

MACROMARKETING

EVOLUTION OF THOUGHT



BUSINESS RESEARCH DIVISION / GRADUATE SCHOOL OF BUSINESS
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EDITED BY GEORGE FISK, ROBERT W. NASON, AND PHILLIP D. WHITE

**MACROMARKETING:
EVOLUTION OF THOUGHT**

**Proceedings of the Fourth Macromarketing Seminar
University of Colorado
Boulder, Colorado
August 9-12, 1979**

Edited by George Fisk, Robert W. Nason and Phillip D. White

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MACROMARKETING: EVOLUTION OF THOUGHT
 PROCEEDINGS OF THE FOURTH MACROMARKETING SEMINAR
 UNIVERSITY OF COLORADO, BOULDER, COLORADO
 August 1979

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INTRODUCTION

This volume extends the series of macromarketing seminar proceedings first begun in 1976. This proceedings contains revised versions of the papers presented at the Fourth Macromarketing Seminar held at the University of Colorado in August of 1979. The small and informal nature of the seminar coupled with a substantial degree of continuity among participants has resulted in the ongoing consideration of several of the key issues in macromarketing. Each of the sections of this proceedings focuses on a theme which has received attention at one or more of the previous three macromarketing seminars. Therefore it is necessary to consider these papers in the context of those preceding three seminars.

A substantial amount of the credit for the success of this seminar series should be given to the late Charles C. Slater. Chuck Slater viewed macromarketing as an evolving area within the marketing discipline which encompassed issues of increasing interest. The annual macromarketing seminar, with a published proceedings, was seen as a vehicle to bring together interested scholars to consider these important issues on an ongoing basis. The fact that macromarketing has continued to evolve speaks to the foresight noted above. A review of the four sections of this proceedings further emphasizes the evolving nature of macromarketing.

The first section containing seven papers deals with the issues of *Taxonomy and Definitions* within macromarketing. As with any evolving discipline, concern about the scope and boundaries is likely to exist. Several papers in this section attempt to integrate thinking about definitions and taxonomy and clearly highlight the evolution of thought taking place in this field.

The second part of the proceedings contains seven papers which focus on one of the major areas of macromarketing inquiry, namely the unintended or negative effects of micromarketing decisions on society and its various interest groups. This section, entitled *Externalities and Public Policy*, effectively deals with the issue of externalities which has been a central theme in previous seminars. Further, the section is noteworthy because it not only investigates externalities but gives attention to corrective forces embedded in the market itself as well as governmental involvement in modifying the environment and behavior of sources of externalities.

Another major area of macromarketing investigation is contained in the third section of the proceedings, *The Study of Market Systems*. Seven papers deal with various macro aspects of market systems ranging from the analysis of market systems in developing countries and performance and innovation of vertical marketing systems in developed countries to background issues involving consumer behavior and lay psychology. Each of these papers utilizes a system-wide perspective and seeks to integrate existing macromarketing knowledge in this evolving area of study.

The final section of this proceedings presents four papers on *Methodological Aspects of Macromarketing Analysis*. As the boundaries of macromarketing become clearer and the study of externalities and market systems expands, the need to identify

research methodologies appropriate for answering research questions of interest will continue to increase. Thus consideration of methodological issues is of fundamental importance to the further development of macromarketing thought.

As with the previous seminars held at the University of Rhode Island and the University of Colorado, these papers are evidence of the evolution of thought which is characteristic of a growing body of knowledge. Viewed as a set, these papers contain important contributions to understanding and simultaneously point to the immense job of synthesis and analysis yet to be accomplished. This incomplete task beckons us forward to still further development of macromarketing thought. The importance and challenge of the issues which make up macromarketing is increasingly evolving efforts to develop additional refinements in the ideas presented here. It is our hope that the readers of the proceedings will benefit from and contribute to the future evolution of thought in macromarketing.

TAXONOMY AND DEFINITIONS

The Definition and Taxonomy Section contains a total of seven papers which focus on the evolution of thought taking place in macromarketing. A number of the papers represent contributions to current thinking and perspectives and nearly all of them raise questions about the definition and taxonomy of marketing in general and macromarketing in particular. Another important contribution of this section stems from the historical perspective of marketing and macromarketing provided in two of these papers.

Heslop and Simmie open this section with a review of some of the different perspectives of definitional issues which has characterized the field of marketing in recent years. The objective of their paper is to reconcile some of the differences in an effort to provide a unified perspective of macromarketing. The authors use the exchange systems approach as a framework to accomplish this objective.

In the second paper in this section, Matsusaki also deals with a number of definitional issues involving the conceptual boundaries of macromarketing and the semantic issues involved in the use of the term. As was the case with the preceding paper, Matsusaki identifies the systems approach to the study of marketing as a key influence on the discipline in recent years. With this background the author provides a brief historical review of marketing as it developed from a micro perspective in order to set the stage for a fuller discussion of macromarketing. Matsusaki argues that recent changes in the environment will increase the relevance of macromarketing and place more emphasis on the need for theory development in this area. The author provides an interesting analysis of the data base and associated research methodologies identified primarily with micro phenomena as opposed to macro phenomena within marketing. The author raises some noteworthy questions concerning the two approaches used in the two types of research. Finally, the author deals with macromarketing management as an issue of increasing interest.

Stidsen also deals with various definitional issues associated with macromarketing. Specifically the author asks the question, "If micro and macromarketing are sub-headings under the major heading 'marketing,' then how might one express the relation between them?" In answer to this question, Stidsen argues that "the concepts of *market* and *market relations* can serve as the link between and as the common focus for the concepts of micro and macromarketing." The author provides an extensive discussion of market relations as a basis for conceptualizing macromarketing. Further, a number of implications for the future development and research involving macromarketing are identified.

Each of these three papers has dealt with the issue of conceptualizing and understanding macromarketing. However, the approach has been to discuss the current level of development and understanding of macromarketing based primarily on the literature which has been developed by professionals within the field. In a somewhat different approach Mokwa, Enis and Griffin draw on the work of noted sociologist Talcott Parsons to provide a broader perspective for understanding macromarketing. As a first step in this direction, the authors provide a basic overview of the extensive work of Parsons. Based on this review, the authors develop a framework which seeks to capture the essence of

of Parsons' work as it applies to marketing. The resulting framework is of interest for two reasons. First it provides a basis for incorporating many of the dimensions suggested by others who have sought to define macromarketing. Second, the framework expands existing perspectives by suggesting some additional dimensions which may contribute to understanding macromarketing. The authors conclude their discussion with the development of seven general propositions which they see as being applicable to future development in macromarketing.

The next two papers in this section contribute to the understanding of macromarketing by providing a worthwhile historical perspective. Dixon, in the second in a series of seminar papers, examines the contributions of the medieval era to marketing and macromarketing as it exists today. Dixon seeks "to dispell the illusion that man's intellectual effort to understand the world about him failed to include market phenomena, and the interaction of marketing activity and its environment, until some particular moment in recent time." The paper contributes to this objective by reviewing the thinking embodied in textbooks used in universities during that time. Dixon provides an interesting review of the concepts relevant to macromarketing that are associated with the work of a number of medieval scholars.

Glaser and Halliday focus on the contribution of Alderson's functionalism to the study and understanding of marketing. The authors describe the systems foundation as the basis for understanding functionalism as developed by Alderson. The authors provide an interesting perspective of Alderson's approach to marketing which was based on the functional viewpoint. However, the review of ideas and concepts in Alderson's works is designed "to show that Alderson was a systems theorist manque, that the concept of structure and system were integral to his approach." To accomplish this objective, the authors proceed to review the concept of system and discuss classes of systems, evolution of systems, control of systems, and survival theorems.

Finally, Greif provides some insights concerning the development of a functional theory of macromarketing. In his discussion this author argues that macromarketing does not have a structure which provides a direction, focus and theoretical foundation. In an attempt to resolve this problem, Greif advances the proposition "that macromarketing and micromarketing both have their foundations rooted in the functional activities of organized behavior systems (the family) in our society." The author proceeds to develop the argument which underlies this proposition with its implications for macromarketing.

The papers which comprise this section deal with a range of issues which are related to the definition and taxonomy of macromarketing. Each paper seeks to further understanding of the issues of interest. In this sense these papers represent the evolution of thinking in macromarketing in the fullest sense of the word. However, these papers also introduce new concepts, frameworks and propositions which are designed to contribute to future understanding and which will therefore become a part of the on-going development of macromarketing.

MACROMARKETING—ONE MORE STEP OUT IN
RECOGNITION OF SYSTEMS OF EXCHANGES

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The last five years has seen a series of continuous debates involving different aspects of marketing theory. The controversies have encompassed such issues as whether or not exchange theory is the core concept of marketing (Bagozzi 1974 and 1975, Luck 1969); whether the scope of the subject matter dealt with should be restricted to economic exchanges or be expanded to include all exchanges (Hunt 1976, Kotler 1972, Kotler and Levy 1969, Luck 1974 and 1969); where social marketing fits in and indeed what its definition should be (Bartels 1977, Hunt 1976, Kotler 1972, Kotler and Levy 1969, Luck 1974 and 1969); and how micromarketing and macromarketing issues can be differentiated (Kotler and Levy 1969, Shawver and Nickels 1978). The debates have been lively and interesting. Above all they have indicated a heightened interest in an expanded and expanding range of concerns of marketing.

In this paper we would like to attempt the task of linking these controversies. We will try to show that the issues of debate are, in fact, inextricably linked just as the marketplace is fundamentally linked into the society in which it functions.

The Scope of Marketing Controversy

The discussion of whether the field of marketing should be concerned only with so-called marketplace transactions or alternatively with all transactions seems largely to have been settled by a consensus of writers not to argue about it further. Indeed this is probably the best solution. One might suggest that it is an insoluble argument—a kind of “tis so-tis not” situation.¹

One barrier to resolving the conflict between the two positions results from the difficulty of separating marketplace transactions from the whole system of transactions of which they are a part. A very narrow definition of the functions of the market system implies that market transactions are solely economic in nature. However, except for very restricted interpretations of “economic man” theories, all theories of consumer behaviour clearly recognize that social and psychological, as well as functional needs, are satisfied in the marketplace. Bagozzi (1975) has most recently summarized the literature on the functional and symbolic nature of goods. Nor are all economic goods supplied by business. More and more governments or quasi-government institutions are providing or in other ways controlling the flow of economic goods to consumer/citizens.

Therefore, there appear to be insurmountable limitations (and very little sense) to a strict definition or distinction between a “market” transaction and a “non-market”

transaction. Economic goods have social meaning and affect social relationships; all social relationships involve economic goods. There is no clear dividing line to sort out where needs are fulfilled. Therefore, many of the concepts relevant to "market" transactions are just as relevant to "non-market" transactions.

