living and changing their actual 'lives.' It is just a put down to call this a 'style'...if liberation gets sold to women by the media as cosmetics, clothes, style, or image, they obscure the real demands women are making and perpetuate the very social and political structure we are trying to change. This can slow down our progress, and we should not let it happen.

REFERENCES

1. Aaker, David A. and George S. Day, Consumerism: Search for the Consumer Interest, New York, The Free Press, 1974.

2. Acker, Joan, "Woman and Social Stratification: A Case for Intellectual Sexism," John Huber, ed., Changing Women in a Changing Society, Chicago, The University of Chicago Press, 1973.

3. Ackerman, Gary L., "Child-Care Leave for Fathers?", Ms., Sept. 1973, Vol. 2, No. 3, p. 118-119.

4. Altman, China, "Only Skin Deep....," Ms., July 1973, Vol. 2, No. 1, p. 23-25.

5. Astin, Helen S., The Woman Doctorate in America, New York, Russell Sage Foundation, 1969.

6. Bailyn, Lotte, "Career and Family Orientations of Husbands and Wives in Relation to Marital Happiness," Human Relations, Vol. 23, No. 2, 1970, p. 97-114.

7. Bardwick, Judith M., Psychology of Women - A Study of Bio-Cultural Conflicts, New York, Harper and Row Publishers, 1971.

25. __________, "Measurement of Husband-Wife Influence in Consumer Purchase Decision," Journal of Marketing Research, Vol. 8, August 1971, p. 305-312.

26. __________, "Dimensions of Marital Roles in Consumer Decision Making," Journal of Marketing Research, Vol. 7, May 1970, p. 168-177.

27. de Beauvoir, Simon, The Second Sex, 1953.

28. Demby, Emanuel, "Psychographics and from Whence It Came," William Wells, ed., Life Style and Psychographics, Chicago, American Marketing Association, 1974, p. 9-30.

29. Douglas, Susan P., "Cross-National Comparisons and Consumer Stereotypes: A Case Study of Working and Non-Working Wives in the U.S. and France," Journal of Consumer Research, Vol. 3, No. 1, June 1976, p. 12-20.

30. Dowdall, Jean A., "Structural and Attitudinal Factors Associated with Female Labor Force Participation," Social Science Quarterly, Vol. 55, No. 1, June 1974.

31. DuBrin, Andrew J., Women in Transition, Springfield, Ill., Charles C. Thomas, 1972.

32. Engel, James, David T. Kollat, and Robert D. Blackwell, Consumer Behavior, 2nd ed., New York, Holt, Rinehart, and Winston, 1973.

33. Epstein, Cynthia Fuchs, "Women and the Professions," New Generation, Fall, 1969, p. 16-22.

34. Farrell, Warren, The Liberated Man, New York, Bantam Books, 1974.

35. Ferber, Robert and Lee, Lucy Chao, "Husband-Wife Influence in Family Purchasing Behavior," Journal of Consumer Research, Vol. 1, June 1974, p. 43-56.

36. __________, Family Decision Making and Economic Behavior in Eleanor Bernert Sheldon, ed., Family Economic Behavior, Philadelphia, J. B. Lippincott Company, 1973.

37. Ferriss, Abbott L., Indicators of Trends in the Status of American Women, New York, Russell Sage Foundation, 1971.

38. Fisk, George, Marketing and the Ecological Crisis, New York, Harper & Row, 1974.

39. __________, Leisure Spending Behavior, Philadelphia, University of Pennsylvania Press, 1963.

40. Fogarty, M., Rhona N. Rapoport and Robert Rapoport, Career, Family and Sex Roles, London, Allen and Urwin, 1971.

56. Lipman-Blumen, Jean, "How Ideology Shapes Women's Lives," Scientific American, Vol. 226, No. 1, 1972, p. 34-42.

57. Long, Larry H., "Women's Labor Force Participation and the Residential Mobility of Families," Social Forces, Vol. 52, No. 3, March, 1974, p. 342.

58. Lopata, Helena Z., Occupation Housewife, New York, Oxford University Press, 1971.

59. McCall, Suzanne, "Analytical Projections of Life Style Identification in Consumer Behavior," American Marketing Association Proceedings, 1976, p. 354-359.

60. Mead, Margaret, Male and Female, New York, W. Morrow, 1950.

61. Miles, Virginia, "The New Woman: Her Importance to Marketing," The International Advertiser, Vol. 12, No. 4, p. 13-16.

62. Miller, Judith and Leah Margulies, "The Media: New Images of Women in Contemporary Society," Mary Louise McBee and K. Blade, eds., The American Woman: Who Will She Be?, Beverly Hills, California, Glencoe Press, 1974.

63. Millett, Kate, The Sexual Politics, 1969.

64. Mulligan, Linda W., "Wives, Women and Wife Role Behavior: An Alternative Cross-Cultural Perspective," International Journal of Comparative Sociology, Vol. 13, March, 1972, p. 36-47.

65. Parsons, Talcott, "The Social Structure of the Family," Ruth Nanda Ashen, ed., The Family: Its Function and Destiny, New York, Harper and Row, 1949.

66. Pogrebin, Letty Cottin, "Toys for Free Children," Ms., Vol. 2, No. 6, December, 1973, p. 48-53.

67. Poloma, Margaret M. and T. Neal Garland, "The Married Professional Woman: A Study in the Tolerance of Domestication," Journal of Marriage and the Family, August, 1971, p. 522-531.

68. Rainwater, Lee, Richard P. Coleman, and Gerald Handel, Workingman's Wife, New York, MacFadden-Bartell Corporation, 1962.

69. Ramsey, Judith, "Those Vaginal Deodorants," Ms., November 1972, Vol. 1, No. 5, p. 28-33.

70. Rapoport, Rhonda and Robert N. Rapoport, "The Dual Career Family," Human Relations, Vol. 22, No. 1, 1969, p. 3-30.

71. Robinson, John P., Philip E. Converse and Alexander Szalai, "Everyday Life in Twelve Countries," Alexander Sxalai, ed., The Use of Time, The Hague, Mouton and Co., 1972, p. 113-144.

72. Rossi, Alice S., "Equality Between the Sexes: An Immodest Appeal," Daedalus, Vol. 93, 1964, p. 607-652.

88. __________, "Can a Separate Market for French Canada be Justified: Profiling English-French Markets Through Life Style Analysis?" in Donald N. Thompson and David S.R. Leighton, eds., Canadian Marketing, Toronto: Wiley Publishers of Canada, 1973.

89. Van Gelder, Lindsy, "Coffee, Tea or Fly Me," Ms., Vol. 1, No. 7, January 1973, p. 186.

90. Venkatesan, M. and Jean Losco, "Women in Magazine Ads: 1959-71," Journal of Advertising Research, Vol. 15, October 1975, p. 51.

91. Wagner, Lowis C. and Janix B. Banos, "A Woman's Place: Follow-up Analysis of the Roles Portrayed by Women in Magazine Advertisements," Journal of Marketing Research, Vol. 10, May 1973, p. 213-214.

92. Waldman, Elizabeth and Beverly J. McEaddy, "Where Women Work - An Analysis by Industry and Occupation," Monthly Labor Review, Vol. 97, No. 5, May 1974, p. 3-13.

93. Weigand, Jonathan, "The Single Father," Ms., January 1973, Vol. 1, No. 7, p. 29-32.

94. Weiss, F. B., "Female Earning Power May Equal Males as Early as 1985," Advertising Age, Vol. 42, December 20, 1971.

95. Wells, William D. and Douglas J. Tigert, "Activities, Interests and Opinions," Journal of Advertising Research, Vol. 2, No. 4, August 1971, p. 31.

96. Wells, William D. and George Gubar, "Life Cycle Concept in Marketing Research," Journal of Marketing Research, Vol. 3, November 1966, p. 355-363.

97. Whitehurst, Robert W., "Changing Ground Rules and Emergent Life-Styles," Roger W. Libby and Robert N. Whitehurst, eds., Renovating Marriage, Danville, California, Concensus Publishers, Inc., 1973.

98. Whyte, William H., Jr., "The Wives of Management," Sigmund Noson and William H. Form, eds., Man, Work, and Society, New York, Basic Books, Inc., 1962, p. 548-555.

99. Willet, Roslyn, "Do Not Stereotype Women - An Appeal to Advertisers," Journal of Home Economics, Vol. 63, October 1971, p. 549-551.

100. Wilson, Clark L., "Marketplace Behavior - A Psychometric Approach," American Marketing Association Proceedings, Chicago, American Marketing Association, June 1977.

101. Wortzel, Lawrence H., and John M. Frisbie, "Women's Role Portrayal Preferences in Advertisements: An Empirical Study," Journal of Marketing, Vol. 38, October 1974, p. 41-46.

102. Zaltman, Gerald, Philip Kotler and Ira Kaufman, Creating Social Change, Holt, Rinehart and Winston, New York, 1972.

ENVIRONMENTAL LEGISLATION: CHALLENGE TO MANAGEMENT

by

Joseph Barry Mason

The University of Alabama

> We are undergoing a revolution in the way we regulate land usage. . . . What takes precedence, private property or public protection of the land and how far does the precedent extend?. . . The prospects we face call for an era of environmental <u>and</u> economic reform. In the process, deeply wrenching changes must be made in our business practices, our environmental institutions, our public philosophies and our individual styles of life (1).

The above remarks by the Deputy Administrator of the Environmental Protection Agency reveal the fundamental changes in the philosophies of regulation which are accompanying our growing environmental awareness. Indeed, every state has initiated action to protect and/or enhance environmental quality. Thus, it's no wonder that Don Mulvihill in his presentation on the quality of life and a new definition of marketing remarked that he is unsure whether Ralph Nader or the EPA exhibits the greatest "big brother" attitude.

The environmental issue was exploded by perceptive members of the scientific community in the 1960's. The writings of Rachel Carson (2), Barry Commoner (3), Ian McHarg (4), and Rene Dubos (5) caused major concern over the consequences of environmental degradation. Dubos, winner of a Pulitzer Prize in 1969, stated, "Environmental ugliness and the rape of nature can be forgiven when they result from poverty, but not when they occur in the midst of plenty and indeed are produced by wealth." Recently, in the face of such environmental awareness, one session of the International Council of Shopping Centers (ICSC) began with the statement that "the shopping center industry is 'faced with

Protection Agency (EPA) now requires 10-year, air-quality maintenance plans and strategies for various areas of the nation. Final designations appeared in the Federal Register (June 2, 1975) for certain states. State implementation plans must be developed to insure attainment with the National Air Quality Standards. The key issues appear to be the devices which can be used in meeting the standards: (1) land use and transportation controls, (2) indirect sources regulation, and (3) non-degradation.

Transportation Controls

Strategies proposed by EPA, and which vary from area to area, include mass transit and traffic flow changes, bus/carpool lanes, street parking restrictions, management of parking supply, and employer mass transit incentives.

The EPA initially proposed a plan of parking surcharges to reduce the level of vehicular traffic but has abandoned these efforts; however selected states and localities may still establish their own surcharges.

The EPA has however proposed parking management regulations for 22 areas. These are amendments which are designed to achieve and maintain air quality standards by reducing the total number of vehicle miles traveled in the nation's cities. The Director of the Office for Transportation and Land Use Policy of EPA stated that the developer must change his notion that so many square feet of retail space translates automatically into so many parking spaces (11). Apparently EPA believes that it can pressure developers to push for mass transit in areas where shopping centers are planned.

These regulations are a source of much litigation. Literally hundreds of petitions have been filed. The key issues raised include the statutory and constitutional authority of EPA to require state and local

Priority II areas, since the air quality was already above the primary and secondary standards established to protect the public health and welfare (13). However, the U.S. Supreme Court held that states cannot permit significant deterioration of existing air quality.

Final regulations for the prevention of deterioration appeared in the December 5, 1974 Federal Register and are applicable to sources which commenced construction on or after June 1, 1975. As presently stated, the regulations would tend to block a community from further growth, development, or expansion, because these activities would normally contribute to air quality deterioration, regardless of the desirability of such expansion. Recently, for example, "the Justice Department, on behalf of the Environmental Protection Agency, sued Ohio in federal court, demanding that the state deny license tags to all cars from the Cincinnati area unless the vehicles are certified as passing Ohio's emission test" (14).

The nondegradation regulations are being challenged by a variety of groups in seven different District Courts of Appeal. The ultimate resolution of these legal challenges could result in significant changes in the present regulatory plans. The Senate recently began the process of extending the clean air program. It passed a bill, with large bipartisan support, which would ban deterioration of air in national parks and wilderness areas. In other areas, it would set incremental limits on the amount of new pollution that would be allowed (15). President Carter in a recent environmental message expressed strong support for the nondegradation amendments to the Clean Air Act (16).

The various objections to proposed construction may be many and complex. For example, a shopping facility creates traffic which may create congestion which thereby impedes access to the beach and/or else interferes with a view which could be preserved by less intensive land use. Thus, for these various reasons a permit may be denied. How far the enforcement of coastal zone regulations can move without the outright taking of property is a question that is as yet unresolved by the courts.

A change in philosophy relative to coastal areas by the Corps of Engineers is also evident. The Corps of Engineers in April 1974 adopted a public interest determination whereby Corps officials "are required to primarily consider whether the proposed activity is dependent on the wetland resource and environment and whether feasible alternative sites are available" (19).

Noise Pollution and Control Act of 1972

This Act was passed as a recognition of noise as a major environmental pollutant. The Act requires that noise limits be set for various kinds of equipment. Even though the Act is concerned directly with regulating the quantity of noise emitted by products for sale and by transportation vehicles, the Department of Housing and Urban Development (HUD) has also acted so as to use noise pollution as an indirect means of regulating land. No assistance is available from HUD for construction in areas which are subject to high noise impacts.

National Environmental Policy Act of 1969 (NEPA)

This Act enunciates a national policy which will encourage productive and enjoyable harmony between man and his environment (20). Thus, all proposals for legislation or federal action must include an environmental

(24). Other cities have also moved to limit growth by various means. For example, the U.S. Supreme Court recently upheld the city charter provision of Eastlake, Ohio which requires a referendum and a 55% majority vote to approve any rezoning recommended by the city council (25). The decision could affect 29 other states which have constitutions providing for referendums on local ordinances and will cause additional headaches for store and shopping center developers. At least in this realm, Michael Etgar's call for greater citizen input in public policy making is functioning satisfactorily. Overall, legally acceptable methods for limiting local growth have been difficult to devise.

Let's now look at the effects of these emerging realities in terms of their meaning for management and at some of the organizational responses which are possible.

Organizational Responses

New Definition of Location

Clearly, the well known statement that "location is the key to success" must now be interpreted in a different way. Traditionally, the key determinant in a good location was market proximity. Now the effects of environmental regulations complicate the location decision. The time for considering the effects of these regulations is early during the site selection process. As one writer has said, "how appropriate is a potential site for development when viewed through the . . . lens of ecological suitability?" (26). For example, what are the likely effects of no growth policies in a given community; what of building height regulations; open space requirements, etc.? These become increasingly important location questions. Thus it probably is desirable to bring in a consulting planner and consulting engineer early in the planning process to assist in site selection.

Particularly vulnerable are the effects of run-offs from large parking fields on the local underground water supply as well as on such surface waters as streams, lakes, etc. Likewise, the problem of air pollution resulting from traffic slowdown at peak traffic periods is a problem. These indirect source impacts can be felt over long periods of time and at locations that are far from the actual development sites. The most vulnerable shopping centers appear to be:

1. those located in regional water sheds or adjacent to small, shallow lakes and ponds or in estuarine areas;
2. those which encourage long range travel by automobile outside of the immediate residential communities;
3. those which do not provide for on-site disposal of solid wastes without associated air or water pollution;
4. those which require any dredging or filling of wet lands;
5. those which disturb productive agricultural soils (29).

Environmental Audit

The concept of an environmental audit will probably become as commonplace as the management and marketing audits. The approach should be one of allowing the developers to meet the environmental requirements of all federal, state, and local agencies. In this new era, management is particularly vulnerable however to less than ethical consultants who will agree to prepare environmental impact statements for purposes of meeting governmental regulations.

The environmental audit is different from an environmental impact statement. The environmental audit would ideally involve a variety of experts including market analysts, architects, engineers, and landscape architects, as opposed to an environmental impact statement which is primarily the development of a scientific position statement which will be interpreted by other natural scientists. By way of contrast, the environmental audit is a form of self-insured risk designed to meet the needs of the investor, the developer and the manager and which is per-

New Markets

Market expansion requiring new warehouses and other distribution facilities as well as new retail outlets should perhaps be viewed with an eye toward the Southern rim sunbelt where growth is for the most part still encouraged and where population is also increasing rapidly. Zoning boards are likely to be more flexible and alternative sites more readily available.

In all areas, expansion into smaller secondary markets under 250,000 population may be the most viable interim possibility. In these areas pollution levels are lower. Construction costs are less, and building permits can be obtained with less time and money. Also, reuse of existing facilities can insure more rapid expansion at lower costs without the delays caused by environment problems. Areas with adequate mass transit facilities should be particularly attractive.

Encourage Mass Transit

Bussing, carpooling and other forms of mass transit should be actively encouraged at both existing and planned facilities. For example, special efforts should be made to attract busses from senior citizens homes and similar facilities in off-peak shopping hours. Special areas in parking lots should be set aside for commuters to park and board busses to work. This would insure goodwill and additional sales. Carpooling incentives, payroll deductions for bus and subway passes and for large employers, participation in a carpool by commuters should be considered. The number of vans in pools has grown from zero five years ago to more than 1000 today. A National Association of Van Pool Operators has been formed. Special encouragement is coming from the Urban Mass Transportation Administration which made a $900,000 grant to Knoxville, Tennessee to set up such a system. Estimates are that over 100,000 persons in Los

Discussion

Environmental regulation is one of the most dynamic aspects of our society as new court rulings emerge almost daily. These enactments are evidence of a fundamental shift in the philosophy of society and will continue to have major impacts on our management practices (35). Our old ideas about private property no longer work, but the new concepts are still ill defined. As George Cabot Lodge stated: "A most curious thing has happened to private property--it has stopped being very important" (36).

Clearly the role of government is changing rapidly as it sets our priorities for us and even tries to do our planning. The challenge for management in responding to new environmental realities is to avoid being stifled by regulations and to respond aggressively to the new challenges and opportunities. Regardless, however, if non-degradation and indirect source standards are applied simultaneously and strictly, the EPA could halt most developments in both urban and rural areas. For example, in the intercities the imposition of parking controls and similar developments designed to assure control of indirect sources pollution would severely limit development. Likewise, the strict imposition of non-degradation policy could also prohibit development in non-urban areas.

Management must develop what Neil H. Jacoby calls "social sensors" (37) in responding to these problems. This simply involves a continual monitoring of public attitudes and expectations and establishing channels of communication with such diverse groups as unions, special interest groups, and government. Feedback is crucial on issues of environmental regulation. Thus, efforts of business toward environmental purity must be as much a part of its social audit process in the future as support

8. For further details on the legislation, see Michael S. Baram, Environmental Law and the Siting of Facilities: Issues in Land Use and Coastal Zone Management (Cambridge, MA: Ballinger Publishing Co., 1976).

9. Gordon L. Williams, "Environmental Legislation Affecting Retailers," Stores, April 1974, p. 19.

10. ICSC State Environmental Action Committee Bulletin, July 23, 1974, pp. 1-2.

11. "Malls Face EPA on Parking," Chain Store Age, December, 1974, p. 15.

12. Ed McCahill, "Ecozoning: Wrong Approach Right Idea," Planning, September, 1973, p. 16.

13. "Air Quality and Significant Deterioration," Environmental Comment, No. 2, October, 1973.

14. "Pressure on Polluters," Business Week, December 6, 1976, p. 42.

15. "Clean Air Compromise," Business Week, August 23, 1976, p. 88; "EPA: The Tricks of the Tradeoff," Business Week, April 4, 1977, pp. 72-74; "The EPA Threatens to Blacklist Kaiser," Business Week, May 2, 1977, pp. 27-28.

16. "Carter and Environment," Business Week, June 6, 1977, p. 36.

17. Pamela C. Mack, "Piecemeal Approach Dilutes Federal Environmental Laws," Mortgage Banker, Vol. 34, September, 1974, p. 8.

18. "An Environmental Law Business Can Live With," Business Week, September 13, 1976, p. 39.

19. William N. Hedeman, Jr., "The Role of the Corps of Engineers in Protecting the Coastal Zone," Environmental Comment, No. 20, April, 1975, p. 3.