The Macro vs. Micro Controversy

During this same last five years there has been an ongoing attempt to find a set of definitions which would differentiate and delimit macromarketing from micromarketing—is it on the basis of the level of aggregation or is it on the basis of the implications of the marketing act. White and Emery (1978) suggest the latter. They, in fact, suggest that all marketing acts have both macro and micro components. It is the implications which are being studied and the perspective of the researcher which determine whether the issue is macro or micro in nature. This approach is also taken by Shawver and Nickels (1978) and in a slightly different form by Stidsen (1979), who delineates the study of micromarketing as "the study of action *in* markets" and of macromarketing as "the study *of* markets and market relations" (Stidsen 1979). In addition White and Emery stress this "implications" approach in the context of a "systems" view of marketing. They point out then that all parts of a system "are interconnected or linked within the context of an overall environment . . . actions or events in one part of the system affect other parts of the system . . . The critical distinction between micro and macro is the impact of implication of the transaction being studied" (White and Emery 1978, p. 314). For example, the marketing of toothpaste may in many respects be considered as a micromarketing problem but may be a macro-marketing concern if such issues as the effect of toothpaste promotion on the brushing habits of children or on the consumption of fluoride become the focus. We might further suggest that activities that have been labelled as social marketing, e.g., the marketing of social ideas or for non-profit organizations, have micromarketing components, e.g., in the techniques used to communicate with "customers," as well as macromarketing implications, e.g., in the social aspect of the cause.

The Exchange Theory Controversy—The Link

A major contribution to marketing theory has been made recently by Bagozzi (1975) and Kotler (1972) in their introduction and extrapolation on the usefulness of exchange theory as the basis for the delineation of marketing as the field involved with the study of transactions. Their concepts are well-handled in their articles and will not be explored here.

Linking these three above-mentioned areas of controversy leads us to suggest that perhaps the concerns of marketers still remain too narrowly focussed. The macro concerns must be interpreted more broadly yet.

Marketing is indeed an exchange process. The point to be made is that marketplace exchanges do not take place in isolation but rather are part of *all* the exchange processes going on in our society. Marketing or marketplace activities are part of the whole overall system of exchanges going on within the society. These marketplace

activities are then one type of exchange subsystem which is then fundamentally linked to all other exchange subsystems—affecting them and being affected by them. Everytime an exchange takes place in the marketplace, it has an impact on the whole system of exchanges in which individuals can or could be involved.²

Micromarketing Models Inadequate

One of the major problems facing macromarketing researchers and theorists is to develop and have available a seminal set of theories or a theoretical model. Micro-models, such as that of Engel, Blackwell and Kollat (1978) are inadequate for macromarketing analysis. Such models deal only with the influence of societal elements (family, social groups, culture, business institutions, etc.) on the consumer but do not provide for the feedback effects of the consumption process, i.e. of the marketplace subsystem of exchanges on the other exchange subsystems in society. Macromarketing analysis requires that the general micro-framework of Figure 1 be transformed to that of Figure 2.

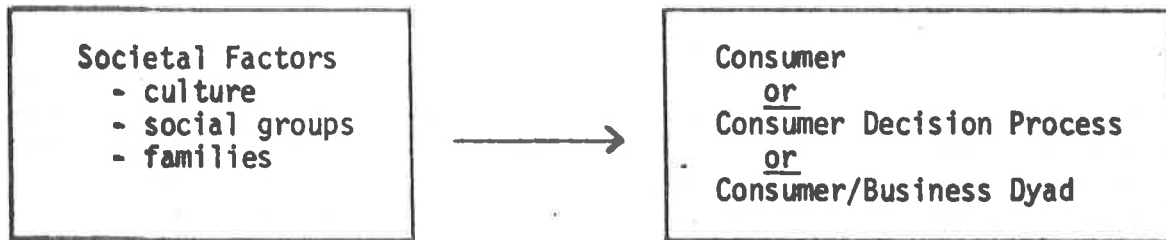


Fig. 1. A Generalized Micromarketing View of the Impact of External Factors

In Figure 2, the boxes are “nested” together. The boundaries of the two interior ones should be viewed not as closed but as semi-permeable, so that what happens in each box affects and is affected by the other two boxes.

The elements of such a macromodel have been suggested elsewhere. Bagozzi (1974) notes that the salesman—customer dyadic exchange— process “sits” in a set of endogenous and exogenous variables which affect the behaviour of the members of the dyad. However, he explains this as a unidirectional flow of effects and provides no mechanism to understand the feedbacks that take place. Shawver and Nickels (1978) conclude their paper with the suggestion that marketing theory has neglected to study the

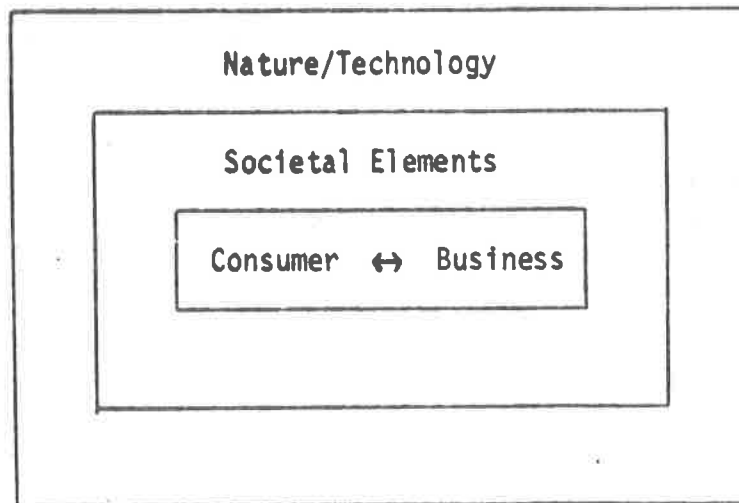


Fig. 2. A Generalized View of the Macro Framework for Marketplace Exchanges

way society is affected by marketplace transactions. Macromarketing research focuses on the two-way flow, i.e., the effects of exchange on society and vice versa (Shawver and Nickels 1978, p. 42). By implication, in their use of the word exchange, Shawver and Nickels seem to have stepped back into accepting only economic exchanges as the domain of macromarketing. Both these views in their own ways have stopped short of making the next broad leap.

If we recognize that in serving functional or economic needs marketplace exchanges also serve social and psychological or symbolic needs, we must also recognize then the overlap with other organizations and institutions that also serve these needs—church, state, family, etc.—through their own sets of exchange relationships. The way that businesses serve needs then ripples back through the entire system to impact on these other institutions in their relationships with their consumers/citizens/members. These institutions in turn will recognize these impacts and will respond. If they perceive that the business impacts are inappropriate or unacceptable, they may respond to the business institutions directly or through a perceived agent of control, e.g., the government. If they are government, they will act on business or direct efforts to other institutions to modify the business impact. Marketplace exchanges then affect and are affected by other exchange subsystems within the entire system of exchanges.

Two Examples of the Application of the Exchanges Systems Approach

The following diagram illustrates an example of how a situation in the area of advertising to children should be viewed. In advertising and directing products and sales efforts to children, business enters into an exchange with the child, i.e., the business

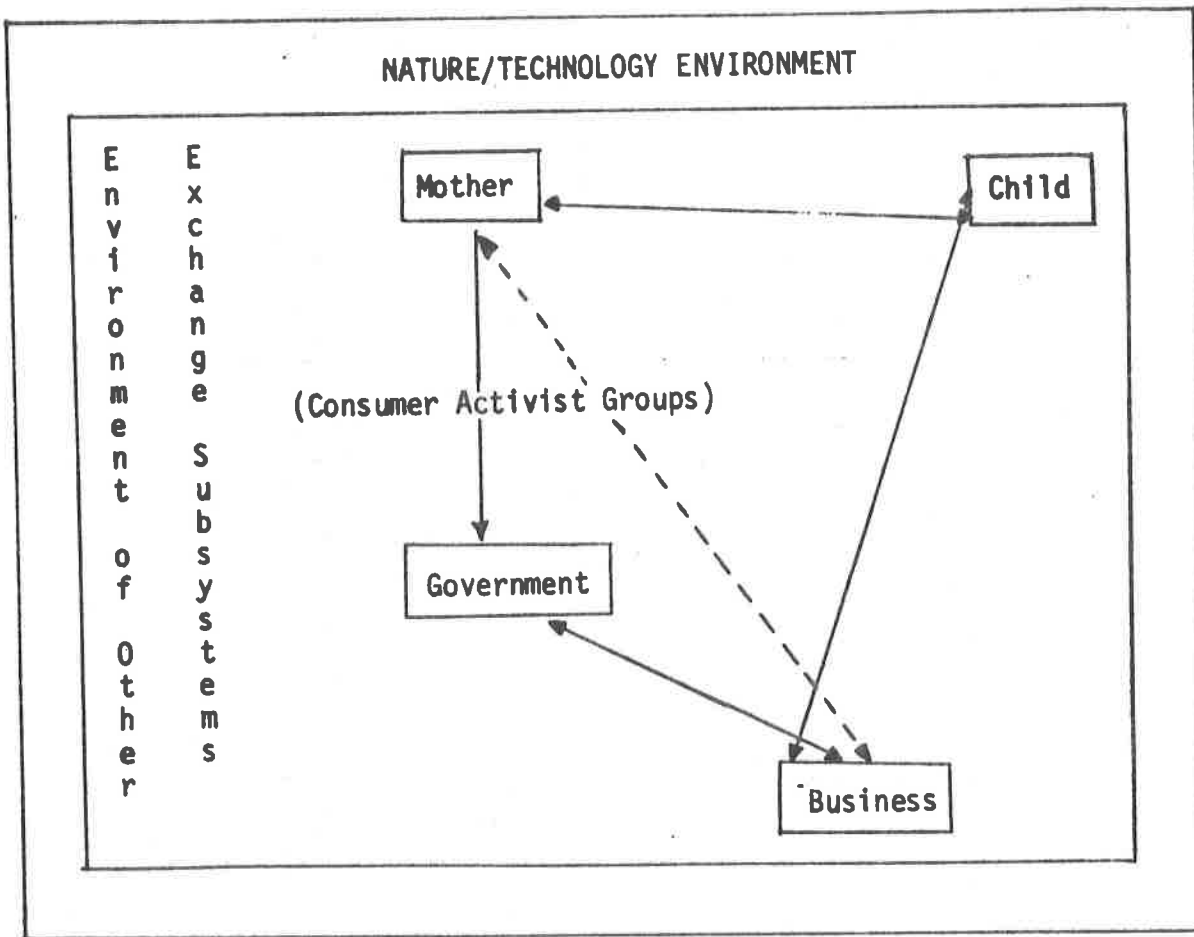


Figure 3. Some Exchange Subsystems Affected by Advertising to Children

firm and the child establish an exchange subsystem. The child is already, of course, in an elaborate exchange subsystem with its parent. For simplicity's sake we might say the parent does something for the child and the child smiles back at him/her. Now subsequent to the exchange between the child and the business, the parent discovers that the advertised product must be bought or the child does not smile but instead cries. The business-child exchange has affected the parent-child exchange. (Such interaction effects of flows of exchanges are indicated by arrows which cross each other.) If this effect is outside the parent's accepted norms, the parent may be so upset that he/she, with other similarly irate parents, may approach the available social institutions, in this case the government, which can change the nature of the business-child exchange subsystem by placing restrictions on the communication flows. An alternate and additional route (shown by a dashed line) would be for the parent(s) to directly approach the business with petitions or boycotts of their products. Many other options are open but the diagram would become too complex if all possible response routes were noted. Other

exchange subsystems, such as religious and educational could become involved. Also the parent may respond by altering the frequency and intensity of the child's interaction with business to the extent possible. The diagram then is illustrative, not exhaustive.