20. Public Law, 91-190.

21. Other legislation beyond the scope of this paper includes the Federal Environmental Pesticide Control Act of 1972 and The Marine Protection, Research and Sanctuaries Act of 1972 (ocean dumping). For details, see Joseph Lee Rodgers, Jr., Environmental Impact Assessment, Growth Management and the Comprehensive Plan (Cambridge, Mass.: Ballinger Publishing Co., 1976).

22. James Roberts and Larry Bush, "Managed Growth: Overview and Analysis," Environmental Comment, No. 19, March 1975, p. 1.

23. "Hahn Sues Town," Chain Store Age, March, 1975.

24. ". . . Meanwhile in Ithaca," Chain Store Age, March 1975, p. 11.

THE ECONOMIC AND MARKETING ASPECTS OF PRODUCT SAFETY: REGULATION OR FREE MARKET

by

Chandran Rajan

Temple University and Alladi Venkatesh
SUNY Binghamton

INTRODUCTION

The issue of consumer sovereignty and the free market, versus consumer protection through regulation, is being debated at the highest levels today. The proponents of consumer sovereignty and the free market feel, that regulation has had its chance, and that it has not served the national interests. They would like to see competitive forces coming to the fore once again. The movement to delimit regulation and encourage competition seems to be gathering momentum. There is serious talk of disbanding the ICC, FAA and other such regulatory bodies. On the other hand, the proponents of consumer protection and regulation feel, that the free market system is and has been a myth, and that in these days of bigness, more regulation and not less, is the direction the country ought to be taking. Towards this end, they are calling for the replacement of the free market system with comprehensive national planning systems, to shift the balance of power from the private to the public sector. In between the two are a group of scholars who call for market improvement planning instead of market replacement planning (1). These scholars concede, that free markets alone cannot solve problems in a complex society, but instead of substituting public decision making for private decision making they would like the Government to adopt policies that would leave the market essentially free while removing some of the deficiencies and inconsistencies. Examples of this type would be the

Product-Related Injuries
by Type of Product (percentages)
(Total number of injuries: 20 million)

Injuries related to	Percent of total injuries listed
Recreational equipment	40.0
Home furnishings and fixtures	15.9
Home workshop, yard and garden tools	6.9
Kitchen and other appliances	5.8
Drugs, cosmetics, and personal use items	3.3
Clothing, laundering, and cleaning	2.1
Pets	1.8
Incinerators, flammable devices and liquids	1.3
All other products categories	22.9
	100.0%

The search for causes and solutions to the problem of product safety runs to the extremes. Manufacturers blame ignorant customers and consumerists in turn blame insensitive manufacturers. Manufacturers place the major burden for the prevention of product related accidents on consumers. They do not want to force safety and resultant higher prices on those who do not want it. Consumer advocates on the other hand contend that evaluating a product's safety is beyond the range of an average consumer. And since manufacturers are reluctant to provide the requisite levels of safety, and the social costs of product related accidents to the nation are high, legislation is the only answer (6).

Both the viewpoints expressed above, are of course gross oversimplifications of the problem. In this article, we propose to probe the topic from two dimensions. First, we will elucidate the free market arguments. Second, we will examine the consumerist arguments and include social cost/benefit ramifications of the problem. Third, we will discuss whether a resolution of these opposing points of view can be achieved, and as to what strategies can be developed within the framework of our system to overcome this problem.

consumers from maximizing their utility. They would be absolutely denied an opportunity of purchasing a lower priced line of products (7).

Reference should also be made to a Household Safety Study done by Market Facts of Chicago, which brought forth the point, that many of the product related accidents were in fact caused by improper usage patterns, and environmental conditions rather than the product itself. Based on these and other findings, it was pointed out during the Senate Hearings on Product Safety that only a small percentage of injuries could be averted by mandating better and costlier designs and standards (11). A larger percentage of accidents, could only be averted, by creating an awareness of risks of injury and altering behavioral patterns among consumers.

In addition, American Consumers generally have exhibited a certain amount of ambivalence on product safety issues. Sometimes they appear to be concerned, but for the most part as Arnold Elkind the former chairman of the National Commission on Product Safety said, "The problem of product safety does not have great public appeal. One condones with Product safety problems and is concerned with them at the moment, but after the heat of the discussion is over, and the smoke has cleared away everyone feels protected, psychologically, by the concept that it will happen to someone else and not to them, and that risk taking is a part of everyday life" (12).

Selling safety also poses numerous other problems for manufacturers. Advertising, to inform consumers about the safety features of products, are of necessity technical and lengthy and the subject matter therefore does not lend itself to easy communication in mass media. One has to contend with consumers information processing limitations here. In face to face communications, salesmen more often than not, avoid talking about

The concept of sellers freedom can be taken even further. Gwido Calebresi writing in the Chicago Law Review points out that, under caveat emptor' consumers can discriminate among sellers, and refuse to buy from a seller whose price or product quality is inferior. If the same option were extended to manufacturers and sellers under the concept of 'caveat venditor', a manufacturer or seller, should be allowed to refuse to sell his product to a consumer, who is inferior to his consuming peers, either because he is careless or accident prone, and happens to suffer higher damage costs in an accident (15). It is generally illegal for manufacturers and sellers to practice this kind of discrimination among consumers. However, the practice exists in the marketplace today. Banks practice this sort of discrimination when they sell mortgages. Automobile insurance companies practice this concept when selling automobile insurance. Why cannot this practice be extended in the case of products, if a way to practice it is found?

Given all these problems and the attitudes of consumers in general, it is not surprising to see that the free market enthusiasts are very much against mandatory standards or for that matter any step in that direction. Further a standard for the benefit of one group may actually be a disbenefit for another group. Left to itself they maintain that, free markets will bring forth safer products, when a sufficient number of consumers are ready for it.

CONSUMERIST ARGUMENTS

Consumer advocates of course, vehemently object to this line of reasoning. According to them every product should be made as safe as possible (16). They ridicule the idea of putting a price on safety. How can one price human pain and suffering? The fact of the matter is that, the market is subject to serious imperfections biased against the

the economic level, at which, they will cease to invest in product safety improvements, and invest instead in liability insurance to protect themselves.

Altering behavioral patterns among consumers, and getting them to purchase and use the products intelligently through consumer education, is not an easy process. Firstly, it is costly, and secondly, as one participant in the senate hearings pointed out humourously, "God has completed several years of research and development on the human being. He is not very likely to improve on the model in the near future. Therefore, it behooves us to seek other avenues in addition to changing people if we wish to have effective injury control programs" (18).

The crux of the consumerist argument is that since there are numerous market imperfections and an ideal free market does not exist, a strong argument exists for changing products, rather than changing usage and behavioral patterns. This can be achieved in one of two methods, (a) Companies must make products absolutely safe. (b) If companies don't voluntarily respond, legislation is the only alternative. As regards the first method, consumer advocates allege that manufacturers have misjudged changes in consumer attitudes. Profiles of consumer utilities have changed considerably. Consumers are more aware and concerned about product safety, and there are indications that safety sells. Volvo for example, has succeeded in selling cars on safety themes. As regards the second method, consumer advocates allege that since manufacturers historically have been less than enthusiastic in this area, legislation is really the only alternative. They also point out that it is in the interests of the state to reduce the number of product related injuries (in fact its duty) and despite an individual's right to buy whatever he or she wants, there are areas, where the state must protect the individual against his or her own wishes. Product safety is such an which cannot be easily overlooked, and which have to be reduced by the implementation of appropriate measures.

Decisions in this area, require a comparison of costs and benefits (both direct and indirect) to society of not having the requisite safety, with the costs of producing and obtaining consumer usage of the incremental safety. Should the total costs of having the product made safer be smaller, then the extra costs involved in leaving the product as is, it would be better in the interests of society to make it safer. An alternative way would be to have types and degrees of safety and achieve accident reduction through consumer education and behavior modification. But this is a very slow and expensive way of achieving accident reduction.

Steven Kelman writing in the 'Public Interest' and arguing along the same lines, points out that, a cost-benefit approach would call for product modification, if the benefits of reduced injury, justify the added monetary costs, even though careful users would be forced to protect imprudent users (22). "The benefits in these instances are enjoyed only by those members of the population who would have been harmed had the standard not been in effect, while the costs are paid by all consumers of the product. In this sense, a safety standard based on cost benefit reasoning, is a form of compulsory insurance, whereby society as a whole profits, a few individuals who avoid injury gain a great deal, and many people lose a bit."

Resolutions are easy when product modification fall equally on all competitors, cost very little and yet substantially reduce the risk of injuries. Fear would object to introducing mandatory standards to modify the product. However, resolutions become difficult, when product modifications cost too much, the costs cannot be fully passed on to consumers, and the prospect of a number of potential purchasers being products. In the light of these and other arguments, the Government favoured the recommendations of the Commission of Product Safety and approved the establishment of Government standards over the design and manufacture of products not covered by other acts. The implications of this decision are quite profound. It partly rejects the free market reasoning which was elucidated earlier and suggests that consumers do not know what is in their self interests and must therefore be protected. It questions the doctorine of individual freedom of choice and behavior. While this may be true to some extent, in view of the current outcry to restore competition in many regulated areas, one has to question whether it is in the best interests of society taking into account all the costs and benefits. Government regulations in the long run tend to choke innovation decrease consumer choice and increase consumer costs. Writing standards for every product is an impossible task and will require resources beyond compare. Further writing standards will be of no use if consumers don't use such products. Laws would then have to be passed to ensure that consumers use them. In the present climate where both manufacturers and consumers want less regulatory action, and more freedom of choice, limitations on regulations are in order.

Attention must therefore shift to consumers and consumer education programs. One of the problems here is that the consumerism movement has spawned a social climate in this country that demands absolute safety at no cost. There is a tendency to assume benefits and concentrate only on faults. This is untenable. Consumers must be taught to be more realistic and consistent in their decisions. Consumer education must therefore strive to alter attitudes in this regard. Consumer education programs must also discourage 'Government will take care of it' attitudes. Consumer Education programs must then help consumers acquire new evaluation can provide the answer.

REFERENCES

1. Alexander, T., "The Deceptive Allureof National Planning," Fortune, March 1977, pp. 148-156.

2. Feldman, P. P., "Societal Adaptation: A New Challenge for Marketing," Journal of Marketing, July 1971, pp. 54-60.

3. "Product Recalls," The New York Times, February 5, 1975, p. 15.

4. "A Most Wanted List of Hazardous Items," Business Week, September 29, 1973, pp. 34-35.

5. U.S. Department of Health, Education and Welfare (Accident Study, 1968) in Product Injury Identification, Appendix D, Supplemental Studies, Volume 1, National Commission on Product Safety, June 20, New York, Law Arts Publishers, 1971.

6. Pittle, R. D., "The Consumer Product Safety Commission," California Management Review, Summer 1976, Vol. XVII, No. 4, pp. 105-109.

7. Advertising Age, November 10, 1975, p. 4.

8. Newsweek, June 16, 1969, p. 53.

9. Buchanan, J. M., "In Defense of Caveat Emptor," University of Chicago Law Review, Vol. 38, Fall 1970, pp. 64-73.

10. Household Safety Study, Summary Report, Chicago: Market Facts Inc., 1972, p. 1.

11. Senate, Hearings, Consumer Product Safety Act, 92 Congress: 1st Session, p. 1063.

12. Ibid., Footnote 11, p. 144.

13. Oi, W. Y., "The Economics of Product Safety," Bell Journal of Economics, Vol. 4, No. 1, 1973, pp. 3-28.

14. Miller, A., "Business With a Social Conscience," New York Times Book Review Section, January 18, 1970, pp. 8, 38.

15. Calebiesi, B. and Bass, K. C., "Right Approach, Wrong Implications: A Critique of McKean on Products Liability," University of Chicago Law Review, Vol. 38, Fall 1970, pp. 74-98.

16. Kaplan, M., "Does the Informed Consumer Exist? Will He Ever?," Annual Meeting of the National Academy of Engineering, Symposium and Workshop on Product Quality Performance and Cost, April 29-30, 1971, Washington, D.C.

CONSUMER PERCEPTIONS OF PRODUCT COST:
A CHANGING CONCEPTUAL STRUCTURE

by

R. Bruce Hutton

University of Denver

Two dimensions of today's consumer environment continue to grow in importance -- energy consumption and the content and availability of product information for evaluation and decision-making. For the consumer, policymaker, and marketer the relationship between the two is and/or will be a major focus of attention and directive activity.

At the policy level, programs to provide more objective information have been created by a broad range of government agencies including the Department of Transportation, Food and Drug Administration, and Federal Trade Commission. Current initiative is reflected in the 1975 Energy Policy and Conservation Act (EPCA). One major priority of this program is the establishment of labeling rules for major durables. This activity, coupled with President Carter's recent energy program and Senate passage of legislation to create a separate Energy Department at the cabinet level, show special attention to both dimensions.

In the private sector, the introduction of new attributes, such as energy costs, provide new bases for competition and possible reorganization of the marketing mix to reflect the new product environment. Additionally, the opportunity for new product development and diversification is appealing. Activity by the business sector in these areas is, of course, contingent upon favorable consumer response to the information and products.

The Consumer Information Environment

Much of the recent activity associated with the consumerism movement has stressed the increased provision of product information for consumers (Wilkie, Hutton, and McNeill, 1975). Among the groups which have shown an increasing interest in provision of more and different kinds of consumer information are consumer advocates, marketers, public policy makers, and consumer researchers. At the policy level, there are at least 34 federal agencies and many state and local ones involved in disseminating consumer information and education programs (Wilkie, 1975), including the Food and Drug Administration, Department of Transportation and Federal Trade Commission. Public policy programs in this area span a variety of interests including cigarette warnings, truth-in-lending, unit pricing, car mileage, truth-in-packaging, octane ratings, energy consumption, and nutritional labeling.

It is generally recognized that some of these programs have met with less than hoped for success in terms of consumer response to the information. The less than satisfying results may reflect a lack of concern in two major areas. The _first_ is a lack of concern or commitment with understanding the individual consumer. For policy programs to be effective in terms of consumer impact, one must consider those consumer characteristics which differentiate individuals in terms of their reaction to the stimulus. In this regard, research involving consumer information processing (CIP) is proving to be a particularly applicable tool. _Second_, and even more basic, the consumer must place a high value on the information. In this regard, Granbois (1961) states that the value of information relating to products is determined mainly by three factors. The first is perceived risk (e.g., amount of monetary outlay, the life span of the product reflecting long-term commitment for the consumer, social conbut it takes on particular importance for the policy maker, especially in relation to energy and service cost dimensions. It is very possible that these are not salient dimensions for particular product classes because consumers have not received information about them in the past that would indicate their importance. Consequently, in some cases, it may take the availability of information to create salience rather than just providing information on dimensions consumers currently perceive as being important.

Jacoby (1974) makes an important point concerning the evaluation of the consumer information environment when he makes the distinction between approaches concerned primarily with the information itself and those with the effects of the information. He argues that developing criteria for evaluating information from the source is really secondary to considering the impact that such information has on the consumer. It is not what is provided by the source but rather how it is perceived and its effect on the consumer that should be the major focus of the information issue.

Within this general problem of information provision, the present emphasis is a move to provide consumers with "significant" performance data (i.e., objective information) for complicated products. Legislative support for this type of action is growing (Advertising Age, 1975). Wilkie (1975) notes that future consumer information programs will likely stress such objective and/or performance characteristics since they are the most susceptible to standardization. Given the certainty that there will be an increase in the disclosures of efficiency and performance data in the future (Day, 1976), major issues surround provision of the most "effective" information for various product classes. One new form of product information which has the possibility of meeting the criteria

The former refer both to manufacturers' cost of production and retail purchase price. The latter include both service outlays and energy use. The definition of LCC as supplied by the M.I.T. Report (1975) is "the total dollars that will be expended over the products useful life." Dollar expenses may be broken down by:

1. Purchase Price
2. Operating Costs
    a. Energy
    b. Maintenance
    c. Service
3. Disposal Costs

However, in order to make the index more relevant in an information sense, the components were collapsed to three -- purchase price + energy costs + service cost. Disposal costs were not included since they typically account for less than one percent of total cost.

The LCC for a particular product is calculated on an average basis by year of manufacturer and year of use (The M.I.T. Report, 1974). In addition, calculations for power and service costs involved the technique of discounting future expenses in making present value calculations. This was done to account for the fact that operating costs are spread over the life of the product. Additionally, constant dollars were incorporated by deflating life cycle costs using the Consumer Price Index. This provided units of cost not affected by inflation.

In summary, the LCC index, as developed in "The Productivity of Servicing Consumer Durable Products," is a measure which extends beyond any newly required energy labels. It provides a comprehensive and consistent framework for three basic product cost dimensions -- price, energy, and service. Although each may be analyzed separately, it is unique in that it also allows the consumer to evaluate the costs in a

By accenting the magnitude of energy and service dollar costs LCC provides the consumer with the opportunity to make the transition from a broad and rather vague concern with the dimensions to a more refined and definitive association of these dimensions as integral parts of total cost. The result of positive consumer response to the more comprehensive cost structure may then encourage manufacturers to engage in product design with the purpose of increasing energy and service efficiencies.

The fourth impact involves improved bases for consumer evaluation of alternatives. Instead of having to make decisions based on evaluations of essentially nonfunctional characteristics (i.e., attributes not directly related to product quality), consumers now have the opportunity to use evaluative criteria of a more objective character. This will allow the consumer to incorporate a finer and more accurate comparison process.

The fifth impact is sharpened cost/benefit judgments on product features. The increasing and rapid technological innovations inherent in many product industries have provided, and made an integral part of, many products with increasing numbers of features supplementary to the primary function of the product. The availability of LCC gives consumers the ability to recognize the dollar costs over time of such features above their contribution to initial price. That is, those features which are energy savers (users) and service efficient (inefficient) can be more easily recognized. Consequently, the opportunity for judgments between obvious benefits and more subtle costs become clearer.

The sixth impact, new trade-offs between initial and deferred costs, will be reflected in trade-offs among the primary components of LCC. Manufacturers indicate that the development and production of energy and service efficient products will increase production costs which will consuming household appliances. The EPCA was passed by Congress in 1975. While the act has a broad range of purposes, the most immediately relevant one is to "conserve energy supplies through energy conservation programs and, where necessary, the regulation of certain energy uses." Coinciding with the passage of the EPCA, the voluntary program was abolished since the EPCA required a mandatory labeling program. However, the delineation of objectives by the two programs is useful for evaluating the applicability of LCC. The objectives are defined as:

-- Voluntary Program

- Encourage manufacturers to voluntarily provide consumers with information concerning the energy efficiency or energy consumption of major durables.
- Encourage consumer to utilize the information when evaluating products by providing, at the point of sale, energy information presented in a uniform manner and readily understandable in order to facilitate product comparisons.

-- Energy Policy and Conservation Act

- Prescription of labeling rules giving annual operating costs and a range of estimated annual operating costs for covered products.
- Consumer education in
  - •• the significance of estimated operating costs,
  - •• ways in which comparative shopping can save energy for the nation and money for consumers, and
  - •• other matters which may encourage conservation of energy.

In general the strongest results were seen in measures reflecting levels of consumer response in a more cognitive, as opposed to behavioral, sense. This was an expected finding given the newly changed environment for the subjects in terms of information, format, and short exposure time. It is apparent that the present consumers' knowledge of energy cost data is lacking. This is reflected in his consistent underestimation of energy costs, especially in relation to price. This supports other measures which indicate consumers do not consider energy an important dimension, either in a discriminatory or absolute value sense. However, the presentation of LCC information does improve these perceptions.

It also appears that consumers will use the information when it is provided with positive results. However, they do not take full advantage of the information as might be expected at this early stage. In addition, while the information is perceived as being very helpful, it does produce some dysfunctional consequences in terms of price perceptions. There is also some indication that lower educated subjects have more trouble with the complex format than do higher educated ones. However, even low educated consumers perform better with the information than without.

Results are weaker with regard to shifting consumer attitudes and behavior. There is some indication, however, that consumer attitudes do change with the presentation of LCC data. In the LCC condition, more positive attitudes are seen in relation to energy saving features and less favorable toward energy users. In terms of behavior, consumers in the LCC condition do appear more willing to purchase energy saving features, but they are not willing to give up the energy consuming convenience features.

6. Hutton, R. Bruce, "Life Cycle Cost: The Impact on the Processing of New Information for Durable Goods," unpublished dissertation, University of Florida, 1977.

7. Hutton, R. Bruce and William L. Wilkie, "Life Cycle Cost: Impact on Consumer Response to New Product Information," in progress.

8. McGuire, B. J. and E. A. Vadelund, Voluntary Labeling Program for Household Appliances and Equipment to Effect Energy Consumption: Annual Report for Calendar Year 1974, Center for Consumer Technology, Institute for Applied Technology, National Bureau of Standards, Washington, D.C., February, 1975.

9. __________, The Energy Policy and Conservation Act, Public Law 94-163.

10. __________, The M.I.T. Report: Consumer Appliances, the Real Cost, RANN Document Center, National Science Foundation, Washington, D.C., 1974.

11. __________, The Productivity of Servicing Consumer Durable Products, The Center for Policy Alternatives, Massachusetts Institute of Technology (M.I.T.) with Charles Stark Draper Laboratory, Inc., Report No. CPA-74-4, 1974.

12. Wilkie, William L., "How Consumers Use Product Information," Report Prepared for National Science Foundations, Grant No. GI-42037, Washington, D.C.: Government Printing Office, 1975.

13. Wilkie, William L., R. Bruce Hutton, and Dennis L. McNeill, "Application of Consumer Information Processing Research to Public Policy," Southern Marketing Association Conference Proceedings, November 1975.

MACRO-COMPUTING

by

William E. Rice, C.B.

University of Colorado

Introduction

The tremendous growth of worldwide electronic computing has ushered the political, economic and social factors of the world marketplace into an escalated stage of information consumption and automated dialogue (1). The dialogue has gone beyond the man-machine, machine-man, and machine-machine dialogues so often analyzed through cybernetic frameworks and into marketer-machine-marketer, nation-machine-nation, and machine-policymaker-machine dialogues. This type of macro-cybernetics has grown with such speed that little has been done to structure, monitor, or control the influences of possible faulty, unethical, or dominant computing systems and networks (2). With information as readily available as the push of a button or the dialing of a telephone, fundamental questions should be asked about the objectives and needs of macro-computing.

Is Macro-Computing A Macro-Marketing Issue?

Macro-computing introduces the social problems of privacy, information misuse, and responsibility for control. These issues point to the need for better understanding, proposed action programs, and orderly integration of marketing knowledge (3). The "quality of life" may be dramatically affected if macro-computing is left unmonitored or uncontrolled to manipulate the society to its own end. The concept of the quality of life should be the basis for social direction and policies

People who speak 'computerese' and relate better to a computer terminal than to humans have passed into another dimension of social communication that few others can comprehend or understand. Those who have the knowledge and the creativity to construct macro-computing networks usually are more interested in faultless operation than precise communication and semantics. They are interested more in speed and dependability than adaptability (6). Because of the socially imposed elitism of their profession, they are usually treated as 'gods' who have taken time out of their normal activities to create the 'miracle' macro-computer system. There are many reasons why such unwarranted authority and power has been given to micro-technologists developing macro-control systems.

Technological Mumbo Jumbo: Just as in some religions, the high priest or shaman spoke in undecipherable terms and manipulated unrecognizable symbols in order to convince the laymen that this was 'sacred stuff'. The very titles attached to the creators of computing systems hint that passage rights must be obtained before one is fit to approach the 'holy ground' of the computer (7).

Job Security: If no one can understand what you have done, no one can take your place in doing it. The politics of developing systems are based on the fear of replacement. The need for someone who can appease the 'gods' when they get upset is a must for any executive's peace of mind. Large macro-computing systems are literally at the mercy of a few technological elite that have built their futures right into the system (8).

FMIW-TMIB: "First Make It Work - Then Make It Beautiful" is an often forgotten phrase when large and expensive computing systems are being designed and implemented. Hollywood has razzled and dazzled the viewer with panels of continuously blinking lights, spinning

The computer has become one of the most widely used tools in directing such goals. With large manufacturers, governmental agencies, and foreign governments all trying to maximize their efficiency and control in the world market place, the computer has been one tool frequently used to gain that small increase or edge over the competition (11). The computer has been the cornerstone for wide scale research, real time monetary control, and situational modeling. This tool has become one of the major sources of information flow and control (12). There are many avenues that participants in the world market place have taken in utilizing the computer to exercise their objectives and accomplish their goals.

Marketing War Rooms: Computer driven strategy centers have been developed to bring together all aspects of the market place and their respective problem areas, so that a macro-synthesis and evaluation can take place. This type of overview technique is easily achieved through computing technology and computer driven peripherals.

Ergonomics: Productivity is becoming a key issue in maintaining economic growth. The analysis of output patterns and production characteristics can help pinpoint allocation or administration problems. The relocation of resources is also a major factor in evaluating contributions of effort.

Displacement/Replacement: The physical movement of goods and services from one location to another, and the subsequent high density of such placement, is causing pollution problems within the exchange system. The computer can help maximize displacement channels and minimize replacement costs (13).

Transparency of Supply and Demand: Contouring the behavioral characteristics, such as attitudes and motivation, to the production require-about the consumer. The use of such information can be an infringement on his human right to privacy. Information can be passed about from computer system to computer system with the push of a button, but the legal right of possessing that information without the consent of the individual is in question. The confidentiality of information is by no means controlled or monitored in most systems. The cross use of credit information, medical records, and even unlisted telephone information is usually exchanged freely between supporting agencies or companies. Personal information has a way of getting into systems anonymously and without reference to where such information originated. Information banks imply guilt until proven innocent (17).

Data Semantics: Information must have a context to be of any value to the user. Unfortunately, most data banks are not designed to handle the context or environment to which data is relevant. Information can easily become a potpourri of unrelated, unchronological, and incorrectly emphasized data. With macrosystems this becomes even a greater problem because of the cost and space considerations. Uniformity of data as to origin, destination, or usage is completely ignored in the design and implementation of most systems. Degradation of data sources or checking procedures for incoming data can cause the information to be unreliable, unpredictable, and unconfirmable while still remaining in the system. The meaning of data causes great strains on communication channels if it cannot be referenced or challenged (18).

Technically Sound: Since the amount of information used in computers is increasing and the amount of hard copy backup is decreasing, the need for technically sound and reliable equipment is becoming crucial. Without hard copy backup, a banking transaction, for example, could take place and mistakenly be purged with no trace of the specific source of the transaction, let alone whether it was a valid transaction. Backup systems need to be implemented to such a degree that no major catastrophe to a computer network would set back a segment of the marketplace any substantial length of time.

Economically Sound: Systems with a lot of bells and whistles cost more than a stripped down work horse. The fancy attachments seem so incidental when the total package is originally purchased, but as time usually bears out, such accessories often take up needed space, control, access, and support. Systems should not be purchased as the all inclusive solution to the problem, but as an efficient tool to aid in solving defined problem areas. The horizon may be unlimited in problem solving capability, but the cost of chasing down hypothetical problems is usually prohibitive.

Socially Sound: The inputs to a society do not necessarily need to be optimized as much as they need to be functionalized. The use for macro-computing systems should be in response to social need rather than in spite of it. Macro-computing should be a source of communication expediency and resource allocation. The socially sound system will contribute a significant set of maximizing and unifying inputs to the social network.

Environmentally Sound: The solid waste and environmentally destructive pollution is being regulated and legally confronted. But there

Responsibility Shifting: The bigger the system is the more personal responsibility can be passed on to the computer for mistakes, errors, or merely non-compliance with standard operating procedures (SOP). This shifting of blame to an inanimate object is one of the bases for the breakdown of authority and responsibility channels. The impact on social structure could be highly detrimental if the system is not designed to monitor and control such capacity for incompetence.

Information Supply and Demand: The generation of information that is collected for making decisions concerning the transaction is beginning to shift from manufacturer/producer to the consumer. The cost effectiveness of information availability has made it possible for the consumer to have larger, more definitive and comparable information sources at his disposal. The defiance of consumers toward being 'guinea pigs' for collecting information is also gaining momentum and legislative support. Although the general cost of information is falling, the willingness to furnish information is shifting from the consumer to the manufacturer.

Conclusion

Macro-computing is here to stay. The control and administration of such systems are still undefined and mainly unstructured. The social implications of developing future systems must be considered before a paperless society evolves. Speed is not the only criterion for wanting or needing a macro-computing system, nor should it be the last. But it should be put into proper perspective as to socially viable inputs and functional outputs. People should benefit from computer systems and have computer technology adapt to their task structure and not the reverse.

14. Thaddeus H. Spratlen, "Redlining: Social and Macro-Marketing Perspectives on the Availability of Real Estate Mortgage Credit," in Phillip D. White and Charles C. Slater, eds., MACRO-MARKETING: Distributive Processes From a Societal Perspective, An Elaboration of Issues. Boulder, Colorado: Business Research Division, Graduate School of Business Administration, University of Colorado, 1978.

15. Avebury, op. cit., pp. 186-193.

16. R. Bruce Hutton, "Consumer Perceptions of Product Cost: A Changing Conceptual Structure," in Phillip D. White and Charles C. Slater, eds., MACRO-MARKETING: Distributive Processes From a Societal Perspective, An Elaboration of Issues. Boulder, Colorado: Business Research Division, Graduate School of Business Administration, University of Colorado, 1978.

17. Sanders, op. cit., pp. 525-544.

18. Lindsay, L. Baird, "Identifying Computer Vulnerability," Data Management, June 1974.

19. Donald M. Henriksen, "A Political and Economic Evaluation of the American Market -- A systems Approach," Controversy and Dialogue in Marketing, Ross Goble and Roy T. Shaw Editors, Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1975, pp. 206-212.

V

MOTIVATING CHANGES IN THE SYSTEM

The previous groups of papers have dealt with various concepts, tools and issues developed by their respective authors which play a role in developing an expanded understanding of macro-marketing. The emphasis remains one of searching for more comprehensive understanding of the impacts which the marketing system has on society. Based on assumptions about performance and the types of linkages that the business system has to various other parts of society, it is frequently desired to change, regulate or otherwise influence the business system so that it will behave in such a way that certain impacts on the social system will be altered. Recognition of this relationship is directly related to understanding the traditionally important subject of public policy and marketing.

Nason discusses one approach which deals with the adjustment of rewards for firms based on corporate social performance. In coping with this complex problem the author has presented proposals for indexing performance based on the impacts of the firm on public, consumers, stockholders and employees. While admittedly an exploratory discussion this paper highlights the necessity of identifying criteria and providing measurement systems in order to assess current impacts and assess the impact of proposed alternations in the current forms of behavior.

As noted above, discussions of the way to motivate and modify impacts are integrally involved with existing understanding of macro-marketing. Such discussions clearly have a normative dimension because they discuss what types of output the system should be producing which typically represents a change from present output. However, discussions of

REWARD ADJUSTMENT FOR CORPORATE SOCIAL PERFORMANCE

by

Robert W. Nason

University of Rhode Island

Abstract

The purpose of this paper is to present a method of modifying corporate social performance through reward adjustment. A rationale is developed for regulatory reform consistent with the basic principles of a private enterprise system and a specific proposal is suggested. Included in the proposal are organizational forms needed, measurement concepts, indexing of performance, linking of performance to rewards, implementation and enforcement.

INTRODUCTION

The purpose of this paper is to present a method of modifying corporate social performance through reward adjustment and at the same time a method of streamlining the nation's regulatory structure. The need for such modification of corporate behavior and regulatory procedure is a function of the changing and complex interfaces among the characteristics of population, affluence, resource availability, technology, institutions of provision and institutions of control. These interfaces have resulted in three areas of concern over the control system's ability to help the market provide increasing individual welfare. Before proceeding to the remedies, it is useful to briefly describe the areas of concern which for simplicity can be characterized as over-regulation, under-regulation, and inadequate measurement.

Under Regulation

Perhaps a more compelling rationale for the overhaul of the constraint system in the United States is the inability of the current structure to deal with the increasing complexity of our nation's advanced affluence, material use, and technology. It is not the purpose of this paper to substantiate the problems our system now faces in terms of energy, resource availability and management, pollution, man induced diseases (such as cancer, respiratory and heart conditions), worker dissatisfaction, inequality of opportunities, etc., but to assume a recognition of the inability of the present constraint system to deal with these issues adequately in the future. The abuse - response approach is simply inadequate to handle the long term effects of todays decisions; the size, complexity, and interrelatedness of the problems faced; and the often short response time necessary.

The result from our nation's economic development then, has been unparalleled well being in the present, but an environment which does not provide a sound platform for either business efficiency of continued growth in well being of the public.

Inadequate Measurement

A final rationale for reviewing the current system of constraints is the realization that the firm impacts on the public well being in many ways in addition to its financial success. The mushrooming dialogue on social responsibility and measurement of the costs of social activities on the part of the firm bear witness to this growing awareness. Even most of the above mentioned regulation is designed to temper the raw profit motive where it is destructive of the system, its competitors, and individual participants. Yet, the firm is only measured on a financial basis in an organized and systematic way.

The heart of the problem becomes one of power to instill goals. It is not the profit motive that is harmful as some have suggested, but the means by which society has allowed those profits to be made. Thus, it is the task facing society to restructure the rewards and punishments of its institutions such that their output will be consistent with the larger interests of the society.

This thrust does not require the attack on profit itself, or the demise of private ownership, nor does it require radical shifts from precedents set in the past. For the history of legislation and regulation of business has been an attempt to mold the profit motive with constraints and incentives. What has defeated these past attempts has been the power of particular interests to defuse the setting of objectives and the enforcing of the broader public interest.

It is certainly unreasonable to assume a current willingness on the part of Congress to enact significant structural and procedural changes in the regulatory system. However, trends in congressional reform - public financing of political campaigns, sunshine procedures, sunset laws, and the breakdown of seniority practices, combined with increasing crises such as energy, will certainly facilitate the regulatory change process. It behooves us to have proposals thought out which are compatible both with the system and society's needs. The remainder of this paper should be viewed in that exploratory spirit.

AN AGENDA FOR ACTION

It is proposed that the process of regulation take place through the shifting of incentives within the private sector. In a nutshell, the strategy combines the following elements each of which will be discussed at some length.

work, becomes essential. Federal chartering is designed to provide that framework.

Ralph Nader has suggested that a Federal Chartering Agency be formed to issue charters to major corporations engaged in interstate commerce (11, p. 85). This agency, would form the base for a system of measurement of the corporate performance and the concomitant system of reward and punishment. Performance in the sense used here includes social as well as financial performance. Federal chartering can provide the base from which such a set of incentives can be made effective.

MEASUREMENT OF FIRM PERFORMANCE

Explicit or implicit in any governmental control of business is the measurement of the problem area. Whether it be reduction of competition or environmental pollution, standards of performance must be set, measurement of performance made, judgement rendered as to the adequacy of the performance, and finally reward or punishment levied. The process of setting standards has often been troublesome, yet, the measurement problem has been the real downfall of the present regulatory system.

Thus, at the base of any coordinated system of government influence must be a systematic measurement system of the factors upon which influence is to be exerted. It must be stressed here that the objective is not to attempt to measure total firm social performance as that is clearly impossible. What is desirable is the measurement of firm social performance in areas where regulation is deemed necessary. Who shall decide what regulation is necessary will be discussed at a later point.

What is needed is a coordinated measurement system of these areas. This measurement system would include an accounting of the firm's impact on society in four possible categories:

their costs from within the firm (3) for firm management decisions, public relations, and social program control (1, p. 7). What is suggested here is measurement of the firm's social performance externally as it impacts on society. Thus, the research on social indicators is of greater relevance (2;4, pp. 11-12; 5, pp. 591-593;10). This is not to say that the work on internal social costs and reporting is not important. It will take on a special meaning for management as the destiny of the firm is affected by external measures of social performance which are linked to profits. The internal costs of changing social performance will become as important as other costs to the firm with increased importance for managerial accounting.

The distinction can be clarified by a simple example. From a regulatory point of view, it is important to reward firms for reduction of the amount of pollutants per sales dollar rather than reward for input costs in stack precipitators and the like. On the other hand, management is vitally concerned with the input costs vs. the benefits of reward for improved social performance, in this case reduced pollution. The use of the profit motive dictates rewarding external performance and allowing management ingenuity to work on its achievement at the least cost or highest profit. What remains to be done here is to suggest one possible measurement system, its linkage to profits, and its institutional framework for implementation.

INDEX OF PERFORMANCE

There are a number of ways in which data on social performance could be organized, but perhaps the most promising is to create an overall index of performance for each firm which is made up of the weighted index values of the component areas - consumer, employee, stockholder, and public. Each of these index sub-parts would involve measures of the

It might be argued that the subjective weights used in computing the composite index would destroy its usefulness. Actually, the opposite is the case. In the present system of government intervention in the affairs of business, every regulation, policy and enforcement action on the part of government represents a subjective weight as to what is important. The problem is that there is no coordination of these weights. Hence together they make little sense.

Further, it is often hard to determine what the subjective weights of government are for the purpose of decision making in the firm. The indexing system forces government to coordinate its priorities and express them systematically such that those institutions within the sphere of government influence, know the dimensions of their privilege to operate. Part of the risk and uncertainty of their environment is removed.

REWARD ADJUSTMENT FOR SOCIAL PERFORMANCE

The objective of the composite index system is to provide the basis for shifting the rewards of the individual frims such that their performance more closely approximates the consumer interest and the larger public interest. In other words, we want to make social performance so profitable relative to social harm that firms in their own self-interest will adjust their performance in the desired direction.

Thus, the index must be linked with the summary goal of profit and return to the investor and entrepreneur. Conceptually this is a simple task, but operationally it is far from simple. On one hand, profit could be adjusted by a coordinated system of subsidies giving positive reward for social performance. On the other hand, the composite index could be linked to corporate income taxes. This alternative would require substantial tax reform. Under the current taxation system the unevenness of tax burden and the complexity of the system would limit and confound

It is suggested that this introduction take place in four phases.

1. The first phase would be a preliminary step of development of the measures to be used and the passage of legislation setting up the Federal Chartering Agency and its machinery. Some notions of measures will be presented shortly.

2. The measures should be used and the weights developed defining social priority. This phase is designed to test and adjust the system.

3. The index should be linked to subsidies or taxes in a progressive manner with the passage of time. This is to say that in the first year of this phase, the tax rate between good performance and poor performance would be slight with the difference increasing each year according to a published schedule until the full index tax relationship is achieved. This phase might take three to five years and is essential in allowing business to adjust to the index without precipitous harm. Our objective is to adjust the system toward the public interest, not to destroy it in the process.

4. The final phase is reached once the full weight of the index is associated with the tax rate. To this phase the weights will be adjusted by government to correspond with the changing environment and needs of the public. However, if the initial weights are intelligently determined, then the adjustment needed over time will be small and can be forecast well in advance of implementation. This forecasting is a key element in the system. Changes in the index weights or in the linking of the index to the tax rate should always be small from year to year, and published well in advance (two years) such that business can adjust with a minimum of penalty to the changing reward environment.

The argument that it is unfair to change the ground rules of reward on business is not viable. In the first place the natural environment is always changing for business and if business is to be of service to society it should have the flexibility to adjust. In the second place, government has often adjusted its requirements of business. These changes have been severe at times and certainly are not as predictable as the system suggested here. We do have the obligation to facilitate constructive change in an orderly manner with the minimum of obstruction.

much of the measurement of performance will come from the firm itself through periodic reports. The chartering administration would require audits of firm information returns by professional social auditors. Spot checks would be made, with suspicious returns being audited completely. This then forms one of the major informational sources of the system.

The increase in report preparation costs by the firm would likely be offset by the reduction of other reports now required. The net burden on the firm might well be less with the usefulness of the information magnified.

The other major source of information would come from outside the firm; from testing, surveys, and complaint collection. In either case the Federal Chartering Agency would be the umbrella organization for the data collection, verification, and auditing procedures. The kind of data collected depends on the area of performance being measured and thus a description of each area would seem useful in clarifying the measurement problem.

MEASUREMENT OF PERFORMANCE AREAS

In our example, we assumed that we had measured performance in four areas of the firm's interaction with the interests of society. The real operational problem comes in attempting to make these measurements as there are many subparts in each area which need to be compiled into the four area indexes. The same basic method of aggregation will be used arbitrarily. First, each measure is converted to a standard scale which we have chosen as 1 - 10. Second, each measurement is weighted according to its priority with the sum of weights equalling one. Finally, the sum of the weighted performance measures gives the index value for the area.

the reporting of those who felt a product had caused some hardship or damage. The complaints would be weighted by severity, totaled by product and manufacturer, and related to dollar sales volume to get an index value.

Finally, in the area of claim substantiation, all firms would be required to file evidence of promotional claims made. The evidence and its validity would be compared with the claims and given an index value corresponding to the degree of substantiation. Again the amount of information vs. deception would be related to sales. Unsubstantiated claims would automatically be given low values. This is not to say that psychological attributes of products will not exist or should not exist, but it is to say that their promotion should not be rewarded. The use of products for psychological gratification should eminate from the social fabric of society with the vested interest of business removed.

In sum, the objective is to provide a basis for rewarding companies which act to increase competition in the market, increase safety of products, and decrease deceptive and spurious communication to the consumer while providing factual information.