Another relevant example can be drawn around the marketing of oil products in North America within the last few years. For many years the exchange system involving oil companies and their customers seemed to be a simple one, apparently involving very little impact from or on other exchange subsystems. At least the subsystem was stable and mutually satisfactory to all parties. However, recent political and environmental complications (illustrated by double-ended short arrows entering the boxes of each of the parties involved) have led to a shift in control by oil companies of their own business. Citizens/customers demanded more government intervention when the costs to them for the benefits they received (gasoline) skyrocketed. Also, it should be noted that the impacts of the new nature of the business-government exchange fall on all parties involved. Customers, for example, may find that their ability to enter into exchanges with the oil companies at will is restricted by allocation systems imposed by governments.

In the first example given, the macromarketing implications in the form of government intervention and of pressure group activity arose as the result of impacts of the customer-business exchange subsystem on another exchange subsystem. In the latter case the macromarketing issues arose out of the fact that the entire set of exchange subsystems is nested in the nature/technology environment (shaded in Fig. 4 for emphasis) which affects and is affected by the individual subsystems of exchange and by the entire system of exchange subsystems.

Micro and Macro

From the above, we suggest that it may be useful to view as micromarketing those issues involved with the exchange processes themselves (some would argue only the economic ones), how they occur, how to optimize them *given* the nature of the overall existing system. This overall system includes aspects which may be termed the "hard" environment, i.e., the state of nature and technology and other concrete elements, and aspects which may be referred to as the "soft" environment, i.e., the framework, norms, values, power relationships which exist within the total system of exchanges and its component subsystems. The micromarketer has to take these "given" environments into account in planning and controlling the firm's marketing efforts in the specific exchange subsystem which is the focus of activity. However, the micromarketer is not concerned with altering these "givens." They are externalities which provide resources and restrictions. They are the framework within which activities take place, but in the short-run they are considered unchangeable.

Indeed, such micromarketing activities, especially over time, do impact on the "givens" but these are macromarketing concerns. Macromarketing issues then involve the "givens" and their relationship to micromarketing, how changes in the "givens" take place and how these changes affect micromarketing.

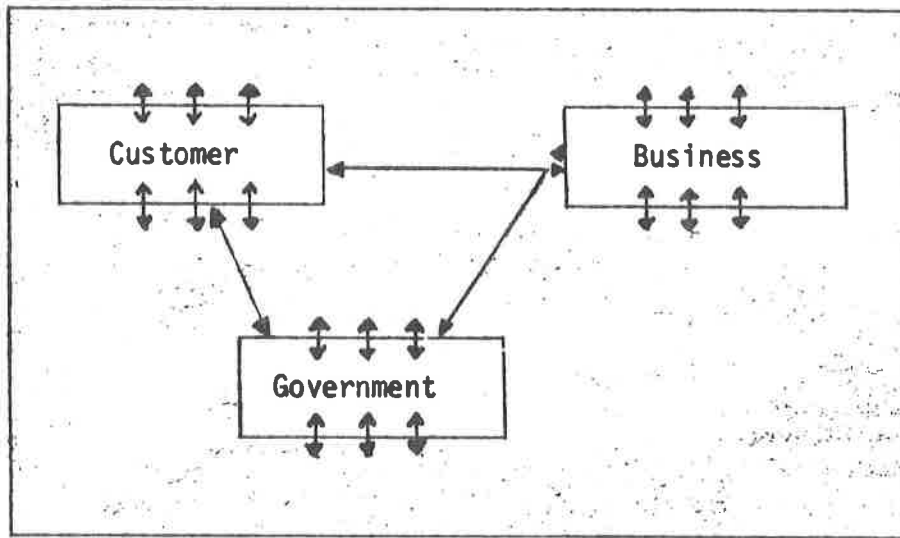


Figure 4. Some Effects of Environmental Impacts on Some Subsystem
Exchanges Involved in the Distribution and Use of Oil

Of course then, as White and Emery (1978) point out, every marketing activity has both micro and macro components. Each such activity can be dealt with at the level of the activities involved in the exchange itself or instead at the level of the nature of the effects of other subsystems on the exchange or the exchange on other subsystems and the effects of and on the nature/technology environment.

Growth of Macro Concerns

The search for definitions and theoretical frameworks in macromarketing reflects the increased interest and activity in the field. Why is it that so much seems to be going on in recent years? The functions performed by businesses in the marketplace and their impacts seem to have become issues of greater study and of attempts to control. Government involvement and public interest groups' activities seemed to have increased. Marketers seem to be trying to expand their spheres of influence in leaps and bounds. Why? Again a look at the proposed systems of exchanges macromodel would suggest that this increased emphasis probably comes from two sources:

1. an increase in awareness of the system—that it *is* a system. Once this has been recognized several problems and opportunities open up, such as,
 - a) flaws perceived in the business-customer exchange subsystem itself can be approached at the systems level. Solutions can be sought in system level

changes, e.g., through the use of education, information or protection activities to alter the balance of power within a subsystem. Such changes may be more effective than more narrow, patchy, symptomatic responses.

- b) new solutions are sought through changes to the nature and functioning of subsystems as their exchanges or shifts in exchange flows affect other subsystems. The systems of exchanges approach emphasizes these interdependencies.

Under this classification would fall the perceived negative impacts of business-customer relationships in the marketplace on other flows of exchanges. Solutions are usually sought in more control of business activities. Examples have been cited previously. Also this category would include issues related to who supplies economic goods and how. In some cases, changes in the answers to such questions mean more restrictions on business activities when other exchange subsystems take over responsibilities for an exchange which previously had involved a business-customer dyad (e.g., in the state-controlled health or auto insurance schemes). In other cases, other exchange subsystems may relinquish some responsibilities, opening up new opportunities for business (e.g., as seen in the growth of privately owned group housing facilities for the elderly whereas formerly these parents would have moved in with their children or into state-run institutions).

- c) the applicability of marketing techniques in other exchange subsystems becomes evident. The similarities between the functions performed within subsystems can be more readily observed. The systems effects of such applications are macromarketing issues.

2. changes in the nature/technology environment. Such changes may be:

- a) slowly cumulative until at some point a threshold is reached and awareness arises of the need to shift subsystem exchange relationships to accommodate or minimize the impact of the change.
- b) dramatic and highly disruptive, such as in the case of the availability of some forms of energy supply. The pressure resulting may bring about immediate questioning of the nature of the relationships in certain exchange subsystems, such as, the levels of individual benefits sought through business-customer relationships.

This systems exchanges approach to macromarketing issues leads to even deeper and wider waters for macromarketers. But we've always been in them. It's really a matter of realizing where we are and what it means. It means a broader outlook on where we are and what it means. It means a broader outlook on where we are and how we fit in. Marketplace exchanges must be sensitive to the needs of the whole system, not just those perceived within its own subsystem, or marketers will have to respond to the repercussions from disgruntled members of other subsystems.

FOOTNOTES

¹For simplicity in this article we will, however, use the term marketplace transactions to refer to the micromarketing focus of most businesses, i.e., to issues outlined in the top two cells of Shelby Hunt's eight-cell typology (1976). We will also refer to marketers as those who carry out such activities.

²See the article by Greif in this volume for an interesting approach to linking the study of marketing (the firm) systems and the family as the fundamental system in our society.

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A CONCEPTUAL FRAMEWORK FOR MACRO MARKETING:

AN ACADEMIC POSTULATE

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ABSTRACT

Interest in "macro-marketing" studies have attained a stature to generate academic dialogues and professional debates as to what it is: its posture within the marketing discipline, research strategy it should follow, appropriate methodologies and range of applications for it, and so on. This paper attempts to answer some of these questions through a theoretical review of the subject. It presents an academic blueprint for the basic premises, historical significance, professional relevance, and suggested use of what can aptly be termed as "macro marketing" as a major domain of marketing.

PROLOGUE

I prefer to use the term—Macro Marketing—to denote the very central tenets of our subject matter. This term better signifies the research focus and range of professional applications which should be germane to this important area. It also agrees with our sense of aesthetics. Modern idiomatic trends dictate that most hyphenated words with a short prefix tend to lose the hyphenation. In this vein, macro-marketing will be pushed to be spelled macromarketing by sheer economic dictum. More seriously, however, some of the reasons to advocate the use of macro marketing follow.

First of all, use of the term macro marketing has a virtue in separating the "macro" aspects to emphasize it. At this juncture, it would appear that very little, if any, agreement exists as to what should be included in the "macro" area of study within the marketing discipline. Some would look for a new study area—only to find a resurrection of old materials. Some others consider it an emerging discipline on its own right. I have experienced as many definitional concepts of "macro" marketing as there are formal definitions of marketing itself. This ambivalence pervades the vindictiveness by which consumer behavior has been pushed to the status of an independent discipline—apart from marketing, for example. This conceptual confusion would hopefully be less compounded by using macro marketing as the term rather than macro-marketing or macromarketing, the latter two giving the impression that it is a sub-area, rather than an emerging, separate entity or domain of study, whose academic or professional significance may transcend the actual.

Second, a separation of the "macro" domain from the "micro" level abstraction has been an accepted division of subject area in many scientific fields of inquiry. The distinction in the level of abstraction leads to different methodologies and concepts. Thus, quite often, there is a qualitative shift in approaches and perspectives to be adopted. Given the rather predominant use of analytical methodologies in marketing

at the "micro" level, the separation of the term "macro" from marketing may underscore its uniqueness both in underlying philosophy and basic research methods.

Finally, the use of macro marketing rather than macromarketing would reflect the prevalent, contemporary marketing thought, which has placed only a minor emphasis on the general category of "macro" area as broadly defined. For example, the 1977 AMA Educators' Conference proceedings contain about one paper in twenty which can be placed under the "macro" category with a very elastic application of the criteria used to screen the materials. This situation is not comparable to what we find in economics where a sizeable body of knowledge has been advanced to justify macroeconomics vis-a-vis microeconomics, where macroeconomics has been the name of the game, really.

Given the realities of research directions for the discipline, then, it would be premature to advance the term "macromarketing" as something generic with all the exact connotations, definitions, or research topics to match. The term "macro marketing" therefore is more in line with the aspirational realities of those academics who wish to attract the noncommitted and uninitiated to this area. Furthermore, at this stage of development in "macro" aspects of marketing, the use of the term "macromarketing" may invite a premature subjugation of what we have already developed at the macro level to the predominantly micro level body of knowledge, which sways the day.

For example, once the discipline of marketing was aptly called as a grab bag and a wastebasket area: it tended to attract most of the materials in business management which had not belonged to other allied disciplines. The term "macromarketing" may give an impression that it has already established itself as a part of marketing. The Journal of Marketing may well have a section to that effect. This potential alternative is far less desirable than our own Journal of Macromarketing. But still this designation lacks the possible allure of the Journal of Macro Marketing, which can be nicely abbreviated to JMM, as compared to JM, JMR, or JAMS or whatever may follow in a journal representing management science applications, for example.

To recap, the term "macro marketing" has an advantage in that it does not require a clear, exact, rigorous definition of the term, whereas the use of "macromarketing" would force us to stake our claim precisely. This point is, of course, debatable. I for one believe that it is possible to develop a body of knowledge in this area without delineating the body of knowledge and outlining its boundaries. My conviction is based on the fact that the traditional body of knowledge in marketing has been at the "micro" level, and the addition of the macro adjective suffices to separate this emerging "macro" field, by process of exclusion, rather than by continued defense.

THE BASIC PREMISES OF THE MARKETING DISCIPLINE

Assuming that there can exist a "macro" level of the marketing phenomena or problems worthy of scholarly investigation and professional pursuits, why has it not been advanced beyond the current state of the art? How is it that we have yet to have a clear understanding of what it is or should be?