Measurement in the Employee Interest

Certainly, the income derived from employment is essential to the consumer interest, yet, wages have been excluded from the measurement system. This exclusion takes place because of the wage setting machinery in existence. This is not a necessary exclusion but one of choice. Three other areas of employee interest should be measured for the index, however.

First is the measurement of occupational hazard and safety. The system set up by the Occupational Safety and Health Act could be used in part for this purpose.

divulged by the firm and to the control mechanisms they have.

Controversy has always surrounded "generally accepted accounting practices" which are used to present the firms financial position to the owners. Thus, two kinds of performance are involved - the bottom line - profit and the integrity of the reporting process.

The profit or loss is the residual reward for investment, risk, entrepreneurship, and management talent and hence is the major motivator of the system. As a residual, profit performance should be dependent on the social and economic performance of the firm and thus should not be indexed, but left to fluctuate with that performance.

However, the reporting process itself is properly subject to indexing. The completeness of reporting and the use of deceptive reporting practices should be monitored. Examples of the latter include shifts in accounting principles used for the purpose of covering or distorting the financial picture of the firm, use of large writeoffs where there has been mismanagement, and withholding large reserves from profits for "future contingencies" which deflate profits where desired. The greater the disclosure, as with the SEC 10K form or the FTC product line disclosure, the higher the high index ratings would be from the stockholder point of view.

Finally, the degree to which the stockholders control the firm could be another part of the stockholder index. Such mechanisms as cumulative voting for members of the board of directors would be used to judge the degree of stockholder, as opposed to management, control.

Measurement in the Public Interest

The effects of the firm on the public in areas not covered above are many and varied. For example, resource depletion is currently a measurement can be done within the firm, such as monitoring effluents and pollutants, with spot inspection by the Federal Chartering Agency. The firm would be required to fill out a tax reporting form and file it with the agency each year. The additional information on consumer complaints and employee satisfaction would then be added and the tax rate determined. The IRS would then proceed to collect the tax and audit the financial reporting of the firm.

The Federal Chartering Agency should be staffed in three ways, the agency commissioners should be appointed for life in a manner similar to Supreme Court Justices. Commissioners should be precluded from accepting other jobs and required to follow the guidelines of conflict of interest practiced by the Justices on the Supreme Court. Secondly, the staff of the agency would come from the civil service and be protected from dismissal for reason other than incompetence, or unprofessionalism, or unwillingness to work.

Third, major interest groups should be incorporated into the agency structure through direct participation. There are precedents set in Scandinavia and Israel for the infusion of consumer, labor and producer interests (13).

Further, it has been suggested that the Grand Jury System be instituted to get direct citizen participation in the priority setting of the regulatory system (12). Finally, research is continuing on the configuration of interest group inputs into public policy (9).

The Federal Chartering Agency would then become a semi-political enforcement agency, largely removed from the political process with the responsibility to discharge the law created by congress in the area of business regulation, with the power to set the weights for performance, and with the responsibility to set the scale of taxation for index

5. Carroll, Archie B. and George W. Beiler, "Landmarks in the Evolution of the Social Audit," Academy of Management Journal, Vol. 18, No. 3 (September 1975), pp. 589-599.

6. Corson, John J. and George A. Steiner, Measuring Business' Social Performance: The Corporate Social Audit (New York: Committee for Economic Development, 1974).

7. Dierkes, Meinolf and Raymond A. Baver, eds., Corporate Social Accounting (New York: Praeger Publishers, 1973).

8. Environmental Protection Agency, Quality of Life Indicators, Environmental Studies Division (Washington, D.C.: December 1972).

9. Etgar, Michael, "Citizen Inputs to Public Policy Making - A Marketing Perspective," in the Proceedings of the Second Annual Macro-Marketing Theory Seminar, University of Colorado, Boulder, Colorado, August 14-17, 1977.

10. Kreps, Theodore J., Measurement of Social Performance of Business, Monograph No. 7, An Investigation of Concentration of Economic Power for the Temporary National Economic Committee (Washington, D.C.: U.S. Government Printing Office, 1940).

11. Nader, Ralph, Corporate Power in America (New York: Grossman Publishers, 1973).

12. Slater, Charles C., "Toward an Operational Theory of Market Processes," in the Proceedings of the Second Annual Macro-Marketing Theory Seminar, University of Colorado, Boulder, Colorado, August 14-17, 1977.

13. Zif, Jehiel, Don Izraeli and Rami Shtark, "Management of Quality - A Study in Agricultural Macro-Marketing," in the Proceedings of the Second Annual Macro-Marketing Theory Seminar, University of Colorado, Boulder, Colorado, August 14-17, 1977.

VI

MACRO-MARKETING AND INTERNATIONAL DEVELOPMENT

The discussion of macro-marketing thus far has been developed almost exclusively in the context of the United States. However, it is important to note that the organization of marketing systems and the accompanying micro and macro considerations are not limited to any one country. Consideration of macro-marketing issues is clearly international in scope.

In some ways it appears the less developed countries (LDCs) are more involved in "macro-marketing" than industrialized societies. The relationship between macro-marketing and public policy is identified as being an important consideration for governments in LDCs. The overall performance of the marketing system is seen as an important ingredient in accomplishing social objectives. Thus, the macro-marketing perspective is appropriate for the examination of the marketing system within one country or in the framework of the world marketing system as a whole. Consideration of macro-marketing issues in the international framework was the focus of the following four seminar papers.

One of the areas of particular concern to every nation is the rate and level of economic development. Depending on the level of development of the economy, a number of different indicators may be used to assess the performance of the economy. In the case of LDCs one primary concern involves economic development. While a precise operational definition of this concept may not have been arrived at as yet, interest in the general concept of economic development is well known. The alternative ways of increasing the nutritional content of diets by making changes in the marketing system are considered. The conclusion reached by Dahringer is that the marketing system can make certain changes which assist in the accomplishment of these particular types of social system objectives.

Finally, Miller considers the broader question of production sharing. Production sharing involves organization of the international production and marketing system in such a way that the advantages and resources of each country can be combined to have an efficient system as a whole. However, it is important to note that the operation of the international marketing system in the way sets the stage for the accomplishment of a number of broader social objectives within various countries involved. Accomplishment of social objectives appears to have a better chance of happening through production sharing than if each country pursues completely independent courses. It should be noted that developments in the international marketing system are contributing to the accomplishment of important social system goals in the various countries involved. Production sharing is a good example of these relationships and illustrates the applicability of the macro-marketing perspective to the international business system.

THEORIES OF THE RELATIONSHIP BETWEEN MARKETING AND ECONOMIC DEVELOPMENT: PUBLIC POLICY IMPLICATIONS

by

Marye Tharp Hilger

The University of Texas at San Antonio

A basic problem in marketing theory has been the determination of the relationship between marketing and market structures to economic development. A major obstacle has been the inability to define precisely the terms of interest. The use of indexes of economic development varies by author; market system development is also described and measured in numerous ways. It is then no surprise that a consensus has not been reached as to the nature of this relationship. Nevertheless, as marketers focus on the macro-level effects of marketing endeavors, the critical role of market systems in the development process will continue to be a central point of theoretical exploration. What further confuses the task is that economic development theories derived from other disciplines do not provide a useful framework for the role of marketing institutions in economic development. What is worse, these theoreticians neither agree as to the indexes that measure such development nor to the structural means of fostering economic development.

It is the argument of this paper that there are some new organizations in developing countries which reflect, at least in the context of past development policies, a new role for marketing institutions in achieving economic growth. A preliminary look at one such organization, CONASUPO in Mexico, can serve to refocus theoretical attention on the functions of marketing in a developing economy.

strategies choose such means as investment in a 'key' industry (Rostow) (5), balanced growth through productive use of marginally non-productive disguised unemployment (Nurkse) (6), unbalanced growth through the use of inducement mechanisms that promulgate backward and forward linkages (Hirschman) (7), and/or controlled economic planning as a means of "increasing spread effects while minimizing backwash effects" (Myrdal) (8).

Another subset of theoretical arguments, one that is strongly tied to ideological considerations, dwells on whether development should be focused in primary or secondary sectors of the economy. The typical Communist plan for development, such as the North VietNam blueprint of LeDuan, centers on agrarian reform (9). Land redistribution varies as to its importance in such designs, but is usually an important component for changing primary sector productivity. Capitalist economists of course tend to emphasize the role of industrial sectors in achieving economic development. Most of the attention in these sectoral debates is directed to either the primary or secondary sector as a means of fostering economic growth. Nevertheless, there is a growing nucleus which discusses the relevance of the tertiary sector to the development process. Investment in mass communications and other infrastructure are the basic proposals of these theoretists (10), but the market system and market structures are occasionally mentioned.

Before turning to marketing contributions to this debate on the means of achieving economic development, it should be noted that most of the aforementioned 'theories of economic growth' are in varying stages of disrepute. Discredit has come less as a result of flaws in such theories than to the exigencies of their application in real world political economies. As will be seen in marketing thoughts about the development such as per capita income and per capita generation of electricity, in five countries at different stages of economic development, he was able to match available types and numbers of middlemen with the country's stage of development (12). Using several other indexes of economic development and some different countries, Susan Douglas was able to predict channel complexity, as measured by number and size of retailers per capita (13).

Perhaps one of the best comparative studies in the determinist school is that of Johan Arndt. His analysis used what he called the environmental determinants of retail structure (personal consumption expenditures per capita, passenger car ownership, geographic concentration of population) to predict certain aspects of retail structure (number of inhabitants and sales per retail establishment). He concluded that the temporal lag in retail structure development between Norway and Sweden approximately matched the temporal lag in environmental developments between the two countries (14). Further, he hypothesized that the structural changes in costs of retailing that accompany development provide the impetus for interest in economies of scale, thus providing a theoretical basis for the development of large-scale retailing. Arieh Goldman counters this hypothesis with yet another environmental determinant of market system development, consumer outreach (15). He postulates that patronage of more efficient marketing institutions such as the supermarket will not occur unless the consumer is willing to travel further and shop less frequently. These shopping-style preferences are in turn limited by the consumer's social, spatial, informational, and cultural environment.

Other authors have developed broader variations of the 'determinist' hypothesis. P. T. Bauer proposed the high ratio of labor restrictions, and state trading monopolies) have the potential to deter further market development and to stunt overall economic growth (21).

The greatest barrier to further determinist theory has been the lack of empirical confirmation of the basic hypothesis, that economic development levels determine market development. The elemental problem is in designing a model that includes all socio-economic factors that reflect economic development levels, while at the same time the model can determine weights for these factors that are valid cross-culturally. Perhaps a more promising approach, given these limitations, is the hypothesis that attributes market development to changes in macro-economic factors such as the transformation from an agricultural to industrial economy, the level of demand for differentiated products, and changes from a sellers to a buyers market (22). The advantage to these variables is that the changes in these factors can be compared cross-culturally.

Neglect of the role of effective marketing in economic development has been for several years the object of change by the 'activist' school of writers. In noting the discrepancies between modern and traditional sectors of an underdeveloped national economy, Walt Rostow concluded the most important factor for further economic growth was the development of a national market system (23). In order to free resources for investment in other sectors of the economy, market systems need technological and capital infusion at four critical points: distribution of agricultural inputs, an organized system of markets for rural output, urban food distribution, and distribution of manufactured goods in rural areas. The more effective linking of urban and rural markets is a prerequisite for overall economic development. Peter Drucker would support this approach also in his belief that the market system to exist is large, not to speak of the lack of consensus concerning which are the appropriate indexes to use. The system-wide simulation model proposed by Slater and as applied to development planning in Lesotho is a major melding of determinist and activist aspects of market system change. While the model is based on behavioral tendencies as they affect market responses, it also allows for an active role of demand in determining production capacity. Perhaps the most promising aspect of the model is its capacity to monitor and forecast interactive aspects of change in market structures and the overall economy.

Development Theory and Policy: Implications and Trends

While economists and marketers have bantered around theories of economic growth, there have been significant changes in public policy that attempts to foster economic development. In a case where so many proposals for economic growth suggest very different directions for public policy, it is not unexpected that theory and policy are divergent. But it is interesting to note that public policy in several less developed countries has taken a renewed interest in the relation of marketing and market structures to economic development.

An important trend in recent economic development planning has been an increasing role for the public sector. While many of the economic theories mentioned earlier have direct implications for how and/or where to direct investment in an economy, none of these approaches ascribes a direct role for the public sector. For example, Rostow would have public monies invested in a 'key' industry, but he most certainly was not thinking of the public sector being <u>in</u> that 'key' industry. Myrdal focuses on strong planning and consequent control of the direction of growth, but his view is closer to that of the public this has shifted public policy. One way of increasing real income per capita is to reduce the cost of living. In a developing economy food purchases account for a large portion of consumer incomes; therefore, more efficiency in the food-oriented channels of distribution can increase overall economic welfare rapidly. Another basic reason for public policy interest in food marketing is related to the need for more control of national resources. While many underdeveloped countries have vast resources, their development is not as critical as bringing them into play through an integrated national market system. Self-sufficiency in agricultural foodstuffs, as a means of insulating an economy from ravages of worldwide inflation, provides yet another motivation for active participation in food marketing. As entrepreneur, the government can induce redistribution of income more directly than through its traditional roles as regulator, facilitator, and promoter of market development (29).

An iconoclastic view that supports public sector interest in food marketing is that consumption is a self-rewarding means of changing traditional attitudes. The argument is that increasing the consumer's financial ability to adapt new customs will speed his adaptation to modern ways of life. Although increased consumption may reduce savings in the short-term, aspirations for modern goods may also increase willingness to work in order to obtain them (30). While this hypothesis is controversial and leads to value judgments about the worthiness of short and long-term trade-offs, as in the paper presented by Irma Sanchez-Bretherton at the seminar, it does suggest the public sector has a valid interest in increasing the efficiency of food marketing, conjunct to its desires to reduce dualism of traditional and modern sectors of the economy.

often have in isolated markets. To increase productivity of the small farmer, CONASUPO crop purchasing and storage centers disseminate high yield seeds, market information, and some offer training in modern farming techniques. To improve the social conditions of rural Mexicans, CONASUPO storage centers provide recreational fields and equipment and are designed for use as social gathering places.

Another major objective of Mexican economic policy is assistance to low income consumers in general. In 1974 over one-half of the population had incomes of less than $160 per month. In order to increase these families' purchasing power, CONASUPO has been organized as a vertically integrated channel with reduced retail and wholesale margins. Additionally, federal funds are used to subsidize CONASUPO operations. Prices in their retail stores as a result are usually 15-20% less than those of similar goods in private stores. CONASUPO also has a policy of minimizing the frequency and mount of price changes for commodity goods. By competing with, not replacing, private retailers, CONASUPO hopes to have a stabilizing effect on overall market prices. Thus, while CONASUPO is increasing the purchasing power of consumers directly through its own prices, it also attempts to regulate prices and encourage efficiency in private channels of distribution through competition.

In order to increase overall efficiency in channels of distribution and to reduce intermediary margins, CONASUPO has integrated its operations vertically. This required restructuring several earlier public programs under one centralized administration. In both rural and urban areas, CONASUPO has tried to match its store-types with those with which the consumer is familiar. Simultaneously, CONASUPO hopes to introduce efficiencies of scale through its vertical integration. This means that most stores are small 'tiendas' (less than 200 sq. ft.) that offer merchandising, organizational structure, and distribution policies of CONASUPO are all tied to economic development goals of the government. This public enterprise is only an adjunct mechanism to achieve such goals, but it has a specific role in an overall development plan. A comprehensive assessment of the functions of such marketing enterprises in current developmental planning could help focus future theory on the multi-dimensional facets of marketing and economic development.

REFERENCES

1. See, for example: Pan A. Yotopoulos and Jeffrey B. Nugent, Economics of Development (New York: Harper & Row, 1976); John M. Hunter and James W. Foley, Economic Problems of Latin America (Boston: Houghton, Mifflin, Co., 1975) ("Economic development is a process of increasing welfare"): Theodore Morgan, Economic Development: Concept and Strategy (New York: Harper & Row, 1975).

2. Everett E. Hagen, On the Theory of Social Change (New York: Dorsey Press, 1962).

3. David C. McClelland, The Achieving Society (New York: The Free Press, 1961).

4. Gabriel A. Almond and G. Bingham Powell, Jr., Comparative Politics: A Developmental Approach (Boston: Little, Brown & Co., 1966).

5. W. W. Rostow, The Stages of Economic Growth (London: Cambridge University Press, 1973).

6. Ragnar Nurkse, Problems of Capital Formation in Underdeveloped Countries (New York: Oxford University Press, 1970).

7. Albert O. Hirschman, The Strategy of Economic Development (New Haven: Yale University Press, 1967).

8. Gunnar Myrdal, Economic Theory and Underdeveloped Regions (New York: Harper Torchbooks, 1971).

9. LeDuan, On the Socialist Revolution in VietNam (Hanoi: Foreign Languages Publishing House, Vol. I-III, 1963, 1965, 1967).

10. Lucian W. Pye, ed., Communications and Political Development (Princeton: Princeton University Press, 1969).

11. Robert Bartels, "Marketing and Economic Development," in Macro-Marketing: Distributive Processes from a Societal Perspective, ed. by Charles C. Slater (Boulder: Business Research Division, University of Colorado, 1976).

27. Charles C. Slater, "A Theory of Market Processes," in *Macro-Marketing: Distributive Processes from a Societal Perspective*, ed. by Charles C. Slater (Boulder: Business Research Division, University of Colorado, 1976), p. 117-139.

28. Bucklin, op. cit., p. 219-221.

29. Peter D. Bennett, "Marketing and Public Policy in Latin America," AMA 1967 Winter Conference Proceedings, No. 26, ed. by Reed Moyer, p. 233.

30. Deborah S. Freedman, "The Impact on Development of the Consumption of Modern Durables," AMA 1968 Fall Conference Proceedings, No. 28, ed. by Robert L. King, p. 489.

31. Much of this section has come from publications of CONASUPO, personal interviews with CONASUPO executives, and empirical research.

DOES THE MARKETING ACTIVITY IN MEXICO HELP THE COUNTRY'S DEVELOPMENT?

by

Irma Sanchez Bretherton

Facultad De Contaduria Y Administracion
Universidad Nacional Autonoma De Mexico

INTRODUCTION

This work focuses on some of the foundations of macromarketing activity which are relevant to developing countries. The present study analyzed the relationship between those marketing goods and services that helped to better the family life quality and economic behavior patterns.

The present research was performed with a representative sample of the Mexico City Metropolitan Area. However, the title of this work and the text make reference to the whole country, since a high percentage of the marketing work takes place in the Mexico City area, and to a considerable extent the rest of the country relies on the marketing work done in Mexico City.

It is necessary to mention that for the present research neither all the goods and services that can better consumer units living conditions nor all the variables which influence their purchase were considered. A Consumer Unit (CU) is defined to include every individual who lives in the same house. Further research projects should analyze and determine:

a) Other types of goods and services that can upgrade the CU's level of living.

b) Identify the factors which exert an influence on important variables and,

c) Develop a priority list of those goods and services necessary for the CU's according to the characteristics of the different subcultures of the country.

2. To determine which factors, aside from income, influence and motivate the demand of goods and services which help to upgrade the CU's life quality. The purpose of this objective is to detect some variables other than income which affect this demand, in order to encourage the purchase of such goods and services.

The following goods and services which lead to upgrade the CU's level of living were considered in the present research: CU's use of modern durable consumer goods, modern housing conditions, and modern amusement. The purchase of these items is not ruled by tradition, nor by biological needs.

The justification of the first objective is explained as follows:

In developing countries enterprises have often used marketing in order to promote and sell many items which are needed in the economic and socially developed countries, but which are superfluous in the poor nations. I believe this has happened because most of the companies which are devoted to producing and commercializing goods and services are multinationals which generally work by standardizing their short and long term international marketing plans. Often these plans are executed according to the original plan which was put into effect in the country where the headquarter is located (1) and only a few "adaptations" to customs and culture, are made in those nations where these companies market their goods.

I believe that multinationals take these minor steps just as a justification to deceive themselves or some other people regarding the application of the modern marketing philosophy in their branch offices. On the other hand, this is also due to the fact they visualize the market not as a consumer's institution but rather as a salesman's institution.

that it is not enough for the consumer to have the ability (money) to buy, but that he must:

1. Feel a strong desire so as to be aspiring for acquiring a certain durable; and
2. Think it is the "right moment" to obtain it.

However, it has also been discussed that social and psychological factors only influence consumption decisions in those societies where income is considerably higher so as to allow a discretionary spending margin, after having met their primary needs. But, it can be noticed that in some parts of Mèxico where income is very low (only to defray basic needs) people have a discretionary consumption in terms that, regardless of their poor income, they manage to have traditional parties whose cost represents a large percentage of their annual income, which if used otherwise would allow them to cover their basic needs.