I feel that the overwhelming majority of the body of knowledge in marketing belongs to the "micro" level. The perspectives and the viewpoints of the discipline

reflect those of the “marketer.” Marketing studies revolve around “marketing” by “marketers”—basically a micro level conceptualization.

It is not natural to expect a professional oriented marketing academic to understand the “other” language of macro marketing, so to speak. The level of conceptualization cannot be changed overnight, even if the recent environmental change may force some modifications in the predominant viewpoints or perspectives.

Since the dominant body of knowledge in marketing has been at the “micro” level, it has been taken for granted that marketing is marketing: it has not been called micro marketing. The shared basic premises have dictated that marketing studies what economics does not (practice versus theory), at the firm or corporate level (free enterprise and private decision), and within the market economy framework.

Basic marketing texts mirror this line of reasoning: marketing principles; basic or managerial marketing; marketing management; marketing strategy; consumer behavior; marketing and distribution systems; and sometimes marketing information systems or marketing research. No “micro” prefix or adjective is needed to denote the body of knowledge under this category.

TRADITIONAL BODY OF KNOWLEDGE IN MARKETING STUDIES:

A REVIEW OF RECENT DEVELOPMENTS

The managerial or the systems approach has been the master key to the rich heritage in the marketing discipline in recent years. As far as modern marketing thought goes, the theme of functionalism and the total systems approach have contributed to provide the basic building blocks for a series of techniques, technologies and methodologies (Alderson, 1958; Staudt and Taylor, 1962; Bursk and Chapman, 1964).

A common thread behind this line of developments in marketing is the basic philosophy or thesis that the business enterprise must be conceived of as a functioning whole and that the subsystem components must be coordinated into an integrated action unit for maximum impact and for optimum performance, within the dynamic environment which the firm faces. This argument, of course, has been at the core of the managerial approach to marketing.

Historically, then, sales evolved into marketing: sales management into marketing management. From there managerial marketing came about to demonstrate a still broader perspective, followed by marketing strategy, marketing research or information systems, marketing planning or programming, and market segmentation—roughly in that order. These are essentially the gist of the marketing concept and its applications. Emphasis on the marketing “environment” has not changed the course. The philosophy and the technologies reinforced each other.

In a way, today’s popularity of consumer behavior traces back to the original thinking behind the marketing concept: that the purpose of business is to create a customer, and that marketing and innovations are the basic two means to achieve this

objective (Drucker, 1954, p. 37). For a marketer to create a customer, the needs and the wants of the customer consumers must be known. They are the critical determining factor of all the firm's marketing endeavors. Hence, consumer behavior has come into being as the main study targets in marketing.

Similarly, at the core of marketing, various techniques which enable a firm to avoid suboptimization of functioning parts in the total system of action have surfaced to receive a widespread attention. The physical distribution concept, logistics, value of information in research, coordination of marketing functions under the programming concept have been made explicit. The idea of the marketing mix, the 4 P's, the separation of the marketing environment into the controllable and noncontrollable elements, the information systems into various planning parameters, and others—all attest to this fact.

With the acceptance of the planning parameters for the marketer came the study of consumer behavior—eventually to assume an independent importance within the marketing discipline, and then to claim itself almost as a uniquely separate discipline. It is interesting to note that very few conceptual approaches to marketing strategy have attempted to integrate the consumer or consumer behavior as a part of the mix ingredients or the planning parameters. An explicit attempt to incorporate this component as the customer-prospect mix (Crissy and Kaplan, 1963) into a matrix model for marketing planning—to recognize it as a choice strategy element—has not been emulated.

As well, there has always been a need to integrate the demand side of the equation, so to speak, into the planning process (Howard, 1957 & 1963; Hughes, 1973 & 1979). Therefore, the inadvertent neglect—so it seems in retrospect—of the consumer as an essential element of the marketing mix has been no historical accident: perhaps it has been subconscious or intentional and with or without reason, maybe. The probable causes for the divergent path of development in this way has been documented and discussed from a conceptual or methodological viewpoint (Matsusaki, 1979 d). A set of conflicting forces seem to be at work even at this juncture.

Given the latest advances in marketing techniques and conceptual approaches, then, it has been a logical step to apply them to non-marketing institutions, public bodies, and non-economic exchange processes. As a distinct sub-area, it has been named as social marketing. The only differentiating characteristic of social marketing, it appears to me, as compared to the traditional body of knowledge, is the situational parameters facing those non-profit organizations or decision makers who would be less constrained by the natural workings of the market mechanism or by the normal reward and punishment system therein. The dominant perspective, however, remains at the very micro level, in my view. After all, are not the firms interested in the consumers in the society—and consequently in the impact of the customers within the larger social setting? The demarcations are at best tenuous.

I have argued that most of the traditional body of knowledge in marketing—the conspicuous subareas and notable developments—are in the micro domain. At this point, those marketing scholars really familiar with the very traditional aspects of marketing would counter by pointing out that these recent examples are not necessarily the most germane nor the most traditional aspects of marketing studies. I do concur, heartily.

THE "MACRO" ASPECTS OR PERSPECTIVES IN TRADITIONAL MARKETING THOUGHT

Traditionally, the early marketing scholars seemed to have stayed at an arms length distance from the direct perspectives or points of view of the firm, generating a body of knowledge which reflected a somewhat broader frame of reference. A study of the marketing process in the society, to understand how various marketing functions work in wholesaling, retailing or public bodies, for instance, reflect this detached stance.

A common denominator of such studies can be termed as a macro perspective in a positive scientific vein. It goes beyond the firm's micro perspectives to deal with the marketing system's relationship to the larger environment in a generalized fashion. For example, it would include those studies about the role of marketing in the society, interests in comparative marketing or wholesaling, the functionalism in channel and distributive systems, and other known studies familiar to us, starting with Arch W. Shaw's works at Harvard in the 1919's.

More specifically, I should perhaps cite several examples to denote the nature of "macro" perspectives. The landmark study on the politics of distribution by Paramount demonstrates the dynamics into the workings of the system. Less typically, the well-known work on the economic effects of advertising by Professor Borden (1942) and the wheel of retailing hypothesis framework (Hollander, 1960) could be an exemplary attempt at the complex "macro" phenomena associated with marketing. Still another example of a solid academic endeavor would be the root of comparative marketing and political economy perspective as eloquently put forward by Carson (1967). Also, I should perhaps cite studies on vertical and contractual marketing systems by Thompson (1971) as an indication of the degree of sophistication and contribution in the macro domain. Works by Professor Slater (1969a, b, 1979) were unique in that they attempt to incorporate action parameters or policy guides into the macro stance, and I will refer to them later.

THE DECISION PREMISES TO MACRO MARKETING

The discussion and review of the traditional marketing literature, as presented in an overview in the previous section, lead directly to my position and approach on the subject. I believe that macro marketing as we know it today has always been an integral part of traditional marketing, that significant contributions have been made under the macro perspectives, and that the current predominance of the micro aspects of marketing has not detracted from the inherent virtues of macro marketing.

Now, this benign neglect, as it were, would enable us to be aware of the critical relevance of macro marketing as an area of academic inquiry, which can be differentiated from the majority of the professional orientations geared to micro level applications for practical results. Macro marketing has always existed with us. And the recent environmental changes would do nothing but increase its contemporary relevance within the international, global arena we are likely to face in the near future (Matsusaki, 1979 a); the need for theory development in macro marketing will be on the ascendancy.

For these reasons, I wish to propose that the existing accumulated body of knowledge in marketing could be roughly divided into the two domains at the micro and the macro level. By this I acknowledge that the prevalent and predominant—and the overwhelming majority, for that matter—mode of marketing studies can be aptly termed as micro. For convenience of exposition, I would like to call this domain as the *first, managerial, micro* domain of marketing studies. The overriding characteristic is preoccupation with the profit and loss of the marketer's viewpoint and methodological rigor.

The methodologies typically used in the first domain are analytical and aim at a coordinated functioning of specialized parts of an organization within the free enterprise and exchange market framework. Prescriptive or normative decision guides for action plans are applied to a conceptually closed system of a business firm and its immediate environment.

The *second domain*, as against this first domain, is the *macro* level studies in marketing as discussed earlier. Not only the perspectives but also the methodologies used in the second domain distinguish and separate this domain from the first. In my view, the theoretical problems in the second macro domain have centered around the inapplicability or inadequacy of the analytical tools so powerful in dealing with the problems in the first or micro domain. The difficulties become compounded when the data and the findings are not necessarily related to each other for ready synthesis, as synthesis is the predominant methodology employed in macro studies.

Another salient characteristic of the macro domain of marketing studies is the fact that the domain is typically problem oriented and not technique oriented as would frequently be the case in the first micro domain. The domain at the macro level revolves around actual phenomena at the large, societal level. Different problems arise at different times, and they demand different approaches or techniques of investigation. Further, the problems are not likely to recur. They also demand expensive field research of considerable magnitude.

As a corollary to the above, the real phenomena can and do change fast. The actual events often outpace or outrun the probes of even dedicated academics. As a result, the accumulated body of knowledge in the macro domain often becomes obsolete in relatively short order and invites constructive criticism to dampen emerging enthusiasm of other academics.

Without citing references, I can recall the case with resale price maintenance, spearheaded by Professor Yaemay of England, whose investigative works on the phenomena are outstanding. A comparative body of knowledge of considerable magnitude exists on the subject. And yet today, fair trading has practically vanished from the scene. Hardly any new marketing academics would recognize the works in this area, let alone the names of those whose scholarship centered around the practice.

MAJOR METHODOLOGICAL CONTRAST OF THE FIRST AND SECOND DOMAINS

The literature on macro marketing in the second domain include some of the typically scholarly works in marketing. I have been very impressed by the high quality and standard of scholarship exhibited. However, I realize that the works have been accomplished at a considerable, perhaps enormous, cost. They demand a power to piece together a diverse set of positive, scientific information of wide scope into a coherent whole—the hallmark of macro marketing studies. Can we keep on, then, to adhere to the same empirical verifiability standard in macro marketing studies? Can we afford it? Or, can we simply do it and would it pay?

Well, it appears that there are fundamental differences in the basic methodologies in macro marketing, as we understand it, according to the definitional claim of abstraction at the macro level. And it looks as if it is impossible to avoid the costs envisaged. Theoretically, the methods of macro marketing can be equated to the typical strategies and methodologies of field research studies rather than the experimental study methodologies which are closely associated with the first domain study of marketing at the micro level. The major contrasts are presented on Table 1 to follow.

The contrasting differences listed in Table 1, which has been adapted and expanded from the original version advocated by an anthropologist (Kawakita, 1967, p. 13), relate to the basic philosophy to regard the human phenomena as an object of scientific investigation. They suggest that the scientific methodologies of the experimental research apply mostly to the hard, physical phenomena and not to the soft, human phenomena.

Marketing can be regarded as human phenomena with a dollar sign attached. Thus, marketing uses a set of relatively hard human data. Perhaps for this reason many micro studies have employed the accepted methodologies in the vein of the experimental research. And yet, there have been symptoms that the analytically exact methods may not apply to the studies in the first domain. Witness many impeccable studies from the methodological viewpoint which have produced irrelevant results. Some consumer behavior studies would rightfully fall under this category. These methodological points are elaborated by Matsusaki, 1979 d.

Even when we adopt a rather restricted position that marketing is a study of exchanges, or more precisely the process of economic exchanges in the society, the phenomena to be investigated are quite open, with uncertain boundaries and system parameters. It appears that the methodologies of the field research may be better employed in the second domain if not at the exclusion of those associated with the experimental research.