By analyzing the previous statements it is possible to reach the following conclusion: it is not feasible to promote the demand of certain goods and services, nor make sales forecasts of them, if the factors which make the consumer feel a strong need for buying such goods at the appropriate moment are not studied.

WORKING HYPOTHESES

The working hypotheses of the present paper were constructed in terms of the reasoning and objectives discussed above. They are as follows:

HYPOTHESIS I

The way enterprises which produce and distribute goods and services in Mexico have used marketing has not helped the consumers to promote economic behavior patterns that will allow them to raise their quality of life. Among the guidelines which permit individuals to raise their life quality the following ones were studied in this research:

FIRST: Hypothesis I is accepted. The results of the multiple regression analysis using the goods and services studied as the dependent variable and the economic behavior patterns of the consumer, income as well as psychological, family and communication variables as the independent variables as the independent variables, the F test showed that the economic behavior variables are not significant. Therefore the consumer's need regarding each one of the goods is not associated with the economic behavior guidelines which will cause the CU to maximize its welfare thus contributing, in turn, to the general well-being of society since.

If the CU planned its income expenditures in both short and long term periods according to its need priorities this would allow a gradual improvement of its life quality. At the same time this would keep the CU from accumulating a large amount of items which at a given moment might be superfluous in terms of the CU's living conditions.

If the couple were aware of the importance of a family planning and the responsibility each child represents in order to raise citizens who will be useful for their country. This is in contrast to the view of a child as another income source and the presumption that the more prolific the family is the better their living conditions will be. If this sensitization could be achieved two objectives would be reached at the same time:

a) To reduce the country's annual birth rate, since according to some statistics published in 1975 by the Inter American Development Bank the population growth rate in Mexico (percentage) in the 1970-75 period averaged 4.2 (6) and,

b) To better the CU's living conditions and the education and care of the children.

volved both in planning and implementation as well as in controlling the factors that hinder development.

In Mexico the government has made some efforts to establish or change certain customs which have been considered inadequate to foster development. However, these actions have been isoalted and, in my opinion, without a sufficiently fixed objective in mind.

SECOND: Hypothesis II is accepted. This hypothesis deals with the fact that the income factor in developing countries is not the only one which can encourage the desire of acquiring the goods and services which according to this study help to upgrade the CU's living conditions. Thus, in the case of the dependent variable "CU's Modern Durable Consumer Goods" the statistical results obtained through a Stepwise Multiple Regression Analysis show that the income variable is the most important one since it gives a forecast level (R^2) of (0.58) to the regression equation. All the R^2 levels reported are significant at a confidence level of (0.05) using an F test. The following variables also entered the equation raising the forecast level in the following order: Mass Media Exposure (0.64), Husband's Education (0.66), CU's Life Cycle (0.67), Wife's Education, Number of People Within the CU, Future (+) Attitude and Aspiration Level to Better the CU's living conditions lead the R^2 level to (0.68).

The previous fact shows that the variables other than income raise the forecast level from (0.58) to (0.68) that is by (0.10).

Regarding the dependent variable CU's Housing Conditions income was also the first variable to enter the equation bringing about a R^2 of (0.26). In addition Husband's Education increases the R^2 to (0.31). The following variables were also included: Number of People Within the CU, Wife's Education, Mass Media Exposure and Aspiration Level to Better the CU's Living Conditions which raised the R^2 to (0.36). Here, as in

THIRD: The analysis leads to the conclusion that the relationship between the dependent variables CU's Modern Durable Consumer Goods and Housing Condition and the independent variable Aspiration Level to Better the CU's Living Conditions is negative and the relationship between the dependent variable CU's use of modern amusements is positive, thus, indicating that in the two first cases as modern durable consumer goods or housing conditions improvements increase, the aspiration level diminishes. Just the opposite occurs with the use of amusements.

According to these results, it seems to be that for the population studied the use of modern amusements is more important than the use of modern durable consumer goods or better housing conditions. In my opinion, this priority list of needs is not adequate for a country like Mexico whose living characteristics are shown in Table 2.

Table 2. Comparative Table of the Changes Occurred in Some Aspects of CU's Quality of Life in Mexico City Between 1960 & 1970

Comfort Conditions	Percentage of houses (1) 1960	Percentage of houses (1) 1970
Houses with more than one room	61%	76%
Houses with inner water intakes	50%	62%
Houses with outer water intakes	50%	19%
Houses with drainage	43%	77%
Private owned houses	20%	42%
Household Fuel:		
Coal	20%	4%
Oil	56%	17%
Gas or electricity	23%	79%
Houses with Bathroom	53%	59%
Houses with radio and TV	46%	51%

(1) Total number of houses in 1970: 1,600,000

Source: Statistics from the National Chamber of the Construction Industry, Mexico City, 1976.

c) Development of a price strategy which will prevent abuses on consumers, specially on those whose economic, social and cultural levels are very low.

d) Development of a communications strategy particularly a marketing communications strategy aimed at different individuals is based on cultural and educational messages that will assist development.

e) Development of a marketing plan which will work to bring about consumer economic behavior patterns which will contribute to the economic upgrading of the country. Such patterns or guidelines would include, among others:

- CU's expenditure planning according to its need priorities,
- Planning and control of the number of children,
- Wives who work out of home,
- Husband's extra job,
- CU's savings,
- CU's rational credit use, etc.

f) To promote the creation of interdisciplinary centers financed by the private company dealing with the abovementioned points.

g) To sensitize present and future marketing executives about the importance of promoting the country's development, if the survival of the private enterprise in the middle and long term is to be ensured.

Some of the foundations of macromarketing theory which are suggested for the developing countries might be considered a little utopian by some people. However, because of the situation in Latin America and African countries, I am convinced that if marketing does not follow these suggested principles that private enterprises will disappear.

CHANNEL INTERVENTION FROM A MACRO PERSPECTIVE: THE LESOTHO, AFRICA, EXAMINATION

by

Lee D. Dahringer
University of North Carolina at Greensboro

Introduction

During marketings' evolution it has been defined in many ways. Atkinson and Butler discussed it as being within the scope of distribution (1). As such, marketing was seen as applying strictly to business activities which helped direct the flow of goods and services from producers to consumers. This "micro" perspective, the essence of which is to provide a framework to achieve company objectives while satisfying consumer wants, is one of the two major threads of marketing thought. This perspective dominated marketing research and conceptualization for many years.

More recently, however, marketing has been viewed as a social activity or institution. The "Macro-Marketing Conference" held in Boulder, Colorado, in 1976 has several articles utilizing such a perspective (2). The core of this approach is viewing marketing as the distributive activity of society providing for its material needs (3).

Such an enlarged perspective has its opponents. Luck maintains that a broadened outlook is only an extracurricular application of business activity (4). Arndt fears such a broadening "may dilute the content and meaning of marketing and turn attention away from the critical issues facing the discipline" (5). But, as summed by Enis (6), the currently employed and popular broadened concept of marketing (7) applies: (1) when the product in question is an economic good or service or when other things of value are concerned, (2) when the target audience consists of customers or other publics, and (3) when the organizational objective

Current Status of Lesotho

A general lack of information of the food and nutrition system functioning and performance was expressed by the officials of the Government of Lesotho (GOL) (14). This study is an attempt to fill that gap and to provide a data base to help improve nutritional planning. Two major research projects were undertaken, complementary by design. One was a nutrition status evaluation, using anthropometric measurements, by GOL and the School of Public Health, The University of California, Los Angeles (UCLA) (15). The other was a food and nutrition system analysis by a team from the University of Colorado, Boulder, and the National University of Lesotho (16). Involved in this research were four separate data gathering instruments, each examining a different perspective of the food and nutrition system. They were a consumer survey, trade survey, farm survey, and industrial organization study -- wholesalers and importers. Each was translated and back-translated a minimum of two times to assure reliability.

The consumer and agricultural practices surveys took an average of 25 minutes to administer. The retailer survey required 15 minutes. The interview used in the industrial organization study took about 35 minutes. The surveys were conducted from July through October, 1976, with the remote area surveys completed by August.

The Consumer Survey. Included in the Consumer Survey were questions designed to measure the degree of interaction and dependency of the respondent to the food marketing system. A standardized pre-tested food shopping list was prepared. Estimates of monthly family expenditures on food and drink, clothing, and housing were recorded. A section determined food sources. A series of questions on food received from clinics, Catholic Relief Services, and other donor agencies attempted to measure the influence of that sector. Travel to Maseru (the capital and only sistence farms reported being involved with the formal commercial food market system was one aspect measured by this instrument. Sections relevant to the food channel included sources of farm input, credit extension by channel members to farmers, and markets for farm output. Such data provided insights into the degree of marketing sophistication and interaction on the part of the small farmer and the amount of channel exposure experienced.

The Industrial Organization Study. The importation and wholesaling of food was the most politically sensitive issue covered by this research project. Therefore, each interview of the major wholesalers and importers was conducted by the same NUL faculty member in an attempt to provide continuity of research, to diffuse this potentially dangerous issue as much as possible, and to help prevent adverse political pressure on this section as well as on the rest of the project. This analysis measured business structure, capacity, supply, distribution, product line, provision of services, perceived consumer values, and perceived obstacles to improved efficiency.

From such data, an analysis of food imports and wholesale food trade structure was prepared. The role of such businessmen in the Lesotho food system was evaluated and pricing policies reviewed. The section project leader is continuing to interact with the industry in an attempt to determine whether recommendations for improved channel efficiency will be self-generating, and if so, to assess the extent to which these suggestions might improve the food system. Food processors, who play a relatively minor role in Lesotho, were also examined in this survey to analyze their impact upon the food system. From such measures and available secondary data, a description of the food and nutrition system is possible.

debated. Although some $8 million has been set aside to develop distribution of inputs and outputs, current plans call for development of channels independent of existing commercial ones, such as GOL co-ops. The Second Five Year Plan, in fact, allocates less than 10 percent of inputs to the industry, commercial and tourism sectors combined. In sum, the current development trends impacting the food system may be illustrated by Figure I.

The Scope of the Nutrition Problem and the Current Shortfall

It may be argued that the currently employed paradigm is not effective and/or sufficient. Data obtained from this research project indicates the "average" Basotho family is at a small daily nutritional shortfall. More importantly, if total increases in income necessary to close the nutritional gap are calculated, some 30 percent of the households do not have adequate resources.

The National Nutrition Survey undertaken at the same time as this research by the Government of Lesotho in conjunction with the School of Public Health, University of California, Los Angeles, also indicates a gap. Using anthropometric measures on children under five years of age, that research indicates that over 20 percent (30 percent in the mountains) are suffering Chronic Protein Calorie Malnutrition (19).

The gap may be said to exist on the order of 20-30 percent. The question which must then be addressed is whether changing the food system will help fill this gap. That is, since change must occur, what type of change is best? Even if the current population growth of 2.3 percent per year declined and erosion of up to 1 percent of land mass per year was halted, other data suggests traditional agri-economic strategies may be ignoring important components of the food system.

Such nutritional problems are continual, both in the current evidence of shortfalls in food available to vulnerable groups in the society and in the contingency of possible future reductions in remittances from migrant workers in the RSA (currently some 60 percent of the work force). A macro-economic view of the food system is a helpful framework in proposing a potential alternative to the traditionally utilized, solely agriculture-oriented one, or even a supplemental one. Figure II is presented with the flow of values of the food system in rands and dollars. In the case of direct farm consumption, the R26m or $30m is an inputed value at the retail equivalent and not part of the cash economy.

The total food demand is R58m or $67m with almost half the food supplied by direct farm consumption (45 percent), imported foods are next (31 percent), domestically produced and locally marketed foods account for some 14 percent, and donated foods provide the balance (11 percent). It may seem surprising that the commercial agricultural sector ranks so low in the present food supply system. However, this ranking suggests that improvement in the performance of the food system will require support of all the sub-systems of the nation in order to close the nutritional gap.

An Alternative?

As the currently employed development paradigm (Figure I) seems inadequate in terms of impacting the various sub-systems of the food system, does another orientation exist which might prove complementary or even more effective? There does seem to be an entry point that merits more consideration than it is usually accorded--the commercial trader channel.

There are about 2,800 retailers and 21 wholesalers in Lesotho. About two-fifths of the marketed surplus of agricultural production now goes through commercial channels. Additionally, the R18m or $21m currently imported into the country passes through this same channel. If the food trade channels were integrated into food and nutrition planning, this should positively impact the food system. A description of what may be accomplished through such an orientation is provided in Figure III.

If, for example, the traders were made depots for government price supported buying schemes, they could be required to pay the support price for surpluses. Also, they would then have a means of collecting for the commercial farm inputs that need to be supplied to farmers when crop surplus is sold. That is, since survey data indicates only 20 percent of the farmers are using commercial inputs at most, packaging such inputs in appropriate scale and making them available with concurrent credit schemes for both channel members and farmers should aid in increasing farm output.

Another problem for the food system of Lesotho is the extreme reliance upon food processing in RSA as opposed to local processing. Small scale mills similar to those used in other parts of Africa could be heavily utilized to provide fresh ground maize and other crops with the germ and nutrients left in. Such small scale mills might be effectively utilized at retail locations.

Additional programs using existing commercial food channels might include management improvement schemes. Another might be inventory carrying and financing schemes for merchants in rural areas to maintain food supplies over the rainy season instead of multi-million dollar development of roads. Such an alternative might achieve the objective of increasing available food at a considerable cost savings, thereby freeing funds for other development priorities.

Thus, it may be said that while the traditional development strategies, co-ops, etc., and other even more directly controlled government schemes to assist farm production and rural development have merit, the commercial traders are an existing institution which has the potential to improve both the standard of living of rural life and the entire food system.

From the diagrams and data presented it may be argued that for relatively low costs significant gains in the food system may be realized through commercial channel interventions. Overall, a short term program of approximately R9m or $10m could, if well executed, be expected to increase farm output up to one-fourth and maintain it at that level for about R800,000 or $1m per year. Basotho support at the household, farmer and trader levels seems to exist. From such programs the benefit/cost ratio could climb to 7/1 over five years (20). It is now necessary for Government of Lesotho planners and development specialists from international agencies to consider including such a macro-marketing orientation in their plans to improve the performance of the food system.

Conclusion

Based upon previous research, and upon tentative conclusions drawn from the Lesotho project, it may be argued that interest in achieving national priorities through macro-marketing interventions be justified. Both the concepts discussed in the introduction and the empirical investigation support such an argument. A next logical step might be the inclusion of macro-marketing on planning boards, such as the Lesotho National Nutrition Council. Costing out such alterations as are developed through research, and implementing them, must be done carefully, and within the current operating system. To empirically demonstrate the value of macro-marketing concerns may in effect require a controlled experiment.

12. See Reference #8 and Reference #2.

13. See Reference #8.

14. "Report on Lesotho National Nutrition Conference, December 1975," Planning Assistance, Inc., Maseru, Lesotho, 1976.

15. "The Kingdom of Lesotho National Nutritional Survey," UCLA Nutrition Assessment Unit, Division of Population, Family and International Health, School of Public Health of the University of California, Los Angeles, California, 1976.

16. Sefali, Michael, Phallany Mokhesi, Charles Slater and Lee D. Dahringer. "An Exploratory Study of the Food System of Lesotho: A Report to the Lesotho National Nutrition Council," in cooperation with Planning Assistance, Inc., New York, 1977.

17. Lesotho: A Development Challenge, The World Bank, Washington, D.C., 1975.

18. Kingdom of Lesotho Second Five Year Development Plan, Volume One and Volume Two, 1975/76 - 1979/80, Central Planning and Development Office, Maseru, Lesotho, 1976, pp. 63-64.

19. See Reference #15.

20. Sefali, Mokhesi, Slater and Dahringer, op. cit., pp. 98-100.

International Production Sharing:

Marketing Implications

by

Joseph C. Miller

Indiana University

Within the past few years, marketing managers in U.S. transnational corporations have begun to recognize the rapid growth and new international importance of a form of operations that was once largely confined to a single country. The marketing concept that best describes it is adding value at the several stages of the vertical channel, from basic materials producers to retailer. A more concise term is production sharing, as suggested by Peter Drucker (1977), and we use this term to emphasize its multi-stage, international dimensions. However, as explained below, production sharing involves a good deal more than overseas production of components (e.g., electronics or textiles) and their re-importation into the United States.

In several important respects, production sharing offers less developed countries (LDCs) a means of obtaining much needed capital, technology, and managerial skills. The benefits to U.S. or West European firms include access to production labor, some raw materials, and growing markets. As in most bargaining arrangements, however, neither side to a production sharing agreement has unlimited benefits and both parties must insist on terms that constrain the other. For example, more and more LCDs require that foreign ownership be limited to a minority equity interest, and the firm often must spend extra time and money in training managerial and engineering personnel.

In spite of such obstacles, U.S. companies are increasingly entering into production sharing arrangements. The purpose of this paper is to project. However, several common themes seem to be emerging, with the differences mainly of degree of magnitude or relative emphasis.

These similarities may be seen in four diverse products, all illustrations of production sharing. One example is the manual calculator that has been so successfully marketed in the United States. The semiconductors that are basic to the computer function of the calculators are made in this country, but are then shipped to a developing country such as Singapore or Taiwan for assembly. The finished calculator is packaged and shipped back to the United States or West Europe where most of them are marketed. A second example refers to gloves, leather luggage and baseballs. The leather that goes into these products is exported from the United States to countries of the West Indies and Mexico. There the leather is further softened and shaped, cut, and sewn into baseball covers and various sizes of gloves or shapes of luggage which are exported back to the major consumer markets of the United States.

A third illustration of production sharing is seen in the operations of a large West European textile corporation that spins, waves and dyes its fabrics in Europe, then airlifts them to Morocco or Indonesia where they are manufactured into garmets, rugs, towels, curtains, or bedding. The finished products are then air freighted back to West Europe markets where they are sold. The Japanese company that exports the machinery for an entire plant which it constructs in Brazil or Saudi Arabia is a fourth example. Once this turnkey project is completed, the Japanese company receives much of its payment in the plant's output (e.g., soybean oil or petrochemicals) which are sold in Japan.

In each of the four illustrative cases, the finished goods are marketed mainly in the higher-income countries, which are also the home bases of the primary manufacturing/marketing corporations. The same corporations provide major inputs of capital and technology in the primary stage of labor or physical materials, but in a few instances (as discussed below) the company needs access to new markets or even use of a foreign technology. Each production sharing arrangement involves a complex balancing of needs, as well as bargaining for control and use of outputs. Space limitations prevent a detailed discussion of these complexities, but some of the major issues are raised below.

Marketing Management Skills

These skills are heavily concentrated in the United States and other countries that enjoy high-income consumer markets, though some of the more advanced developing countries (e.g., Venezuela) are not far behind as their domestic markets emerge. In most of the LDCs, however, the slow pace in the expansion of household disposable income means that markets in those countries will continue to be quite small. Many of the LDCs are small in geographic area and numbers of people, but even in the more populous countries (e.g., India, Indonesia, Nigeria) market growth is slow because the great majority of people remain very poor. Development economists point out that the rates of population growth in the poor countries greatly exceed the rates of increase in real income, with the result that increasing numbers of people are destined to lives of poverty. As birth rates soar and mortality rates are stabilized through disease control, the overall population increases at a high rate: for example, the annual average rate of growth of population between 1970 and 1974 in Mexico was 3.5 percent; in the United States is was 0.8; in France, 0.8, and in Japan, 1.3.

In the United States we have little concept of the pervasive impact of widespread poverty that exists in many LDCs. With 90 percent of a country's population barely subsisting on household incomes of less than $600 per year, problems of malnutrition, urban sanitation, and other basic human needs seem almost overpowering. In such environments it is no wonder fuel, foodstuffs, and capital goods. Indeed, the drive to obtain foreign exchange is so great in many LDCs that governments provide a wide range of incentives to encourage export marketing, and carefully restrict the transfer of foreign exchange and imports.

Technology

Probably more than marketing management skills, technological know-how has originated primarily in the multinational corporations of the United States and other industrialized countries. However, both kinds of knowledge or abilities are needed to make production sharing effective, and both are at least partially transferred to executives and engineers in the process of the cooperation. Both kinds of transfer are limited in production sharing by the fact that the end-product is typically designed to be marketed in the higher-income markets of United States or West Europe. Thus, most of the marketing effort by the LDC is export-oriented and a large part of the consumer marketing is taken care of by specialists in the final market. By the same token, the transfer of technology to the LDC is limited as a result of the research and development of the product having taken place in the more industrialized country. Technology transfer is further limited in production sharing by the fact that the basic components (e.g., semi-conductors, or petrochemical plant) are manufactured in the more developed country prior to assembly or final finishing in the LDC.