These points are, of course, arguable. Therefore, I shall outline the reasonings behind Table 1 in the sections to follow. The purpose is to underscore the relevance and appropriateness of the field research methodologies to the studies in the second domain. I do not argue that they be employed exclusively in the second domain.

Table 1. Major Contrasts in the Data Base and Associated Methodologies or Strategies for the First Domain and the Second Domain of Marketing Studies, As They Relate to Experimental Research and Field Research Studies.

FIRST DOMAIN (MOSTLY MICRO PHENOMENA)		SECOND DOMAIN (MOSTLY MACRO PHENOMENA)	
<u>EXPERIMENTAL RESEARCH STUDIES</u>		<u>FIELD RESEARCH STUDIES</u>	
Real, Natural Data Base	Typical Strategies and Methodologies	Real, Natural Data Base	Typical Strategies and Methodologies
<u>INVESTIGATIVE PHENOMENA</u>			
Laboratory Indoors	Closed Systems Black Boxes	Nature Outdoors	Open Systems Boundaries, Parameters
Artificial Human Inter- vention	Create Nature Manufacture Nature	As Is No Inter- vention	Accept Nature Recognize Nature & Leave Alone
Controlled Environment	Fixed Facilities & Equipment	Cannot Be Controlled	Portable Tools & Equipment
Straightforward & Simple	Analysis	Complicated & Complex	Synthesis
<u>PREVALENT APPROACHES</u>			
Easy to Break Down Into Units, or Elements	Hypotheses Demand a Classifica- tory Scheme	Difficult to Break Down Into Units, Elements	Data Suggest a Classificatory Scheme
Cognizant of What to Look: Can Tell What is Needed	Search Process	Cannot Tell What to Look For: What is Needed	Exploration Process
Quantitative	Measurements	Qualitative	Description, Scenarios
Other Conditions Being Controllable	Move From General to Particular	Other Condi- tions Non Controllable	Move From Particular to General
<u>STRATEGIC ORIENTATIONS</u>			
"Pure" Nature	Hypothesis Testing	"Imperfect" Nature?	Hypothesis Generation
Repeatability of Tests	Hypothesis Veri- fication	Historical Uniqueness	Hypothesis and Idea Creation
Repetitive	Critical (Accept/Reject)	Non-Recursive	Inspirational (Learn/Study)
Generalistic Regularities	Pursuit of Laws Universals	Particularis- tic	Comprehension of Uniqueness

THE CONTRASTS IN THE INVESTIGATIVE PHENOMENA

The macro stance to regard the basic data base of the investigative phenomena is considerably different from the micro perspectives in the first domain. The micro viewpoint dictates that the firm intends to introduce an artificial disturbance—a sort of human intervention—into the existing market after controlling for all the non-controllables. In the process, the firm attempts to control the expected results of its marketing action plans in the free market as much as possible. It resorts to the known conceptual frameworks such as the marketing mix, market strategies and programs backed up with appropriate resource commitment for execution of the intervention.

The available means for the intervention, so to speak, are normally limited to a few practical alternatives. This permits monitoring of the results in a somewhat controlled way. Thanks to the recent developments in the behavioral sciences and consumer behavior studies, this sort of market “experimentation” can generate a rule of thumb to measure its success or failure in an explicit, straightforward and perhaps simple way: the market performance.

Contrary to these data features in the first domain, the data base for the macro domain in the second can be a much broader, natural phenomenon at an aggregate, societal or abstract level. Its boundaries are hard to establish, and the extent of human intervention to alter the phenomena to be studied is severely limited. It is akin to what anthropologists may study. The exchange process of primitive tribes, for example, can surely be observed with a limited amount of portable tools or equipment. The participant observer cannot initiate a new set of exchanges which in general may alter and change the very process which must be studied.

Moreover, in this case, the observed data would come in bits and pieces of seemingly unrelated sets of complex phenomena. The boundaries and the parameters of the system under investigation are by no means clear: they are open systems, their nature must be accepted as it is, and the phenomena are not really controllable. Whereas in the first domain, experimentation, artificial intervention, and simulation would permit a creation of nature and use of laboratory facilities such as in the physical sciences where most of the models originate.

THE CONTRASTS IN THE PREVALENT APPROACHES FOR RESEARCH

Recurrence of the phenomena under the free enterprise system and the market economy framework marks the data base for the first domain. It leads to the use of established concepts, which in turn would permit the process to break the basic phenomena down into manageable units or elements. It is a search process where quantitative measurements can be applied to the phenomena: the researcher would know what to look for and could tell what is needed ahead of time. Past experience with the decision rules for similar situations would help to select the needed classificatory scheme to be used—no doubt partly dictated by the hypotheses in mind.

In contrast, the macro studies and their approaches face the phenomena which are not readily broken down into identifiable elements of well-classified schema. In

many cases, the research process is that of an exploration—a fishing expedition as it were—to pin down essentially qualitative phenomena. Very seldom can the researcher tell what to look for and what is needed in terms of the data requirement. No testable hypotheses can be used, as the approach is to move from the particular observations to the general picture. Hypothesis testing can help if one can control the “other” conditions in the phenomena. But this is usually not the case. Therefore, use of the approach suited to the first domain often meets with sterile results.

THE CONTRASTS IN THE STRATEGIC ORIENTATIONS FOR RESEARCH

As it stands for the moment, our general faith in the scientific method and in the achievements in physical science models has created among us an implicit acceptance of the positive scientific methods of the experimental research studies. Most of the studies in the first domain, therefore, adopt the laboratory style research strategy or orientation. It is concerned with creating a “pure” nature in the laboratory conditions where other factors can be excluded for hypothesis testing. Hypotheses are verified by repeated tests and replication of studies. The purpose is pursuit of universal laws and discovery of general regularities in the like phenomena.

These orientations are characteristic of the research strategy in the first micro domain. Unfortunately, the same orientations are often carried into the investigations of the phenomena in the second macro domain. The results are predictable: either the study suffers from the methodological straitjacket of the first domain (which can prove disastrously expensive to the researcher in many ways) or the study does not come to grips with the real phenomena to be investigated (the realities may preclude the repetitiveness or recurrence of the phenomena).

In my view, the macro phenomena cannot be the “pure” nature: they are bound to be “imperfect” in the sense that the phenomena are basically noncontrollable. Further, often they are historically unique: the same thing may never happen again. It is not recursive and it is particularistic. For example, another oil crisis may never bring about the marketing repercussions associated with the first oil crisis. The conditions are dissimilar, and human learning must have taken place in the meantime. Studies, therefore, always need to have new hypotheses and ideas to be created. Hypothesis generation unlocks the nature. Learning while studying will be the norm. Inspirational insights are required.

IS THERE A THIRD DOMAIN OF MARKETING STUDIES AT THE MACRO LEVEL?

IF SO, CAN IT BE CALLED MACRO MARKETING MANAGEMENT?

Granted that the distinction can be made between the macro and the micro domains as presented on Table 1 with an emphasis on methodological approaches and research strategies based on the uniqueness of the basic natural data base, we must still answer a critical question. Do they enable us to guide our future endeavors in the discipline? Put differently, do they cover most of the key problems which may confront the marketing discipline in the foreseeable future? I believe that the answer is negative (Matsusaki, 1979a, b, c, d). In view of the environmental changes to come, I feel that we

should envision still a third domain of marketing studies, tentatively suggested to be called macro marketing management, whose features are presented in Table 2 on the next page, in contrast to the first two domains.

In a blueprint form, the suggested third domain should point toward the development of theory, appropriate methodologies, approaches and techniques at the macro level—with normative overtones—instead of the traditional emphasis on the positive investigation in the macro studies. This inclusion of the normative aspects can invite misgivings to the uninitiated, but the practical advantages far outweigh the negative aspects in my view (Matsusaki, 1979c, d).

Methodologically, the third domain can combine the merits of the first two domains into cohesive action plans. The details of the possible range of practical applications and methodological pointers have been outlined within the Canadian context (Matsusaki, 1979 c), and they are beyond the limited scope of this paper. For details, see Matsusaki (1979 d), as well.

Briefly put, the new third domain would study the phenomena associated with an artificial (often political) intervention—from outside—into the normal workings of the free enterprise and the market economy system, in such a way that the resulting environmental disturbances could be held to the minimum.

To illustrate the type—if not the kind—of studies which can be aptly called macro marketing management, or the studies in the third domain, I wish to recall the works by Professor C. Slater in Latin America. There, the basic thrust was to study the probable impacts of an artificial intervention into the normal workings of the market mechanism in a given environment. Conceptually, normative values and decision premises must be clarified in order to effect the outside intervention of a political authority into the market economy. There the study must trace the probable consequences of the contemplated intervention for the entire economy and for other sectors of the society.

The needs for the third domain marketing studies have increased in recent years—especially outside of the United States—as has been documented from different perspectives (Matsusaki, 1979 a, c). Methodologically, I feel that the approach of Wroe Alderson (1958, pp. 29-34) of taking advantage of ecological concepts has the greatest promise, and it has a natural affinity with the methodologies of the field research (Matsusaki, 1979 b). Perhaps a renewed interest to resurrect Aldersonian theories may reflect the realities which the marketing discipline faces at this juncture.

In concluding this paper, I wish to acknowledge the intellectual debt I owe to the brilliant conceptualization of the field by Wroe Alderson. The multinationalization and transnationalization of business, as well as an increasing tendency for governments and political authorities to intervene into the free market economy, shall facilitate our efforts toward establishing the third domain of marketing studies or macro marketing management. As well, the direction of future environmental changes justifies our committed endeavors to that end.

Table 2. A Schematic Comparison of the Three Domains of Marketing Studies.

	THE <u>FIRST</u> DOMAIN (MICRO) (NORMATIVE/POSITIVE) (Current Domain) Majority of Studies	THE <u>SECOND</u> DOMAIN (MACRO) (POSITIVE/POSITIVE) (Traditional Domain) Limited Minority	THE <u>THIRD</u> DOMAIN (MACRO) (POSITIVE/NORMATIVE) (New, Emerging Domain) Increasing Future Needs
<u>SUBJECTS COVERED</u>			
MAIN LEVEL AT:	Micro Management (Applications)	Macro Marketing (Investigative)	Macro Marketing Manage- ment (Applications for Results)
FOCUS ON:	The Firm	Not the Firm	The Environment
STUDY MODES:	Normative/Positive	Positive/Positive	Positive/Normative
SYSTEM RANGE:	Closed - One	Semi-Open - Many	Open - Many Competing Ones
MAJOR FEATURES:	Prescriptive/Action Guides	Descriptive/ Investigation	Solution Guides/ Problem Oriented
<u>RESEARCH STRATEGIES</u>			
PROBLEMS:	Total Systems Multidimensional	Functionalism Integrative	Theory Development Evolutionary Relevance
KEY CONCEPTS:	The Marketing Concept	The Distribution System	The Eco-System The Marketing Patterns
MAJOR TOOLS:	Marketing Research Consumer Behavior	Marketing Channels The Value-Added	The Free Market(s) Value The Ecological Balance
APPROACHES:	Analytical Hypothesis Testing	Integrative Problem Definition	Ecological Synthesis Hypothesis Generation
BASIC STANCE:	Applications	Findings	Social Impacts
<u>THEORY IMPLICATIONS</u>			
DATA AVAILABLE:	Excellent	Limited	Embryonic but Emerging
KNOWLEDGE BASE:	Extensive Optimization Norm	Increasing Policy Implication	Formative Multi-Disciplinary
NATURE OF THE PHENOMENA:	Recurrence Precedents	Stability General Laws	Uniqueness/Differences Pragmatic Field Exper- ience
CENTRAL FOCUS:	Needs Satisfaction	System Performance	Environmental Interface
PITFALLS IN PERSPECTIVES:	Optimal Choice	Economic Rigor	Ecological Fallacy
RELEVANCE:	Professional Vigor	Academic Stability	Environmental Change

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ON DYADS, TRIADS, STRINGS AND NETWORK IN CONCEPTS OF MICRO AND MACROMARKETING¹

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The scientific study of marketing, like the scientific study of all other phenomena, is the study of particular relations. The problem of defining the scope of the particular relations to be subsumed under the heading "marketing" has occupied a number of scholars in recent years (Kotler 1972; Bagozzi 1975; Hunt 1976). Apparently these scholars have managed to establish general acceptance of the notion that marketing "is" exchange relations. No doubt, this notion will, in time, be further circumscribed by practical interests if not by conceptual refinement. All living systems engage in "exchanges" with members of their own species and in some instances even with members of other species. Yet, one doubts that studies of the exchange relations among animal species other than humans will find their way into marketing journals for some time to come.

In any case, the purpose of this paper is not directly that of joining the debate regarding the *scope* of marketing relations. The purpose is to consider certain issues pertaining to the *form* of relational concepts. The point of departure is the dichotomy of micro and macromarketing. If micro and macromarketing are subheadings under the major heading "marketing," then how might one express the relation between them? In asking this question we are presuming that the invention of any categorical scheme (including the dichotomy between micro and macromarketing) is not just a way of pointing to conceptual divisions, but also a way of calling attention to some relation(s) not apparent prior to the division.

The Micro-Macro Dichotomy

A number of attempts have, of course, been made to accommodate the macro-micro dichotomy. Bagozzi formulated four categories of marketing phenomena and then somewhat arbitrarily assigned two categories to each of micro and macro marketing (1977). Nickels and Hill developed a continuum of exchange systems and then divided it into two categories (individual exchanges and exchanges involving total systems) in what seems a forced attempt to accommodate a dichotomy which apparently adds nothing to their original concept (1978). Shawver and Nickels sought to accommodate the dichotomy, not by categorizing the subject matter of marketing, but by categorizing research perspectives (1979). They distinguish between the "narrow perspectives of an institution" and societal perspectives. Clearly, students of micro and macromarketing adopt different perspectives. But one suspects that the notion of a "societal perspective" will prove more difficult to define than these authors indicate. For example, if the Ontario provincial government introduces a regulation designed to establish preferential status for the Ontario wine industry, or a law designed to make it more difficult for out-of-province construction firms to bid on projects in Ontario, is it then taking a societal perspective or a "narrow" institutional perspective?

One key problem with the micro-macro dichotomy is that it is terminologically unduly simplistic. Marketing, in the enterprise or action sense is not, in its current form, a "micro" version of marketing in the societal sense. That is, marketing, as generally understood and taught, does not involve a study of the entire exchange phenomenon. It involves the study of that phenomenon from the standpoint and in relation to the interests of only one of the parties to the exchange phenomenon—namely the seller. The other party, the buyer, is all but invariably reduced to a passive scientific object—a receiver of or even a sink for the efforts of producers and sellers. We are not saying that marketing ought not to be understood and taught in that way. Our point is that marketing, in the usual textbook sense is but a powerful behavioral or operational formula for making exchanges happen. That formula is simply a means which, via the marketing concept or the equivalent assumption that the buyer is king, has been neutralized with respect to ends. Though textbooks rarely mention it, the basic marketing formula works as well in the selling of drugs to kids as it does in the selling of cereal. And, as *marketing professors*, we do not systematically teach the difference between these two applications of the marketing formula. We can spin tales in great detail about how to sell (or about how to create exchanges). But regarding questions of *whether* to sell (or buy) we have little to say beyond generalizations about "social responsibility."

It is perhaps only natural that a number of concerns would arise in the context of this apparently universally applicable and morally neutral marketing formula. One such concern pertains to situations in which the formula does not work well in its scientific sense. Industrial selling and buying situations have so far defied complete reduction to the basic marketing formula. Consequently, a separate literature has evolved around industrial marketing and channel behavior. But while that literature is important it has not yet led to a modification of the prototypical marketing formula (Banting and Stidsen 1979).

Another concern which has arisen around the basic marketing formula is that generally summarized under the heading "consumerism." Marketing professors not only did not originate this concern, but we have found ourselves largely embarrassed spectators to its evolution. Insofar as consumerism centered on the marketing formula itself (e.g., on offensive advertising) we either joined forces with consumerists or researched consumerism itself. But consumerists have often concentrated on specific product issues (unsafe cars, lack of nutrition in cereals, and the like). And in relation to such issues marketing professors neither have nor evidently seek special competence.

In relation to marketing, consumerism is not a "macro" concern. It is in opposition to certain marketing practices and, as such operates at the same level as marketing; the related concern—namely that pertaining to environmental consequences of mass marketing and consumption—is largely product and technology specific. Here, again, marketing professors are out of their depth. We can express our concern in generalities, as can all citizens, or we can recast the problem in terms of the marketing formula ("social" marketing or "demarketing"). But we can neither define or identify the strategic problems, nor can we help specify strategic solutions to problematic environmental consequences. We simply do not know enough about the products marketed to link effectively our "micro" and "macro" concerns in anything more than emotionally charged generalizations.

Some of the concerns mentioned above as well as some others have been lumped together under the heading "societal concerns." Societal concerns are perfectly legitimate concerns of course. They might even be called "macro" concerns in some sense. But only insofar as they pertain to the execution of the basic marketing formula could they with some reason be referred to as "macromarketing" concerns.

The point here is that the issues generally discussed under the heading "micro-marketing" are often not *marketing*, but *market* issues. That is, they are issues pertaining to the functioning of and to the decisions emanating from *market relations*. A decision to apply the marketing formula to a product or service is not a decision to buy and consume that product. It is simply a decision to enter a market. And it is through markets and market relations that marketing activities, in combination with buying activities, become transformed into social phenomena and consequences. Even marketing efforts themselves (e.g., advertising) are bought and sold in markets and are thus subject to market influences.

It seems worth noting the curious scarcity of the term and concept "market" in definitions of macromarketing. Though exchanges occur in markets, markets are not just exchange systems. They are problem solving arenas or contexts in which sellers and buyers both complete and forego exchange possibilities. And an exchange foregone is not just a marketing failure, though it may be that, it is also an indispensable element of functioning markets. The reality of choice is manifest in exchanges foregone. And if one would fully understand the functioning of a particular market one would need to know not only what exchanges are completed, but also what exchanges are foregone in that market. The point here is not just that comparisons of alternatives underlie exchange behavior, though that is clearly an important characteristic of markets. The point is also that the set of available alternatives in a given market, and not a particular entry in that market, form the basis for selling and buying decisions. The marketing concept notwithstanding, buyer and user satisfaction is not a phenomenon producible by a single market entry. It is a *market* phenomenon rather than a marketing phenomenon—a fact which students of the role of marketing in economic development evidently also recognize (cf. Hilger and Cundiff, this volume; Sherbini, this volume). Similarly, the social and environmental consequences of human efforts to adapt the principles and materials of nature to our concepts of quality of human life are not attributable to a particular market entry and its associated marketing effort. They are *market* phenomena—produced by the combination of entry (production/selling) decisions and buying/consumption decisions occurring in a market.

In sum, the argument is that the concepts of *market* and *market relations* can serve as the link between and as the common focus for the concepts of micro and macromarketing. The study of micromarketing would then be the study of buying and selling activities *in* markets. And the study of macromarketing would be the study *of* markets and market relations. Operations *in* markets may, of course, be studies from either a seller or a buyer perspective—though, as we noted above, textbook marketing emphasizes the seller's perspective and it is thus an incomplete representation of the study of micromarketing. Operations *of* and *on* markets may be studies in relation to seller specific, buyer specific, or general perspectives and criteria, the choice depending on the researcher's inclinations and interests.

Markets and Market Relations: Dyads, Strings, or Networks?

Given the central role assigned to the concept and reality of markets above, it remains to formulate a concept of market relations which can serve as a focus for both micro and macromarketing research. Specifically, we need to formulate the minimum representation of a market relation capable of linking micro and macromarketing analyses. As a convenient and useful point of departure from which to formulate such a unit we have chosen the concepts of exchange and exchange systems recently advanced by Professor Bagozzi (1974; 1975).

The theory of exchange essentially involves the specification of relations among social actors defined as particular roles. If we, following Bagozzi, think of a role as a connecting link, then we might, in turn, differentiate social actors on the basis of the number of such links assigned to them. Bagozzi constructs his exchange system representations entirely from single and double role social actors. A single role actor (e.g., a salesman *or* a buyer) can be represented as follows (Freeman 1934):

0 →

and a double role actor (e.g., a buyer *and* seller) can be symbolized thus:

← 0 →

In the marketing literature social actors are commonly defined as either sellers or buyers—or as single role actors. Two social actors thus defined can logically be linked in pairs to form simple dyads:

0 → ← 0

But we cannot form more complex units from single role actors. Two individuals defined as “salesman” and “buyer” respectively can form only one kind of unit—namely that specified by or in their roles. They cannot form a unit, individually or in combination, with others without adding one or more roles or connecting links.

We know from game theory that two-person games have very limited *social* characteristics. For example, as von Neumann and Morgenstern pointed out, the social phenomenon of coalitions among actors cannot be demonstrated in two-person games (1964, p. 225). Consequently, this representation of an exchange relation—Bagozzi’s “restricted exchanges” (1975, p. 32) is not sufficiently complex to represent the social dimensions of exchange relations.

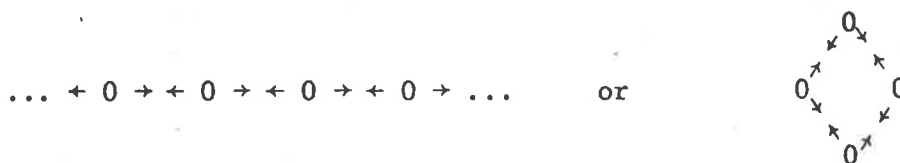
A favorite tactic in micromarketing research is to identify subjects as single role actors and to treat all other influences as “internalized” or felt obligations, goals, roles, and norms. That tactic is apparently reasonably successful when the problem of explanation is reduced to that of accounting for outcomes after the fact. But it entirely ignores the practical problems of communication associated with the creation and management of exchange relations. Clearly, people do internalize socially established obligations, roles, and norms. But people also externalize them. The peculiarly *social* dimensions of a role inhere in its externalization or in its grounding in the responses of others.

An actor specified as a single role (e.g., buyer *or* seller) is necessarily reduced to the terms of that role. That is, he is specified as a victim of that role since his role performance must serve as both ends and means. Even if one explains the role performance of a buyer by referring to his internalized characteristics one is still reducing him to an extension of his role. Indeed, no matter how complex one's "model" of the single role actor's internalized characteristics, the overall conclusion must still be that he performs the role in whatever manner because he cannot help himself—he cannot "rise above" either the role or the internalized characteristics which determine his role performance.