However, some technology appears to be transferred in the operation of a production sharing arrangement, and on balance the transfer seems to benefit the LDC. Such transfers are very difficult to measure, but the evidence available suggests that a number of countries, including Mexico, Brazil and Yugoslavia, have enjoyed a fair measure of success in adopting technologies in their export industries. Technology is also transferred readily tapped through the marketing strength of the production-sharing partner in those markets. Where the production sharing project in an LDC manufactures both for export and a growing internal market, the relationship with the Western firm may also be valuable as a source of technical expertise and financing to the LDC firm. Jutila and Flaschner emphasize the importance of improved quality resulting from technological innovation, another benefit accruing to LDC exporters of technologically-advanced goods to industrialized markets.

Production Labor

Drucker (1977) argues that the increasing scarcity of production labor in the industrialized countries is the main force motivating corporations in those countries to enter into production sharing arrangements in LDCs. Although hourly wages paid to production workers in the developing countries are typically much lower than comparable wages in the West, the total unit costs of manufacture in LDCs are usually quite high and sometimes higher than in industrialized countries. Labor productivity is low in LDCs, managerial and governmental overhead expenses are very high, and the cost of capital and transportation all make total unit costs of production in LDCs much higher than the low wages would lead one to believe. Thus, despite the lower wages paid to labor in LDCs, multinational corporations are pushed out of their home bases by shortages of production labor there more than they are pulled by the attraction of low costs of manufacture overseas.

The labor situation in northwest Europe since the early 1960's best illustrates the scarcity of production workers. In West Germany, Sweden, Netherlands, France and Great Britain, companies have provided special housing and training programs, among other incentives, to encourage foreign workers (*Gaestarbeiter* in Germany) to take employment more difficult to overcome: since the technology in production sharing usually originates in the industrialized countries, it is typically labor-saving and capital intensive. There are some efforts underway to develop more labor-intensive technologies for use in labor-surplus LDCs, but the results so far do not promise any significant impact in reducing unemployment in those countries. More likely to be effective are industrialization policies that concentrate on the development of exports of manufactured goods through production sharing.

Materials

Scarcities of some raw materials, especially petroleum, bauxite (for aluminum) and other metals, are also helping induce multinational corporations to enter into production sharing arrangements. In some cases (e.g., ARAMCO in Saudi Arabia), the corporations had previously held control of the material, but nationalization by the host country has led to a cooperative arrangement, under which Western technology and equipment are imported into the LDC, production and processing or refining take place in there, and the processed product is marketed by the corporations in Western Europe and the United States. In other cases, discovery of a valuable raw material in an LDC, combined with its growing scarcity in the Western countries, have resulted in the creation of a production sharing project in the LDC.

Modern production sharing is distinguished from the nineteenth-century colonial extractive operation by the fact that ownership and greater control by today's LDC result in an increasing amount of processing and manufacture there. The older style of operations persists in some countries, but the nationalistic forces of the 1950's and 1960's have all but eliminated Western ownership or 'open concessions' in the LDCs. With some increasingly rare exceptions, the role of the multiarrangements to complex turnkey construction projects. The experience of the U.S. companies in these cooperative ventures is instructive, not only because they contain valuable lessons for U.S. production sharing in other parts of the world. In many respects, the opportunities and constraints that U.S. companies face in Eastern Europe and the U.S.S.R. are reflected in the trends in LDCs.

Although the final word on U.S.-East Europe and U.S.S.R. production sharing is still several years in the future, the information presented here is based on the first (and as far as we know, the only) comprehensive survey of U.S. corporations (Marer, Miller and Holt, 1975). Two research instruments were used. The first was a brief questionnaire that was mailed to 725 firms asking if they were engaged in some form of cooperation and, if so, what kind of project was involved. Some 480 companies replied (giving a response rate of 67 percent) and about one-third of these were chosen, on the basis of their positive responses and substantial involvement in Eastern Europe, to be the subjects of the second, highly-detailed questionnaire. This set of questions was administered by personal interview with executives, most of whom had negotiated the cooperative agreements of their companies.

The results of the survey research cover many subjects and a large number of pages, but our focus here is primarily on the marketing implications of production sharing. Not all forms of East-West industrial cooperation can be called production sharing as defined above. For example, the agreements for scientific and technical cooperation between U.S. (and other Western) corporations and Soviet state agencies entail only the exchange of information, and may only possibly lay the ground work for future production by either or both of the parties. Similarly, some 60 percent of the licensing agreements require the U.S. firm only to supply technical specifications and plans, in return for which the

Table 1. Industrial Cooperation Projects of U.S. Corporations, Completed or in Operation, 1975

	USSR	Bulgaria	Czecho-slovakia	E. Germany	Hungary	Poland	Romania	Country Unspecified	Total Projects
Scientific-Technical or Know-How Agreement	50	4	5	0	3	7	8	—	77
Licensing, Cash Royalty	10	5	15	6	7	14	8	22	87
Licensing, Payment in Product	4	4	2	1	10	20	10	3	54
Turnkey	54	6	10	5	5	20	22	3	125
Co-Production	2	2	2	0	3	6	1	—	16
Sub-Contracting	3	0	0	1	1	4	0	1	10
Joint Venture	0	0	0	0	2	0	2	—	4
Total Projects	123	21	34	13	31	71	51	29	373

All of the Eastern countries (except Yugoslavia and Albania) belong to a common market (COMECON) and U.S. companies know that entry into one of the member countries gives them trade advantages that they would not have outside the area.

Thus, the U.S.S.R. and Eastern Europe as a whole are seen by U.S. business to be a large and growing market in themselves. This view is supported by economist forecasts, such as a recent study by the U.N. Economic Commission for Europe (1976) which projects a shift in the total European/U.S.S.R. market away from the Northwest (the ten countries of the European Community plus Sweden, Switzerland and Austria) to Eastern Europe and the U.S.S.R. as shown in Table 2.

Table 2. European-Soviet Markets, 1970 and 1990 Projections

Region	1970	1990
Northwest	49%	33%
South	6	12
Eastern Europe	32	39
U.S.S.R.	13	16
Total	100%	100%

As many U.S. executives predict, aggregate market growth in Eastern Europe and the Soviet Union is expected to be in the range of six percent annually during the next 12 years, in contrast to three or four percent in Northwest Europe. Growth in Northwest Europe is levelling off as a result of achieving industrial maturity, slower population growth, and shifts towards consumer and social services. The Soviet-East European economies, on the other hand, are at an earlier, more rapid-growth stage in their development with a much larger unfulfilled demand for consumer goods.

A second feature of East European marketing bears a greater similarity to production sharing in LDCs: with exceptions almost entirely in the

To a substantial degree, therefore, the Eastern countries are like advanced LDCs in their needs for Western technology. The differences are less obvious, but real. First, insofar as their domestic markets are growing more rapidly than any others in the world (with the exception of some of the OPEC markets), we can expect higher rates of growth in the adoption or adaptation of Western technologies. Assuming that the East follows much the same pattern of technological imitation and innovation that prevailed in Western Europe, the United States and Japan, industrial growth should have an ever-widening synergistic effect. Second, Eastern Europe and the U.S.S.R. already have a larger and more advanced technological base than the great majority of LDCs. Basic research is well developed in most of these countries, and some industries have an impressive record of high-quality products (e.g., Hungarian pharmaceuticals and chemicals, East German machine tools, Russian coal-mining equipment). Indeed, U.S. executives cited a few instances in which Western companies had entered into production sharing agreements with the objective of obtaining technological improvements from the Eastern partner, and in other cases the Western firm had actually obtained a license from a state enterprise to use Eastern technology.

Labor in Eastern Europe and the U.S.S.R.

Information from the survey of the U.S. executives and studies of labor conditions in these countries suggests that, unlike the LDCs, there are no widespread surpluses of unemployed or underemployed labor in Eastern Europe and the U.S.S.R. In some countries (e.g., East Germany), the reverse seems to be true: with low or negative rates of population growth and production at near-full capacity, managers are urging that more foreign workers be allowed to immigrate, much like the "guest worker" policies of

Western firm to hold concessionary or ownership rights to their raw materials; but here as in other parts of the world Western financing is welcomed to develop unexploited reserves.

One well-publicized case of U.S.-Soviet cooperation involves the exploration for natural gas in the Yakutsk region of Eastern Siberia. Occidental Petroleum Corporation and El Paso Natural Gas Co. began discussions with the Soviets in the early 1970's, and in June 1973 they signed a contract with the U.S.S.R. to undertake the proposed project. At this point, the Soviets began to arrange financing, since the two U.S. companies were not able to provide the $400 million sought by the Soviets. Instead, the financing was to be shared $100 million each by four lenders: the Soviet Union, a consortium of Japanese banks, the Bank of America, and the U.S. Export-Import Bank. Natural gas exported from Siberia would be shared equally by Japan and the United States. However, difficulties arose in the financing when Congress in 1974 passed the International Trade Act which, under the Jackson-Vanik Amendment, provides that no U.S. governmental credit can be extended to any of the communist countries (except Poland, Romania, and Yugoslavia) unless they make changes their emigration policies. Since that time, the Bank of America and the Japanese banks have agreed to provide $25 million each, and these loans will be used toward the purchase of drilling equipment. The delivery of natural gas is still in the future, although it is understood that both the United States and Japan will market exports of the gas, as originally planned.

If the East Siberian gas project is ultimately financed up to the seven billion dollars projected by the Soviets, it will be probably the largest international production sharing arrangement ever carried out. Its chances of realization seem remote at the present, but U.S. firms abilities. The often-mentioned case in East-West industrial cooperation is the agreement between the Italian auto manufacturer and the U.S.S.R., under which a Soviet state enterprise obtained a license and technical assistance to manufacture a "Lada" automobile from the same plans as the Fiat 124 model, and to market the Lada in Western Europe. Fiat management insisted that the Lada was not competitive with the 124, even though it sold at a lower price (e.g., 7950 Swiss francs for a Lada vs. SWF 9950 for a 124 in 1974), but Fiat dealers were persuaded otherwise.

Many of the U.S. executives interviewed said that their companies required the inclusion of a contract provision that limits the territory in which their Eastern partner can sell the goods produced under the production sharing arrangement. Whether such territorial restrictions can be effectively enforced depend upon the particular circumstances, including the partner's interest in a continued relationship, its ability to duplicate the product and technological process without help from the U.S. firm, etc. Approximately 40 percent of the projects surveyed did not involve territorial limitations, usually based on the judgment by the U.S. company that its Eastern partner would not be able or not want to market the goods outside its domestic market in the foreseeable future. The executives said that national demand in the Eastern country would not be met for several years, or that the Eastern enterprise lacked the marketing expertise and channel organization outside its country, or that the quality of the product was sufficiently inferior to that of similar goods made in the West.

A second major issue is suggested by the question of product quality: are Western firms undercutting themselves by selling their technology to LDCs or communist countries? In the case of the U.S.S.R. and other potentially hostile countries, the issue is whether the sale of Western in most fields, and the application of that science in industry. In his recent study of Soviet technology, Berliner (1976) points out that the state planning system fails to give the innovative manager sufficient incentive to innovate. Indeed, if a manager does undertake the development of a new scientific application in his plant, he runs a considerable risk of losing his regular bonuses and depriving other managers and staff who work for him of their bonuses as a result of the new development interfering with current operations. Sc much emphasis is placed on meeting regular production quotas that few, if any, managers can afford to risk their positions by trying to innovate. Such decisions must come from the top of the production planning system; but, as Berliner argues, they rarely do, since Soviet leadership is old and extremely cautious.

A further issue that will continue to be raised about U.S. involvement in product sharing is its possible effect in displacing American workers. The argument is that the shift by U.S. corporations to overseas production, in one or more stages of the vertical channel, gives foreign workers jobs that would otherwise be filled at home. As production sharing expands, more political pressure will be applied by organized labor to restrict the overseas operations of the MNCs. Indeed, a number of bills to create restrictions have been introduced before Congress (e.g., the Burke-Hartke proposals), and one of the main motivations behind them is the fear that American jobs are being exported.

Research by this author (1975) has attempted to show that the number of U.S. jobs displaced ought to be balanced against additional U.S. employment generated by the MNC as a result of its foreign investment and trade. Three types of employment-generating effects are identified: (1) the <u>home-office effect</u>, which includes staff specialists in the

Peter F. Drucker. "The Rise of Production Sharing," The Wall Street Journal, March 15, 1977, p. 18.

Edwin C. Greif. "Theory: The Basic Essential to a Maturing Discipline," Macro-Marketing: Distributive Processes from a Societal Perspective, Charles C. Slater, ed., Boulder: University of Colorado, Graduate School of Business, Business Research Division, 1976.

Herbert G. Grubel and P. J. Lloyd. Intra-Industry Trade: The Theory and Management of International Trade in Differentiated Products, Chapter 7, "Intra-Industry Trade Through Technology, Product Cycles and Foreign Processing," New York: Halstead Press, 1975.

Marye Tharp Hilger. "Public Policy Implications and Theories of the Relationship between Economic Development and Market System Development," in Phillip D. White and Charles C. Slater, eds., MACRO-MARKETING: Distributive Processes From a Societal Perspective, An Elaboration of Issues. Boulder, Colorado: Business Research Division, Graduate School of Business Administration, University of Colorado, 1978.

Sakari T. Jutila. "Planning and Design of Quality from the Point of View of Market Research," University of Toledo, College of Business Administration, working paper, 1977.

Robert S. McNamara. One-Hundred Countries, Two Billion People: The Dimensions of Development, New York: Praeger, 1973.

Paul Marer, Joseph C. Miller and John Holt, The U.S. Perspective on East-West Industrial Cooperation, Bloomington, Indiana: International Development Research Center, 1975.

Joseph C. Miller. Employment Effects of International Trade and Investment on the U.S. Economy, Washington: U.S. Department of Commerce, 1975.

Donald Mulvihill. "The Quality of Life and a New Definition of Marketing," in Phillip D. White and Charles C. Slater, eds., MACRO-MARKETING: Distributive Processes From a Societal Perspective, An Elaboration of Issues. Boulder, Colorado: Business Research Division, Graduate School of Business Administration, University of Colorado, 1978.

Charles C. Slater. "A Theory of Market Processes," Macro-Marketing: Distributive Processes from a Societal Perspective, Charles C. Slater (editor). Boulder: University of Colorado, Graduate School of Business, Business Research Division, 1976.

Charles C. Slater. "Toward an Operational Theory of Market Processes," in Phillip D. White and Charles C. Slater, eds., MACRO-MARKETING: Distributive Processes From a Societal Perspective, An Elaboration of Issues. Boulder, Colorado: Business Research Division, Graduate School of Business Administration, University of Colorado, 1978.

United Nations, Economic Commission for Europe. Projected Economic Growth in Europe to 1990, Geneva, 1976.

VII

MACRO-MARKETING AND SELECTED OTHER TOPICS

The process of clarifying the understanding of macro-marketing involved much lively debate and discussion. In the course of the seminar, a clearer understanding of what is meant by macro-marketing seemed to evolve. An important part of this clarification process involved the distinction between macro-marketing and social marketing.

One of the issues which emerged in the 1976 seminar and which was a frequently treated topic this year involved identifying the impacts that the operation of the marketing system is having on the social system as a whole. One pressing issue involves growing realization of the constraints under which the system is operating. Recognition of these impacts and the solution of performance problems calls new attention to the application of marketing tools and techniques to two basically micro areas of marketing.

The first area involves the development of services. As the marketing system moves more and more away from the marketing of goods because of constraints and undesirable impacts, the marketing of services will become increasingly important. Thus, the marketing of services has an important relationship to the other issues which relate to macro-marketing. The marketing of services has long been recognized as a neglected area of marketing. However, in view of the consideration being given to macro-marketing issues, the role that services will play will take on increased importance. In this context, the development of micro level skills associated with the marketing of services is relevant to macro-marketing. Uhl and Upah, in their paper on services, make a substantive contribution to understanding and marketing of services. The propositions they develop identify and clarify a number of important issues involved in marketing

THE MARKETING OF SERVICES: A SET OF PROPOSITIONS

by

Kenneth P. Uhl

and

Gregory Upah

University of Illinois at Urbana-Champaign

ABSTRACT

Most marketing thought has been directed toward the marketing of goods with little specific emphasis on services. Thus, the question arises as to whether major product-service differences really exist and whether these differences lead to significant differences in marketing. This paper attempts to add to the limited theory behind service marketing by answering this question.

Managers who create and market services are confronted by a somewhat different set of problems and opportunities than those who work with products. They need to recognize the differences between services and products and the resulting marketing implications of those differences. Persons who are new to service marketing can currently turn to a partial body of knowledge to help transition them to the distinctive differences (1). However, the information, while rich in some dimensions, is neither very systematic nor complete.

The basic purpose of this article is to present a set of propositions about the uniqueness of service marketing. These propositions are designed to make an additional contribution to the limited theory behind service marketing. As such the focus is more theoretical than managerial. It is important, however, to attempt to examine the distinctions between products and services and the resulting marketing offering. Similarly, services are only by-products of products sold by wholesalers of plumbing supplies, manufacturers of bookkeeping equipment and casket manufacturers.

A Definition of Services

There are distinct differences between most products and services. The most obvious difference is in terms of tangibility. Products provide the purchaser with a tangible capacity to provide satisfaction. Products have physical substance. They can be held, touched or seen.

Services, in contrast, provide the purchaser with nothing tangible upon completion of the transaction, but rather an intangible output without capacity for further use. Tangible objects may be involved in the service, but only for the duration of the transaction. The receiver of the services comes away "empty-handed" with nothing physical to show (4).

Two fairly broad definitions of services have been offered dealing specifically with the intangibility of services. Judd defines a service as the object of a market transaction that does not entail the transfer of ownership of a tangible commodity (5). Rathmell defines a service as "any intangible product bought and sold in the marketplace" (6). Although neither of these definitions wrongfully characterizes services, a more substantial definition is needed for further discussion.

> A service is any task or work performed for another and/or the provision of any facility, commodity or activity for another's use and not ownership. It is, therefore, intangible and is incapable of being stored or recalled for further use without enacting an additional transaction.

Explanation of the Terms in the Definition

1. Task or Work: Includes actual physical labor, e.g., repairing a car, cutting hair or cleaning a house as well as mental effort such as the sheer thought put into a case by a physician or attorney.

cannot be stored. The unused capacity of the service producer is lost forever and cannot be recalled for use at some later date. Empty seats at a football game, on an airplane or in a barber shop cannot be stored and recalled for use in future periods of peak demand.

Services also lack the capacity to render repeated use over time. Once the service is rendered, its useful life to perform the same or some similar task is over. The benefits of the service may linger on, but there is no ongoing or remaining use capacity. The renter of a motel room or the purchaser of a haircut cannot obtain another haircut or lodging facility without entering into another transaction. In contrast, durable products such as cars, barber kits or mobile homes retain their capacity to provide similar and additional benefits to the buyer long after they are purchased. Perishable products, like bread, electricity, and gasoline retain their capacity for use only through non-use. Products possess the quality of latent use capacity while services do not. Thus the services of a taxi, a physician, a tax accountant, a motel or a football team are consumed when and where they are produced.

Three major and fundamental differences between products and services are implicit in the above definition; namely, tangibility, latent use capacity and ownership. There are two additional dimensions in the market place--assortment size and channel structure--that also distinguish most products from services. These five differences present compelling differences in marketing.

its significance. They argue that the presence of tangible products does not aid consumers in decision making because of the immense variety of products. Even apart from arguing the abilities of consumers to evaluate various type of products, the essential point is that sellers of services have virtually no choice but to emphasize their tangible capability as an indicator of the quality and nature of the service to be performed. This is especially true in cases where consumers have little or no previous experience with the service offering.

Furthermore, in product transactions the purchaser has both seller and product to evaluate. In service transactions, since the service itself is intangible, the focus of evaluation falls much more heavily on the tangible evidence of the seller's capability to provide the service. Enough has been said to provide the first proposition.

Proposition 1. In the marketing of services, the tangibility/visibility of the production capabilities are substituted for the lack of tangibility of the services themselves.

This general proposition leads to further propositions about: (1) equipment intensive services and (2) people intensive services. Examples of the first category would include such services as transportation, lodging and automatic car washes. The second category would embrace legal, accounting and management consulting services, among others.

Equipment Intensive Services

The marketing of equipment intensive services tends to be somewhat similar to product marketing, particularly when tangible/visible equipment is available to be featured as a conveyor of the benefits. But even this varies with the uniqueness of the equipment.

transaction, but merely one type of tangible evidence of the benefits to be provided. Accordingly, we have a second proposition.