No doubt, people derive a degree of satisfaction (and dissatisfaction) from the sheer performance of the roles of buyer or seller in exchange relations. Nonetheless, one may presume that the sheer job of going through the motions of buying and selling is not their major reason for engaging in exchanges. Exchanges are made to facilitate the performance of other roles, which thus "participate" in exchange relations. And the negotiations between buyer and seller in any given exchange relation are at least in part aimed at establishing a suitable interpretation of the role(s) in which the exchange relation is grounded.

An exchange relation thus involves the externalization of at least two roles on the part of both buyer and seller. One of these roles is that of buyer (or seller) externalized through its enactment in the relation; the other is the role in which each of the two actors ground their exchange activities, and which they externalize through their negotiation and decision making. This latter role forms the basis for an explanation of the decision(s) made in the performance of the former role.

But the concept of a dual role actor still does not quite solve the problem of relating individual action to socially established relations without reducing one to the other. Given dual role actors one can form either open-ended strings of dyads or circles:



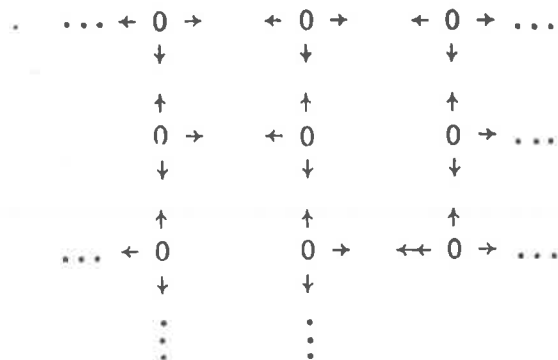
But no combinations of greater complexity can be formed. Bagozzi's "complex exchange" involve such strings of dyads. And representations of channel relations commonly take this form as well.

We know, of course, from theories and research in channel behavior that such social phenomena as cooperation, conflict, control, and power are part and parcel of market relations. These are *social* phenomena because they emerge only in interrelated groups of actors. A string or circle of two-role actors may engage in successive exchange relations. Just as a single role actor cannot "rise above" his role, dual role actors cannot "rise above" their relations to each other. Their two roles will determine each other through the individual and thus reduce him to a social transformation function without the power to change the terms of his exchange relations.

Since it is quite conceivable that some buyers (or sellers) in fact are unable to affect the terms of their exchange relations we would not rule out the usefulness of

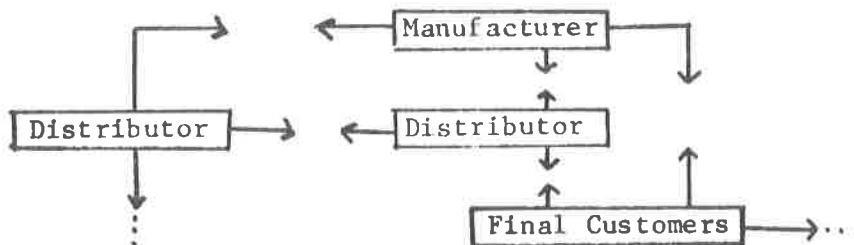
studies of exchange situations involving actors specified as social transformation functions. Instead, we would differentiate between *exchange relations* and *market relations* and define the latter as relations in which the terms or parameters as well as the decision variables of exchanges are established.

To represent *market relations* adequately we need networks rather than strings or circles of relations. And the *minimum* representation of an actor capable of participating in a network of relations is a triple role actor (cf. McCulloch 1967):



The key difference between a two and a three role representation of actors is, of course, in the complexity of the structures which they can generate as well as in the ability of the individual actor to use one role relation to affect the parameters of the intersection of the other two role relations. For certain purposes a larger number of roles may be necessary to fully represent particular market relations. But the key principle—the principle of choice at the level of role relations—is evident in the three-role representation.

For example, consider the following channel interrelations:



The exchange relation between a distributor and a manufacturer is, from the standpoint of the distributor, affected both by exchange relations with final customers and by exchange relations with other distributors. Exchanges (e.g., cooperation) with other distributors may, for example, be used to change the parameters of the exchange relation with manufacturers—changes which, in turn, will affect the exchange relation with final customers. A manufacturer may seek to resist such parameter changes through exchanges

with his and his distributors' common final customers. In short, exchanges may be made—not to acquire goods and services directly—but to affect the terms of exchanges involving goods and services.

A network of exchange relations (i.e., a market relation) cannot, of course, be closed except by arbitrarily drawing a boundary around certain sets of exchange relations—thereby treating all other exchange relations as exogenous variables. It might, therefore, seem equally acceptable to draw boundaries such that only dyads are considered endogenous (cf. Bagozzi, 1978). Certainly, isolated dyadic exchange relations are easier to model than market relations (or networks of exchange relations) and such models might even be instructive. Logic suggests, however, that if one would formulate conclusions useful in the management of market relations (i.e., macromarketing), models confined to isolated exchange relations are inadequate or even misleading.

In one sense, the issue is “externalization” versus “internalization.” One might isolate and study a dyadic exchange relation between, say, a salesman and a buyer. But one is likely, then, to find oneself sneaking such ostensibly exogenous exchange relations as that between the salesman and his employer or that between the salesman and other salesmen, into the analysis via the backdoor of internalized characteristics, constraints, inhibitions, expectations, and the like. And such a procedure is apt either to tell less than the full story or else to lead to misleading results. A salesman *can* manage his exchange relations with his customers through his exchange relations with his employer or through his exchange relations with other salesmen. But such managerial potential is in the actual exchange relations rather than in the salesman's internalized characteristics.

In another sense, the issue involves the fallacy of explaining phenomena at one level of analysis by reference to phenomena at another. A social phenomenon cannot be explained by reference to a psychological one without forming a tautology. If one would explain an exchange relation (a social phenomenon) one would, at least, need to identify the social manifestations of any “internalized” social incentives and consequences one would presume. For example, one may presume any actor to be maximizing some idealized utility function. But until and unless one can demonstrate that the actor is *in a position* to maximize that function in actual exchange relations, one cannot use it as an explanation of his exchange activities.

It is in this context that we conclude that the minimum representation of market relation involves a network of exchange relations. To *explain* an exchange between any two parties it is necessary to take into account not just the psychological characteristics of the parties to the exchange, but also the social realities surrounding the exchange relation. Individuals' perceptions of social realities may be a necessary condition for these realities to influence exchange relations. But they are not sufficient conditions. Or the realities of choice, power, competition, and socially established rules of conduct are not in *individuals* but in *relations* between or among them. John R. Commons put it this way:

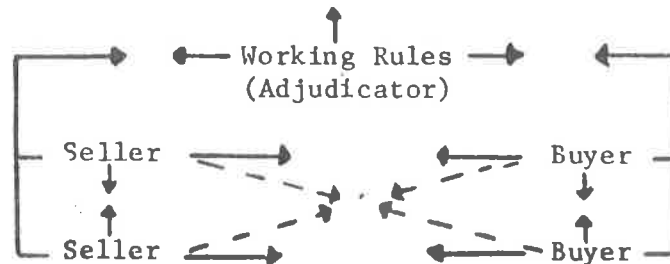
Thus there is a gradation of alternatives taken into account by each party to a transaction, and consequently, *from the standpoint of the motives affecting the parties*, the minimum number of persons necessary to

constitute a transaction is four parties, two buyers and two sellers, namely the actual buyer and seller, and the next best alternative for each (1957, p. 66).

. . . But there are an infinite number of possible disputes between the parties to the transaction that may arise before or after the completion of the transaction. . . . Consequently, if transactions are to go on peaceably without resort to violence between there must always have been a fifth party to the transaction . . . (1957, p. 67).

Choices must not only be perceived or imagined; they must also be real. As a matter of negotiation tactics, people may and do, of course, from time to time seek to “bluff” others with respect to their available choices. But “bluffs” *can* be “called.” And when they are “called” it is clear that the sheer ability to imagine an alternative is not sufficient for the creation of an actual alternative.

Commons’ description of the “ultimate unit” of a bargaining transaction (i.e., the minimum unit necessary to represent the social realities of exchange relations) may be illustrated as follows:



Each actor in the exchange relation has *at least* three roles, namely buyer (or seller), competitor, and citizen. *Choice* is grounded in the real potentiality of the alternatives available to each actor. *Power* is grounded in the reality of choice. And *competition* is grounded in the realities of both choice and power. The exercise of choice, power, and competition is constrained and enforced by working rules vested in the person of an adjudicator.

Note that the unit illustrated above is also a minimum representation of the concept of a *market*. Furthermore, if one comprehends the study of *marketing* as the study of operations *in* such units from the standpoint of sellers, the study of *purchasing* as the study of operations *within* such units from the standpoint of buyers, and the study of macro-marketing as the study of the operations *of* such units, one can readily bring the results of the three research orientations to bear on each other.

Macromarketing: The Study of Market Relations

In terms of the minimum unit specified above one would, if one had the choice of Greek prefixes, probably prefer meta- to macro- in the formulation of a title for

studies of markets. Clearly, any relation can be studied both from "within" (from the standpoint of a participant) and from the "outside" (or from the standpoint of an outside observer). It may be worth noting too that a given person can take both points of view. In that sense we are in agreement with Shawver and Nickels when they assert that "the distinction between micro and macro depends upon the perspective of the researcher" (1979, p. 40). In other words, it is not the phenomenon itself, but the orientation toward the phenomenon which serves as the criterion for differentiating between what we call micro and macromarketing studies. Inasmuch as *any* relation may be viewed either from within or from the outside a classification of phenomena as either micro or macromarketing phenomena thus seems arbitrary. On the other hand, inasmuch as researchers necessarily must consider any relation either from within that relation itself or from within some encompassing or contiguous relation it is incumbent upon them to identify both the "micro" and the "macro" dimensions of their studies.

In sum, the argument here is that the focus for both micro and macromarketing studies must be networks of market relations. It is through such networks that the activities of sellers and buyers are transformed into social phenomena and consequences. And it is through such networks that socially established values and preferences are brought to bear on individual economic decisions and activities. Specifically, the dyad (whether singly or combined in strings or circles with other dyads) lacks the relational complexity necessary to represent the second order social dimensions of individual action— or those dimensions of individual action which can emerge only from relations between relations. Not only must micromarketing studies come to grips with the fact that people socialize their actions by forming relations with others. But macromarketing studies must come to grips with the fact that these social relations are interrelated through their individual participants. In short, the two orientations to the study of marketing can provide complementary views of the same phenomena as distinct from competing views of different phenomena. The macromarketing researcher can provide theories and concepts of action on market relations. And the micromarketing researcher can provide theories and concepts of action within market relations.

Implications for the Study of Micro and Macromarketing

Since all phenomena may be studied both from within and from the outside, it follows that perspectives rather than phenomena differentiate micro and macromarketing. Specifically, differentiations between the micro and macromarketing domains on the basis of levels of aggregation of actors (Hunt 1976; Bagozzi 1977) or levels of aggregation of impacts or effects (White 1979) ignore the fact that all phenomena and effects involve aggregations of elements.

In the most general sense every "micro" study is necessarily also a "macro" study; and every "macro" study is necessarily also a "micro" study. It is useful to recognize this necessary merger of micro and macro perspectives if for no other reason than modesty. Macromarketing researchers do not have a special pipeline to truth. They, like anyone else, must study phenomena within some context or in reference to particular criteria.