Proposition 2. <u>In the marketing of equipment intensive services--</u>

a) <u>equipment capabilities are featured when major unique equipment is present</u>.

b) <u>man/equipment interface capabilities are featured when the equipment is somewhat unique</u>.

c) <u>equipment capabilities are virtually ignored when they are common to most of the competitive service suppliers</u>.

People-Intensive Services

The marketing of people intensive services focuses principally on the people, their capabilities, and the aspects of the immediate environment that can provide cues as to their success (capabilities). Limited attention is paid to equipment (8).

In the marketing of professional services such as medical treatment and legal and accounting advice, for example, the physician, lawyer and accountant are featured whether the marketing involves additional services to present clients or the acquisition of new clients. With present clients, the direct interface of the service suppliers with the clients predominates. With prospective clients, where direct solicitation is limited, word-of-mouth featuring the service supplier is conveyed to prospects through present clients and other centers of influence. Other types of people-intensive service such as, barbering, massaging and stock and real estate brokering, make greater use of more visible media but still focus on the service provider.

they are being produced. In contrast, the buyer of a comb, an adding machine or television set may become a recipient of those products long after they have been produced.

Products can be produced for inventory--however, virtually no services can be produced prior to demand or in locations other than where demanded. Haircuts, college educations, car repairs and live sports events <u>cannot</u> be produced prior to demand, placed in inventory, or shipped to points where there is demand.

Latent <u>capacity</u> to provide services, however, can be provided prior to need, can be inventoried, and can be transported. Physicians, barbers, air transportation facilities and automobile mechanics can all be readied, held in reserve, and transported to various sites. However, capacity that goes unused each day is forever gone. Capacity in empty airline space, undercapacity audiences at football games and unrented apartments perish because they cannot be stored.

Wyckham et al. and other persons that argue that service and product marketing are the same point out that perishability differences between products and services are merely short-term differences. They say that products, like services, can become obsolete or decay with age. To say that perishability is merely a difference of degree, however, understates this key difference between products and services. All service capacity is perishable and furthermore perishes with every instant of non-use. Most products do not perish with non-use, but retain their ability to be sold at full value--at least in the short term. Durable products such as houses, furniture and automobiles retain their value for long periods of time.

Wyckham et al. also argue that to compensate for perishability, service capacity can be adjusted just as the hours of the retail store (customers) can only be held or batched up to the capacity of the service provider to hold and process customers--and within the customers' tolerances for delay. A car wash, for example, that can wash two cars in each four minute cycle and that has wait space for four more cars wants no more than six dirty cars in its wait and wash batch. A "batch" beyond the wait and wash capacity or beyond the customer's tolerances for delay will force customers to return later, go elsewhere or skip the service. In the longer run, such a "batch" may suggest to the service supplier that he provide an increase in wait or wash capacity or both. A similar situation prevails for dentists, surgeons, airlines, motels, universities and many other service suppliers. This problem is not unique to service marketing but it is particularly acute because of perishable service capacity.

The problem is most acute, however, for services which require the time and place presence of the consumer for the service to be performed. Physical and dental check-ups cannot be performed without the physical presence of the patient. Other services such as tax form preparation or various accounting services do not require the client's time and place presence. In addition, many product purchases can be delegated to others (e.g. the housewife is delegated the responsibility of buying needed goods for the family). However, for services requiring the time and place presence of each recipient, this centralized purchase function and the resulting savings in time and effort is lost. For such services, then, shorter service times and more efficient use of service time will be more attractive to consumers. Thus physicians might convince more patients, more often to get a regular check-up if check-up time was shortened (e.g. instead of offering only complete physical examinations physicians might also offer shortened examinations which check such things as heartbeat, pulse and blood pressure). Consideration of these situations leads to to him; he can accept referrals from fewer physicians; or he can simply accept fewer patients. Price is not often a particularly appropriate or effective regulatory device for surgeons, although it can be useful in the marketing of many other services.

Increasing the flow of patients would normally involve similar mechanisms but a reversing of the processes. The physicians' professional code of ethics, plus marketplace practices, currently prohibit the use of advertising and other direct promotional mechanisms to secure new patients. However, many physicians know the subtleties of building practices through strong referral systems.

Accountants, dentists and some of the other professions currently impose similar codes of ethics that prevent direct promotion to prospective clients--except by invitation (9). Existing clients, however, are open "game" in all of the professions. Dentists, for example, help regulate the magnitude and timing of visits by their patients by regular reminders; and accountants look after their clients' needs by contacting them as they deem appropriate.

Most other service marketers are free to use direct promotion and a wide variety of marketing activities that they consider to be in good taste and helpful. In these situations, advertising and personal selling can be used to gain some control over both the magnitude and the timing of demand.

Finally, to market services efficiently, it is often helpful to segment or partition buyers according to their tolerance for delays. For services such as medical (and other professional services), segmentation is relatively simple because it relates primarily to the schedule of appointments based on the professionals' diagnosis of patients' or clients' needs. Some service producers allow certain periods and facilities for walk-ins and make exceptions for emergencies.

Implications of Use Without Ownership

Services provide the <u>right of use</u> without ownership to facilities, commodities and activities. Examples include rental or lease agreements for homes or motels, cars and trucks, specialized machinery and admission to entertainment events and amusement parks. The service firms in these situations are usually providing the use of products or activities the consumer would either not otherwise be able to afford, or would use so infrequently as to not warrant purchase.

The right of use conveyed by services is also desirable when the ownership of a product is undesirable due to inconvenience, risk factors, or on-going ownership responsibilities. Apartment living, for example, is desirable to many individuals because it frees them of the tasks and the risks of ownership and the use of their capital. This discussion leads to the seventh proposition.

Proposition 7. <u>The reason for the existence of most services is their capability to alleviate consumers from large costs, risks, inconveniences or on-going burdensome responsibilities of ownership. Consequently</u>:

a) <u>One or more of the alleviating capabilities must be present in a service, and be important to a segment of the consumer population, in order for the service to be successful</u>.

b) <u>The alleviating capabilities of some services need to be emphasized in communication to prospective customer segments; for other services, they are obvious</u>.

Proposition 8. To satisfy a comparable set of customer needs, a service marketer provides a relatively smaller assortment than does a product seller.

Implications of Service Channel Structures

The channel structure of services is shorter than that of products (10). Aside from intermediaries like insurance, travel and some other agent middlemen and franchisers, there are relatively few intervening marketing institutions involved in the sale of services. For the most part, services are both produced and sold within individual organizations because production and receipt occur simultaneously. Consequently, channel structures for services are relatively short and simple. In contrast, in product channels, producers, wholesalers, and final seller are often different entities and storage, shipment, ownership and promotion are handled by a variety of institutions. Therefore, product channels tend to be relatively long and complex.

Furthermore, producers, and middlemen that market products frequently disagree over assortment sizes, prices, advertising and selling, freight costs and credit terms. The final sellers or retailers, in efforts to counteract the power-base of the producers, often attempt to create strong consumer preferences for their institutions. These disagreements can lead to extensive vertical channel conflict.

In service channels, these forms of vertical conflict are not very prominent. Most service providers being both producer and seller retain control of the service offerings from production to sale. Competition in the marketing of services exists primarily among competing service channels--i.e., horizontal competition.

A disadvantageous by-product of this situation is that the degree to which service firms can transfer the risks and other burdens involved in

Proposition 9b. Virtually all risks of providing service capacity remain with the service provider because services cannot be produced prior to sale and cannot be transferred. Thus, service firms, in general, bear a greater share of the risks associated with the sale of their service product than do producers of products.

Summary and Conclusions

This paper has offered an expanded definition of services encompassing some of the major differences between products and services. The marketing implications of these differences have been considered and formulated into nine propositions.

These propositions represent an attempt to bolster the fairly limited theory on service marketing. They are designed to help persons who are familiar with or interested in the marketing of services to organize their thinking and experiences. They should also help persons who are familiar with product marketing to generalize and to extend their experiences to service marketing.

This paper and set of propositions represent a continuing forage into thinking about the marketing of services. In turn, it calls for subsequent activities if our knowledge is to continue to grow. First, the propositions are only propositions. Accordingly, they need testing--both through rigorous thought and through empirical testing. Second, additional propositions need to be formulated to cover other aspects of service marketing. Finally, the propositions are general. Propositions for the marketing of specific types of professional services, such as legal and accounting services, could be very helpful in a marketing environment that is in the process of substantial change.

10. James M. Carman and Kenneth P. Uhl, Phillips and Duncan's Marketing Principles and Methods, Seventh edition (Homewood, Ill.: Richard D. Irwin, Inc., 1973), p. 362.

PRICING AND A COORDINATED MARKETING PROGRAM FOR ARTISTIC ORGANIZATIONS

by

J. Marc DeKorte

The University of Toledo

Historically, the association between business and the arts has been a rather feeble one. Frequently, business organizations have been epitomized as seekers of profits through the bettering of peoples' standards of living. Artifacts and convenience items were distributed and materialistic desires were satisfied and encouraged through the endeavors of business. On the other hand arts organizations are set forth as pursuing the improvement of humanity's standard of life through the offering of civilization's aesthetic accomplishments for the cultural enrichment of various audiences.

Until recently business and arts organizations have functioned quite independently of each other. This lack of relationship can be noted not only in regard to the established organizations but also in schools and universities where students typically pursue degrees in one or the other of these areas with little overlap of course work and as a result little true understanding of the other area. Unfortunately, recommended programs in each of these areas have done little to rectify this split. Outside academe the relationship has been one of business foundations providing funding for various arts organizations and offerings. Little, if any, administrative help was provided.

Within the past decade certain university and community groups have taken much needed steps to establish a working relationship between various business disciplines and the arts. These attempts have mainly include a set of activities useful to many engaged in endeavors outside the business (profit-seeking) sector. Currently, the most widely cited definitions include all those activities that are aimed at bringing about exchanges (4). Such definitions, hopefully, will encourage the application of marketing principles by arts organizations as well as many others involved in seeking exchanges in a general sense of the term.

THE USE OF MARKETING TO ATTRACT AND MAINTAIN AUDIENCES

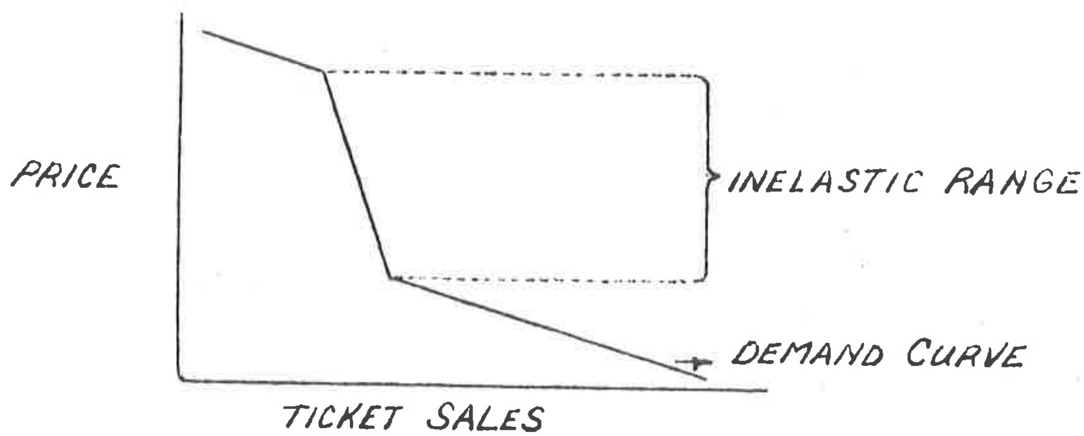
Given the broadened definitions of marketing, the list of specific functions becomes a long one. From a management standpoint, these functions are traditionally grouped into four major decision areas. For business these can be considered as four general methods for competing or gaining a competitive advantage. To the arts organization they should be viewed as ways of attracting or maintaining an audience. These areas are:

1. Decisions as to the specific arts offering and any necessary changes in existing offerings. This is perhaps the most basic decision area.
2. Decisions regarding the place of environment in which the arts offering will be presented.
3. Promotional decisions. This area typically should involve all communication regarding the image of the arts organization and what is being offered.
4. Decisions as to prices. Here concern is with what the public or audience is giving in exchange for a program, although often ticket price or price of admission is the primary consideration.

Decisions in these four areas result in a marketing mix or program. The overriding recommendation in establishing such a program is that the formances when 240 performances indicated a hit (6). Each arts organization faces a unique range of possible prices which will provide relatively small differences in demand. Such organizations should seek to establish their "inelastic range." Figure 1 illustrates the possible

FIGURE 1

DEMAND FUNCTION FOR ARTS OFFERINGS



form that the demand function for arts offerings might take. In all likelihood arts administrators have more reason to avoid price reductions for revenue increase than do persons in business because of this inelastic range. Not only does a price reduction result in a relatively small increase in the demand, but, more objectively, it will result in a decrease in total revenue if the demand function is truly inelastic. Thus, assuming such a range, the administrator would be advised to price at a relatively high level within this range.

The inelastic nature of the demand for arts offerings can be illustrated with examples from several areas. Demand for Broadway tickets relative to price indicates a highly inelastic situation. As an overall tendency, higher prices have resulted in income increased rather than decreased attendance (7). Studies also show a relative lack of response to price reductions (8). Of course, the relative lure of specific shows

Moves "up and demand curve" meet resistance, because the former lower price indicates a quality less than the higher price warrants. Of course, this price changing flexibility varies greatly, depending mainly on the length of time for which a program runs. The majority of specific programs do not offer the luxury of price adjustments during the run. Nevertheless, prior similar programs and the response to the same program in other locations might be used as indicators of appropriate price levels. The subjective judgment of the arts administrator looms important in this context in that no two localities will respond in like manner, and responses in the same will vary over time. This also assumes a constancy in the other three nonprice elements of the marketing mix.

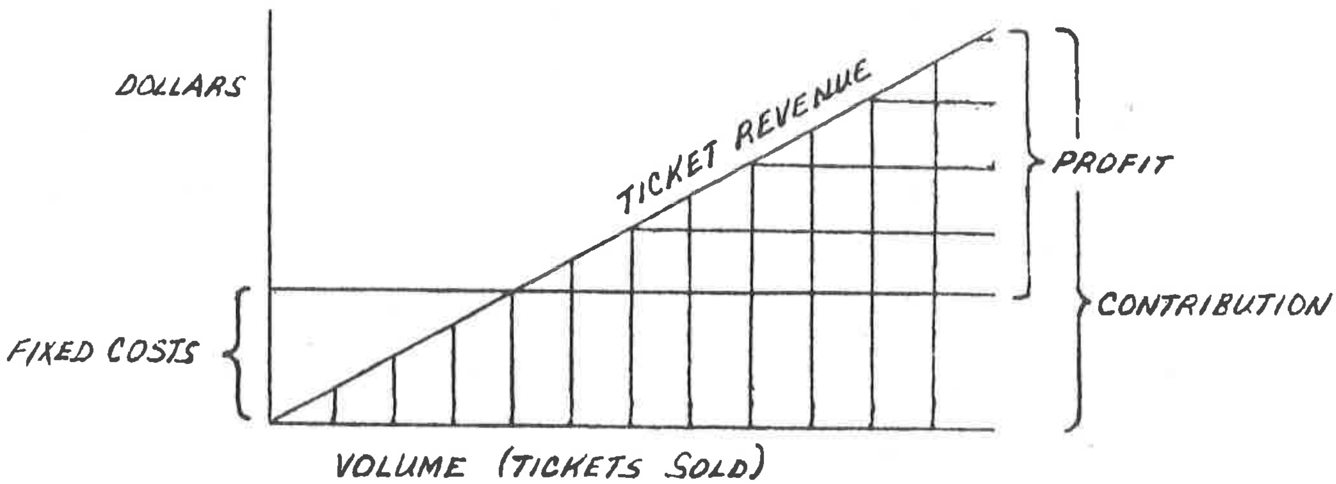
It is conceivable that some administrators face a backward sloping demand function for their offering in that an increase in the price will result in an increase in ticket sales. Relating this to the notion of exchange, the audience may feel a worthwhile experience can exist only when something quantifiable (money) is given by them to receive the enjoyment of the offering. To some extent, in certain cases the higher the price the more desirable will be the audience perception and the greater will be ticket sales. Pricing based on such an assumption should be undertaken with the greatest of care in that too high an initial price might frighten off a portion of the potential audience which might never be regained.

PRICES AND THE COST STRUCTURE OF THE ARTS

Up to this point the examination has dealt primarily with demand aspects relative to price. The response of total revenue to price changes has been noted, but nothing has been stated regarding the making of "profits" or the covering of costs. An increase in the price of tickets for business enterprises is often recommended to be variable costs, and any amount over this will serve as a contribution to fixed costs. Applying this reasoning to arts organizations the floor price becomes very low (often approaching zero). Hence, marketing activities become even more beneficial for such organizations than for business enterprises with higher variable costs. Figure 2 illustrates a contribution chart for organizations with only fixed costs. In such a situation the entire revenue from the first ticket sold would contribute to fixed cost coverage.

FIGURE 2

CONTRIBUTION ANALYSIS FOR ZERO VARIABLE COST SITUATIONS



Essentially the arts administrator must determine the total costs involved in a production and the volume at a given price that would be necessary to break even. This type of cost-volume analysis gives no indication of the price that a sufficient audience will pay. Frequently, it becomes necessary to decide on artists, location and price, relying on promotion to insure the necessary volume.

One obvious constraint on the freedom of pricing for an arts organization must be noted, and that is the size of the house or facility. Although an extremely low price with or without promotion may attract large proportion of fixed costs the lower will have to be the elasticity of demand to make a price reduction profitable. As was mentioned the demand for the arts is relatively inelastic. The crucial question now becomes: Is there enough responsiveness to price changes to utilize this rule and reduce price levels to move in the direction of profitable performances? The answer depends on the organization and the subjective audience feelings in regard to price.

In situations where an offering continues for an extended period of time a rule for "rational ticket pricing" emerges: gradually increase ticket prices to the point where the increase begins to affect income negatively (10). A sudden increase might jolt the potential audience into not attending and might run into difficulties due to the price-quality relationship. The former substantially lower price might also indicate a quality below what the high price warrants. Finally, a gradual increase in price might be accepted by the audience as the result of inflationary pressures, whereas, a sudden increase may be viewed as unfounded profit seeking.

PRICING WITH CONSIDERATIONS OTHER THAN DEMAND AND COST

Increasingly, the area of psychological pricing is gaining attention, and resulting recommendations are being applied. This area does not rely heavily on demand or cost considerations but on the "quirks" of the audience mind. One such area has already been examined, namely, the utilization of price to determine the desirability and quality of a program. This price-quality relationship can be used as an argument to increase prices or to begin pricing when productions are free.

On occasion an increase in price will increase ticket sales because of the anticipation on the part of the audience that prices will increase even more in the future. Conversely, lowered prices may lower ticket sales.

with the image of the offering. This often happens with productions on campuses. Often attendance is lessened, because people expect lower quality and lower prices in such locations. Specifically, artistic productions in athletic facilities often seem inconsistent to audience members. Outside organizations using facilities on a college campus for the presentation of some attraction should keep in mind that frequently the public has been conditioned to expect lower prices for events in such locations. This is due to the many free or inexpensive offerings sponsored by colleges and universities.

Elasticities of demand for arts programs will also vary among cities. Very large cities like New York experience extremely inelastic demand for successful performances. This may be true even over the long run because of the large number of visitors who feel it imperative to "take in" a particular show or performance as an integral part of their total experience in the city. High prices are frequently expected. On the other hand, if the production is marginal the demand for tickets becomes much more elastic and people will select from the vast array of alternatives (competitive offerings) available in these larger places.

Also in the very large metropolitan areas more experimentation with price changes is possible because of the longer program runs. If the feeling emerges that prices are inappropriate, adjustments can be made and resulting changes in ticket sales noted. Over time arts administrators in such situations can get a fairly good idea of the responsiveness of sales to price changes. This luxury is not available in smaller cities with shorter program runs. The techniques of gauging preferences and loyalties, along with the examination of responses to price levels for previous similar performances in those cities and similar ones, becomes an important device for price selection. Fewer competing attractions in

SUMMARY

The selection of a price must involve some estimate of ticket sales at various prices and the costs that are expected to be covered. In selecting from the existing range of possible prices psychological reactions or expectations of the audience must be considered along with area preferences and competitive offerings.

Although this paper has dealt with pricing in a rather general sense, one basic recommendation should come forth. The selected price structure should be carefully integrated with the other nonprice elements of the marketing program for a solid, coordinated impact. The elements should be consistent with each other and should all aim toward the same goal.

REFERENCES

1. An indication of the schools offering arts administration programs can be gleaned from the membership rosters of the Association of College, University, and Community Arts Administrators, Inc., Madison, Wisconsin.

2. The Association of College, University, and Community Arts Administrators, Inc. took a poll of its membership to determine what area was desired as the theme for their 1976 Conference. Coverage of marketing was desired by more members than any other subject. The December, 1976 Conference centered around the marketing of non-profit artistic organizations.

3. See, John Kenneth Galbraith, The Affluent Society (Boston: Houghton-Mifflin Company, 1958), pp. 152-160.

4. See, for example, Philip Kotler, "A Generic Concept of Marketing," Journal of Marketing, Vol. 36, No. 2 (April, 1972), pp. 46-54.

5. Stewart H. Rewoldt, James D. Scott, and Martin R. Warshaw, Introduction to Marketing Management, 3rd ed. (Homewood, Illinois: Richard D. Irwin, Inc., 1977), p. 555.

6. John F. Wharton, "The Mythology of Ticket Selling," Theatre Design and Technology, No. 8 (February, 1967), p. 8.

7. Bruce T. Birkenhead, "Tickets, Attendance and Capacity of the Theatre Industry," Theatre Design and Technology, No. 4 (February, 1966), p. 13.

THE APPLICATION OF MARKETING PERSPECTIVES

TO THE RELIGIOUS INSTITUTION

by

Denis F. Healy

University of Delaware

ACKNOWLEDGEMENTS

I would like to express my appreciation to Rev. J. Cameron Yorkston for his numerous contributions to the conceptualization and development of this paper. Also the comments of Professor James F. Engel, Wheaton Graduate School and Professor David M. Gardner, University of Illinois at Urbana-Champaign on my working paper have been most helpful.

> *One might ask when viewing the religious waters of today, "Is the pond deep?" to which I would reply, "No, it's only muddy."*
>
> Rev. R. H. Hayden

In its report, "Religion in America: 1976," the Gallup Opinion Index indicates that organized religion appears to be holding its own after a period of sharp decline in the 1960s. On the other hand, the study shows that there is considerable belief that organized religion has "failed to meet the needs of the people." This indictment is lodged chiefly by those in the younger age groups (1).

Like all social institutions, the religious institution functions in a dynamic environment. Changes in life styles, family structures, social attitudes and the like have a major impact on religious practices and organizations. To survive and be of value to society and the individual, the various organized forms of religion must become more aware of the changing social fabric and must develop better ways of accomplishing their mission (2).

behavioral unit of analysis is the set of transactions between the institution, its publics, and other institutions involved in satisfying social and psychological needs. Although the main focus of the paper is on macro-marketing issues there are numerous comments of a micro-marketing nature.

The organization of the paper is as follows. First, several major trends in religious practice are presented and the relevance of marketing concepts to a study of the religious institution is established. Next a model of the religious system is introduced and several basic issues relating to institutional objectives and interrelationships in the system are examined. Finally, several areas for further study and application of macro-marketing thinking are identified.

The Marketing Perspective Applied to the Religious Institution

Since the beginning of the 1970s considerable thought and analysis have been given to defining the nature and scope of the field of marketing (6). The rapid and rather widespread acceptance of the logic and efficacy of expanding the application of marketing concepts and theory has been documented elsewhere in the marketing literature (7). The principal basis for this broadened perspective is that exchange relationships in the form of dyadic transactions are the basic units of analysis and the study of exchange relationships is the substance of marketing thought (8). Many scholars have examined various aspects of the organizational evolution process and concluded that the process is systemic and involves creative responses to changing environments. Responding to change effectively, they maintain, is the domain of marketing practice (9).

This trend towards a more generic and macro orientation has not been without dissension. There appear to be two grounds for such disagreement.

Harvest? God and Man in the Mission of the Church, appeared in 1975. This book deals in depth with the application of consumer behavior and communications theory to the promotional activities of a church (14). Another item, although not directly tied to religious marketing, is an article by Van Dyke, "Stop Killing Us with Kindness," which appeared in the July 1976 issue of the Journal of Marketing. This piece defends the use of the religious media as a means of reaching certain market segments (15).

Because of the limited level of concept development on the subject of religious marketing (or perhaps because of a reluctance to associate marketing-type thinking with the issues confronting the institution), one finds few pieces with "marketing" in the title. Instead the titles used by authors and the categories employed by bibliographers deal with such issues as social change, the sociology of religion, pastoral activities, and the role of the clergy and the institution (16). Yet, the astonishing success of such programs and personalities as the Billy Graham Organization, the PTL, Oral Roberts and Cathedral for Tomorrow (Akron, Ohio) suggests that marketing principles are being effectively used even if they are not given recognition as such.

Trends in the Religious Institution

Changing life styles, attitudes towards religion, and the influence of other institutions present opportunities and threats to the survival and vitality of the religious institution. The Gallup organization conducts extensive, periodic surveys of religious belief and practice in America and worldwide, thereby making possible the development of trends in such areas as membership, attendance, attitudes towards various belief systems and the perceived influence of religion on life styles. Selected findings from the fifth study in the Gallup series (Religion

TABLE 1

MEMBERSHIP IN MAJOR U.S. RELIGIOUS BODIES
1964 - 1974

Religious Body	Membership (millions of persons) 1974	1971	1966	1964
The Roman Catholic Church	48.7	48.4	46.8	45.6
The Southern Baptist Convention	12.5	11.8	10.9	10.6
United Methodist	10.1	10.5	10.3	10.3
Jewish Congregations	N/A	5.9	5.7	5.6
The Lutheran Church in America	3.0	3.1	3.1	3.1
The Episcopal Church	2.9	3.2	3.4	3.3
The Lutheran Church - Missouri Synod	2.8	2.8	2.7	2.7
The United Presbyterian Church in the United States of America	2.7	3.0	3.3	3.3
The American Lutheran Church	2.5[2]	2.5	N/A	2.6
The Greek Orthodox Archdiocese of North and South America	2.0[1]	2.0	N/A	1.7
The United Church of Christ	1.8	1.9	2.1	2.1
The National Primitive Baptist Convention	N/A	1.6	1.2	N/A
American Baptist Churches in the United States of America	1.6	1.6	1.6	1.6
American Baptist Association	1.1[1]	0.8	0.7	0.7
The Presbyterian Church in the United States	0.9	0.9	0.9	0.9

[1] 1975 data

[2] 1973 data

SOURCE: Yearbook of American and Canadian Churches, Office of Research, Evaluation and Planning of the National Council of the Churches of Christ in the U.S.A., 1965-1976.

TABLE 2

INFLUENCE OF RELIGION

Question: "At the present time, do you think religion as a whole is increasing its influence on American life or losing its influence?"

	Increasing	Losing
LATEST	39%	51%
1974	31	56
1970	14	75
1969	14	70
1968	18	67
1967	23	57
1965	33	45
1962	45	31
1957	69	14

The Responsiveness of the Religious Institution

The trends listed above suggest that the religious institution and its component bodies are participants in and agents of change. There are many complex forces acting on the institution and society that over time must be identified and responded to if the institution and particularly the mainline religious bodies are to survive. Harvey Cox, in viewing the contemporary religious scene believes that:

> Some form of institutionalized religious expression is going to survive. Man is not only a religious being but a social one as well. He's not going to accept a completely do-it-yourself approach on anything this central to survival. Oh, the denominational type of Christianity headquartered in skyscrapers with branch offices in the suburbs is fated for rapid extinction, and it can't disappear too quickly for me. Yet, some form will rise out of the present resurgence of spiritual concern (21).

Martin Marty, a noted theologian, observing that the traditional religious organizations are under great pressure because they have failed to recognize the need to adapt or have been unable to respond effectively, comments:

> The massive silhouette the churches create on the American skyline is that of a self-preservative institutionalism . . . The clergyman exists as a promoter of the organization . . . Since the institutional self-interest pre-occupies the churches and does not directly serve the community it seems to incarnate irrelevance (22).

Others, such as Engel and Blackwell, indicate that changing social values such as the growing need for "immediate gratification" may be a factor bringing about a growing allegiance to movements which deal directly with leading a better life today or which deal with improving interpersonal as well as intrapersonal relationships. However, they point out that ". . . many within the organized church seem to be oblivious to these changes" (23).

3. authority - a need to overcome uncertainty, doubt, confusion - reduce "overchoice" - simplify

4. natural - a need for purity, freshness, a rejection of traditionalism, and the effete nature of organized religion (26).

In the next section, a model of the religious system is developed. The purpose of this model is to provide a framework for examining the various interrelationships that exist among system components as well as between the religious system and other systems attempting to serve social and psychological needs. The discussion that follows of necessity contains both macro-marketing and micro-marketing overtones. The principal concern is to define the main interaction modes of the religious system and to stimulate thinking about the role of the institution vis-a-vis other institutions which purport to have similar goals. Micro-marketing or managerial issues affecting the religious institution are considered in a separate working paper available from the author, "A Marketing Framework for the Development of Religious Programs and Services."

A Model of the Religious System

By definition, a system is a set of organized units and the interactions between the units. The religious system as diagrammed in Figure 1 includes the religious institution, the major constituencies or publics of the institution, the system of beliefs, and the environment. These major system components (subsystems) interact in a variety of ways and thereby shape the mission and practices of all religious bodies.

The religious institution plays a change agent role in bridging the gap between the public and the system of beliefs. The institution exists as a mechanism for assisting individuals to seek ultimate truth, profess their faith, and obtain religious experiences. As a result, one of the institution's principal tasks is to facilitate the communication of religious truth. As indicated in Figure 1, the institution can be circumvented and the system of beliefs can be pursued individually and directly. The survival and growth of the institution is dictated by how well it can articulate a set of programs to aid the laity in achieving desired objectives. In Table 3 several missions of the institution and its principal public, the laity, are listed.

The system of beliefs (27). This part of the religious system contains the broad theological concepts, principles, canons, and disciplines which distinguish religious bodies from each other and which shape the objectives, faith, and religious practices of members. The system of beliefs by its very nature tends to be anchored in a set of irrefutable axioms.

The system of beliefs addresses such issues as the concept of a supreme being and ultimate truth. It provides a visible and focused means for believers to attain their objectives and to organize their lives. In this context, the system of beliefs provides an individual an opportunity to achieve higher levels of understanding and fellowship, to identify with an authoritative force for guiding life direction, and to reinforce the belief in life after death.

The religious institution. This subsystem contains the numerous religious bodies which have been designed to advocate and communicate a particular system of beliefs. In addition to the major bodies of Catholicism, Judaism, and Protestantism are other bodies such as Islam, Buddhism, and the neo-Oriental groups. There are approximately 221 organized religious groups with over 300,000 churches and over 130 million active members in the United States (28).

The religious institution contains groups that are highly organized and managed, such as those listed in Table 1, as well as newer and less structured groups about which little is known. When viewed from an institutional life cycle perspective some of these bodies are in the growth stage, others are mature, and still others may be in the decline phase (29).

The mission and product of the institution. The major mission of the religious institution has three elements, namely, the development of a body of religious and philosophical concepts, the interpretation of religious principles and the dissemination of such knowledge throughout society.

At the micro (religious body) level, the degree to which these objectives is pursued varies. For some religious bodies, the focus is more on the dissemination aspects and for other groups it is on the development and interpretation of religious concepts and principles. Finally, there are other bodies which have as their main objective the performance of a whole array of eleemosynary activities.

At the macro level it can be said that the religious institution's product involves the provision to society of an entire system of beliefs and values based on revelation from God to man. The intent of the product is to aid individuals in dealing with the present and in preparing for the future. For society, the institution is dedicated to helping provide continuity to cultural evolution and to shaping the course of human development.

The major publics of the institution. There are two basic ways to view the publics of the religious institution. From an ideological standpoint there are those who have allied themselves to a particular system of beliefs ("the Believers") and those who have not (the "non-Believers"). From a societal perspective, the publics are represented by those who

> Christian institutions continue to follow an inappropriate, inadequate and no longer relevant style of individual Christian charity. In doing so, they surrender to the secular world ... the wider goals of feeding the hungry, caring for the sick and protecting the poor (31).

Other segments of the environment also influence the religious institution and practice. The family and the educational system, in particular, are major transmitters of values and knowledge. The changing objectives and behaviors of these sectors influence the religious institution by shaping the values, beliefs, and lifestyles of the members of society.

Interactions within the system. There are two levels of interaction in the religious system, one at the individual level and the other at the institutional level. At the individual level, interaction is between a particular religious body and individuals in its primary public, such as members of the laity and religious professionals. The main marketing tasks are associated with micromarketing matters such as the identification of target segments of the population to whom the religious concepts and principles should be communicated, and the development of plans and programs that will stimulate individuals to sample, adopt, or expand their commitment to a particular system of beliefs. As mentioned previously, micromarketing issues are covered in a separate working paper available from the author, "A Marketing Framework for the Development of Religious Programs and Services."

At the institutional level, there is interaction between the religious institution and other institutions such as education, government, business, the media, the family and various other social service groups. Thus, the emphasis shifts from an examination of relationships between individuals and religious bodies to the study of interactions between various society serving institutions. As mentioned in the section "The Environment of of marketing interest is the approaches the institution and its bodies take to the development and sustenance of exchange relationships at both the micro and macro level.

At the macromarketing level, the religious institution is involved in numerous exchange relationships with other institutions. For instance, consider the dealings the institution and its various bodies have with government, other social service institutions, the family, and the educational institutions on such matters as medical practice, welfare, birth control, abortion, the educational process, pornography, drug usage and so forth. Thus, it is within the province of macromarketing analysis to examine such issues as:

1. To what extent has the religious institution become involved in subjects that are the domain of other institutions, and what has been the impact on society?
2. What has been the impact of the religious institution on the roles and objectives of other institutions and how has this affected society?
3. What is the nature of cross-institutional ties and how might they be made more effective in dealing with specific issues dealing with the quality of life and social welfare?
4. What are the major forces acting on the institution and what impact will such forces have on the future vitality of the institution?
5. Relative to the family, the educational institution, business and the media, what is the current and projected contribution of the religious institution to the transfer of culture from one generation to another?
6. Has the religious institution or its components developed effective methods for tracking and responding to social change?

At this stage of model development, it is impossible to answer questions such as those posed above. However, some indications would be derived from an examination of the character of the exchanges the religious institution has with other institutions. In particular, one

Summary and Areas for Further Thought

This paper has been concerned with demonstrating the applicability of marketing thought to developing an understanding of the forces acting on the religious institution and its exchange relationships. Of particular interest has been an attempt to extend macromarketing level thought to the description and appraisal of system relationships with other institutions and society as a whole.

With the exception of some statistical material obtained from the Gallup Index, the approach has been conceptual and philosophical. First, a basic examination of the differences between micromarketing and macromarketing was made. Also, the applicability of marketing ideas to the religious institution was established. Next, many of the environmental forces acting on the institution were considered and several of its response patterns were described. Then, a model of the religious system was constructed and the major interactions within the system were discussed. Finally, macromarketing level exchange relationships and performance assessment issues were covered.

The magnitude of some of the topics considered or implied in this paper is awesome. By the same token, it is important to probe further such matters as the role of the religious institution in social problem solving activities both at the micro and macro levels. In particular, the nature and quality of the interactions that various religious bodies have or are developing with other institutions must be examined carefully if the social welfare and human development objectives are to be met. Hopefully, this paper will stimulate constructive criticism, further thought and empirical investigation.

8. Kotler, "A Generic Concept of Marketing"; Bagozzi, "Marketing as Exchange"; Bagozzi, "Marketing as an Organized Behavior System of Exchange"; and Bent Stidsen and Thomas F. Schutte, "Marketing as a Communications System: The Marketing Concept Revisited," Journal of Marketing, October 1972, pp. 22-27.

9. Grashof and Kelman, Introduction to Macro-Marketing; Spratlen, "Macromarketing Analysis of Aggregate Performance"; Kotler and Zaltman, "Social Marketing: An Approach to Planned Social Change"; Wroe Alderson, Dynamic Marketing Behavior (Homewood, Inc.: R. D. Irwin, 1965); William Lazer, "Marketing's Changing Social Relationships," Journal of Marketing, 33 (January 1969), pp. 3-9; Laurence P. Feldman, "Societal Adaptation: A New Challenge for Marketing," Journal of Marketing, 35 (July 1971), pp. 54-60; Leslie M. Dawson, "Marketing Science in the Age of Aquarius," Journal of Marketing, 35 (July 1971), pp. 66-72; Denis F. Healy, "What Next? Is the Marketing Orientation the Next Step in the Course of Organizational Evolution?" Marquette Business Review, Summer 1975, pp. 98-104; Denis F. Healy, Strategic Marketing Management in a Dynamic Environment (Dayton, Ohio: Wright State University Monograph Series, No. 1, 1977).

10. Sweeney, "Marketing: Management Technology or Social Process"; Hunt, "The Three Dichotommes Model of Marketing"; F. Kelly Shuptrine and Frank A. Osmanski, "Marketing's Changing Role: Expanding or Contracting?" Journal of Marketing, April 1975, pp. 58-66; Robert Bartels, "The Identity Crisis in Marketing," Journal of Marketing, 38 (October 1974), pp. 73-76; David J. Luck, "Broadening the Concept of Marketing—Too Far," Journal of Marketing, 33 (July 1969), pp. 53-63; David J. Luck, "Social Marketing: Confusion Compounded," Journal of Marketing, 38 (October 1974), pp. 70-72; Philip Kotler, "The Major Tasks of Marketing Management," Journal of Marketing, 37 (October 1973), pp. 42-49.

11. Kotler, "A Generic Concept of Marketing"; Kotler, "The Major Tasks of Marketing Management."

12. Moyer, Macro Marketing: Kotler and Zaltman, "Social Marketing: An Approach to Planned Social Change"; Webster, Social Aspects of Marketing; George Fisk, "Marketing in Post-Industrial Recycle Societies," The Proceedings of the Macro-Marketing Seminar, University of Colorado, August 15-18, 1976, pp. 162-186; John R. Wish and Stephen H. Gamble (editors), Marketing and Social Issues (New York: John Wiley and Sons, 1971); G. Lynn Shostack, "Breaking Free From Product Marketing," Journal of Marketing, 2 (April 1977), pp. 73-80; El-Ansary, "Societal Marketing: A Strategic View of the Marketing Mix in the 1970s," Journal of the Academy of Marketing Science, Fall 1974, pp. 553-566; Philip Kotler, Marketing for Nonprofit Organizations (Englewood Cliffs, N.J.: Prentice-Hall, 1975); John M. Rathmell, Marketing in the Service Sector (Cambridge, Mass.: Winthrop, 1974); Adel I. El-Ansary and Oscar E. Kramer, Jr., "Social Marketing: The Family Planning Experience," Journal of Marketing, 3 (July 1973), pp. 1-7; G. Zaltman and I. Vertinsky, "Health Service Marketing: A Suggested Model," Journal of Marketing, 35 (July 1971), pp. 19-27; Benson Shapiro, "Marketing for Nonprofit Organizations," Harvard Business Review, September-October, 1973, pp. 123-132; William A. Mindak and H. Malcolm Bybee, "Marketing's Application to Fund Raising,"

23. Engel and Blackwell, "Communicating Religious Truth in a Changing World."

24. Martin E. Marty and Dean G. Peerman (editors), *New Theology No. 7: The Recovery of Transcendence* (New York: Macmillan, 1970).

25. Frederick Sontag and John K. Roth, *The American Religious Experience: The Roots, Trends and Future of American Theology* (New York: Harper, 1972), p. 298.

26. Cox, "Why Young Americans Are Buying Oriental Religions."

27. The issues in this section are theological in nature and beyond the scope of this paper. The topic is covered in the following works: Elton Trueblood, *A Place to Stand* (New York: Harper, 1969); Goodenough, *The Psychology of Religious Experiences*; Cox, *The Seduction of the Spirit*; O'Dea, "The Crisis of Contemporary Religious Consciousness"; Marty and Peerman, eds., *New Theology No. 7: The Recovery of Transcendence*; Heard, *The Human Venture*.

28. This information is a result of a compilation of the National Council of the Churches of Christ, *Yearbook of American and Canadian Churches*, 1976. The data is based on information reported by the various churches, each with its own set of membership requirements.

29. Irving I. Zaretsky and Mark P. Leone (editors), *Religious Movements in Contemporary America* (Princeton: Princeton University Press, 1974), p. 768.

30. For a particularly stimulating and philosophical treatment of the concept of faith and belief refer to Paul Tillich, *The Courage To Be* (New Haven: Yale University Press, 1952) and Paul Tillich, *Dynamics of Faith* (New York: Harper, 1957).

31. Margaret Mead in Hugh C. White, Jr. (editor), *Christians in a Technological Era* (New York: Seabury, 1964), p. 17.