In a more specific sense, the understanding of some phenomenon of human behaviour involves investigations both in and of the phenomenon. Thus, if one would understand how markets work, one must investigate markets from the standpoint of a participant as well as from the standpoint of an outside observer. Investigations *in* a phenomenon can identify and explain actions conditional upon the relations among participants. And investigations *of* a phenomenon can identify and explain relations among participants conditional upon their actions.

It is in the light of this interrelation that the emphasis on a common minimum unit for micro and macromarketing studies becomes important. Both sets of investigations involve networks of relations. A microorientation involves finding ways of utilizing relations and a macroorientation involves finding ways of creating modifying, or maintaining relations.

For example, insofar as the study of ways of entering a market involves identification and testing of ways of utilizing existing relations within that market it is a micro-study. But insofar as it involves identification and testing of ways of creating, modifying or maintaining relations in that market it is a macrostudy. Micromarketing studies focus on the uses of choice, power, competition, and rules of conduct in relation to the purposes and interests of particular participants (simply or in the aggregate). Macromarketing studies focus on the sources and implications of these emergent characteristics of markets in relation also to the purposes and interests of particular participants (singly or in the aggregate).

Conclusions

In this paper we have attempted to formulate a representation of exchange or market relations which might serve as a bridge between micro and macro-marketing investigations. In light of this representation we are in a position to identify tentatively some missing components in that enterprise referred to as research in marketing:

1. Micro-marketing research often proceeds from inadequate representations of exchange or market relations. In particular, the role of such social phenomena as power (politics) in market relations are too frequently ignored in applications of the basic marketing formula. The marketing concept, for example, makes no mention of the social realities of choice, power, competition, and working rules.
2. There is too little research focussing on operations of buyers *in* markets (cf. Slater 1977). Especially final consumers often are represented as more or less passive targets for marketing efforts rather than as social agents operating within the market realities of choice, power, competition and working rules.
3. Macro-marketing studies could gain appreciably in applicability and usefulness relative to micro-marketing principles were they to focus more directly on markets and market relations.

According to Alderson "a theory of marketing is a theory of how markets work" (1965, p. 23). We have not gotten very far in the intervening years in unravelling the mysteries of market dynamics. That is at least partly because we have focused more heavily on researching the problems of selling than on researching market dynamics. The emerging tradition of macro-marketing research may help correct this imbalance. But it can do so only if it adopts a focus which clearly relates it to micro-marketing. We have sought to show that an adequately complex concept of a market relation can provide such a focus.

FOOTNOTES

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MACROMARKETING ANALYSIS AND THEORY DEVELOPMENT: PERSPECTIVES FROM PARSONS' GENERAL THEORY OF SOCIAL SYSTEMS

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A hallmark of marketing inquiry has been its hybrid eclectic nature. Concepts, theories and methods from many disciplines have been "borrowed"—then, developed, enriched, tested and often reformulated within the realm of marketing scholarship. Marketing, as an applied behavioral and social science, has therefore developed an interesting multi-disciplinary theoretical foundation. The practice of systematically exploring cross-disciplinary concepts and approaches has been more evident within managerial (micro) marketing inquiry than at the macro level. We advocate that the development of macromarketing can benefit from increased investigation of "macro" paradigms formulated in other disciplines. In this presentation, we explore the work of the noted sociologist, Talcott Parsons, as one basis for macromarketing analysis and theory development. We present a critical synthesis and interpretation of the basic elements of Parsons' analytical approach and substantive contribution. Next, we explore its implications for developing macromarketing analysis and theory.

MACROMARKETING BACKGROUND

The conceptual foundations of macromarketing rest in a rich history of concern for the social nature and societal role of marketing actions, processes and systems. Macromarketing as a distinctive field of study emerged from increased scholarly consciousness of societal marketing issues generated by the social, economic and political turbulence of the sixties. Continuation and intensification of environmental strain has contributed to the expansion of macromarketing inquiry.

An issue-oriented, "social problem" research perspective has dominated the early development of this field. As such, a wide range of issues have been explored and diverse methodological approaches characterize analysis. Yet, theoretical development has been slow (c.f. Bagozzi 1977).

Currently, increased attention is being directed toward considerations of definition, taxonomy and methodology (e.g. Bagozzi 1977, Bartels and Jenkins 1977, Hunt 1976). This demonstrates greater interest in the theoretical formulation of macromarketing. The current perspective indicates potential maturing; certainly, the legitimation and institutionalization of the field within the discipline of marketing. However, the outcome of this work—the formulation of the parameters of the field, indicating its logical scope

and nature from a scholarly perspective—does not appear to be generating much theoretical development. It appears to have shifted scholarly attention toward debating controversial issues of taxonomy, and away from substantive theory development. The pressing challenge is to use taxonomy for guidance and direction, and to assess its value through investigation rather than debate. Furthermore, we suggest that the development of macromarketing can be enhanced by using taxonomies and conceptual frameworks formulated in other “macro-oriented” social science disciplines; not only those generated within marketing. To demonstrate, we explore the “General Theory of Social Systems” (GTSS) developed by Talcott Parsons, for its conceptual and theoretical relevance for macromarketing.

The work of Parsons has been selected for a number of reasons. First, Parsons has been an influential scholar within his own field—sociology. He has contributed significantly to the emergence of a “macrosociology” field. Second, much of Parsons’ work has been interdisciplinary. His efforts have had an impact upon most every social science discipline (see Parsons 1977 and 1978). Parsons himself has made valuable contributions to the fields of psychology (e.g. with Shils 1952), economics (e.g. with Smelser 1956), political science (c.f. Mitchell 1967) among others. Finally, the concept of exchange is a basic premise within Parsons’ work. While he seldom has been characterized or discussed as an exchange theorist, his conceptual frameworks can be considered to be formulated from an exchange perspective—albeit a systems perspective of exchange (c.f. Mitchell 1967; see Parsons 1977: 262-269). It is this systems perspective of exchange—macro in nature, embedded within the “General Theory of Social Systems”—which can contribute to the conceptual development of macromarketing inquiry. Before discussing the GTSS specifically, the style and strategy of Parsons’ work will be described briefly.

PARSONS’ SCHOLARLY STYLE AND STRATEGY

Parsons has been characterized best as an “incurable theorist”—“a respectable deviant” within his field and his time (e.g. Mitchell 1967). Trained as an economist, he quickly gravitated toward the evolving field of “social science.” His work contributed significantly to the institutionalization of the modern discipline of sociology.

Parsons has always been a student of human behavior and social action (see Parsons 1977: 22-76). His work reflects a fascination with the components of human behavior, systems of human rationality and with the normative and subjective elements of social action. Further, Parsons constantly has been concerned with the relationship between conflict and order, and the processes of change. Above all, he believes in the concept of “a human action system” and uses it as the foundation for his work.

Parsons’ scholarship can be characterized by its penetrating complexity driven by a penchant for synthesis and detail, and a search for general theory. He believes that the construction of “general, high-level, abstract conceptual schemes” represents a crucial operation in science, an operation which is often ignored (Parsons 1977: 229-272). This belief has led him toward conceptual precision which can be formulated using semantic operationalism; away from precision developed through quantification. Parsons has developed a unique and complex formulation of functional analysis to serve as his fundamental methodology. At times, he has expressed ambivalent feelings about his

approach. He suggested that it was a pragmatic formulation which was necessary to use because of incomplete knowledge of laws and processes of social systems. Increasingly, he has become more committed and comfortable with the validity of his methods and frameworks, finding a convergence of substantive support for his work from multiple fields of "action science" (Parsons 1977 and 1978). His methodology never has constrained his choice of problem nor forced him to compromise his systems perspective. Thus, the Parsonian development of functional analysis is a derivation of general systems analysis which encourages imagination and the recognition of diversity and complexity. Paradoxically, it strives for simplicity, economy and precision of expression.

Typically, Parsons approaches a problem by developing a systems model or framework of a situation focusing on *social action* as the dependent variable. In the model, he postulates the "system needs" of (1) order and stability, and (2) social change (progress). Next, Parsons proceeds to elaborate the functional and structural characteristics of the system and to define the action processes of the system, concentrating on their inter-relationship to systems needs—functional exigencies. Often, comparative analysis is conducted by relating systems over time or across situations, or by constructing an "ideal type" system as a frame of reference. Parsons' steadfast commitment to this generalized analytical approach as well as the application of this methodology across many diverse, complex problems of action has resulted in his major methodological contribution—the formulation of an elaborate, general framework to study social action. This framework can be expressed in the GTSS.

THE "GENERAL THEORY OF SOCIAL SYSTEMS"

Parsons' GTSS has evolved over many years and across many studies. The GTSS is not really a theory or set of theories according to traditional positivist perspectives of scientific inquiry (Rudner 1966). Rather, it is a conceptual framework or methodology of analysis. The GTSS is a heuristic, particularly suited for stimulating, orienting and guiding theory development within the context of knowledge discovery. It is constructed from a body of concepts and a common language understood and used in many social science disciplines.

The social action system is the primary unit of analysis within the GTSS framework. Parsons (1971) defines a social system as the set of relationships generated by any process of interaction between two or more actors. According to the GTSS, action in any social system is subject to four imperative functional problems (exigencies) which must be resolved if the system is to continue existence. The functional imperatives are derived from basic assumptions about a system's needs for stability and order, and then adaptive social change (see Parsons 1977: 100-117; 145-203). Each social system, whether dyadic or global in scope, can be decomposed into sets of specialized subsystems relating to the functional imperatives. Each subsystem can be structurally described as a network of interdependent actors and roles. The resolution of the functional exigencies requires specialized processes, interdependent solutions and complex exchange networks among subsystems. The imperative functional problems faced by a system involve (1) maintenance of value patterns, (2) goal attainment, (3) adaptation, and (4) integration.

Imperative Functional Problems

The first functional imperative involves the relationship of a system with its "cultural" environment. Parsons suggests that any social system evolves an institutionalized pattern of values. The continuity of the value patterns and their legitimacy must be "maintained." Maintenance of the value patterns stabilizes the system and minimizes strain and tension between systems. Maintenance is a dynamic process which must reflect changes which develop outside the system, on patterns developed within the system. Parsons uses the construct "values" as the focal structuring element in this process which he calls the "*pattern maintenance*" function. In the short run, this function contributes to the system's legitimacy. In the long run, pattern maintenance is critical to survival.

Explicit processes of exchange between a focal system and its task environment characterize the second and third functional problems. One external exchange concerns the task environment's significance as a source of consummatory goal attainment or gratification. That is, the imperative "*goal attainment*" function deals with the exchange relationship between a focal system and elements of its task environment in which the explicit purpose of the focal system is the achievement of specified goals. This function involves the processes of defining the system's purpose, specifying task-oriented goals, developing resource allocation policies, delivering valued resources to the elements of the task environment, and evaluating "success." Parsons uses a construct termed "collectivities" as the structuring element for this function. A collectivity would be analogous to a "sufficient" market segment. The goal attainment function clearly relates to the effectiveness of the system.

The next functional imperative is also an explicit external exchange process. This imperative, termed by Parsons as "*adaptation*," focuses on the problem of the system's need to influence its task environment to provide the support, resources and means to satisfy goal-impending wants. A social system never operates in isolation. A focal system must import diverse support and resources from its task environment. As such, other systems from the environment have direct or indirect impacts upon the focal system's goal attainment. To the extent that the focal system can control or at least influence these exchanges, the focal system gains autonomy to enhance its influence and control within the goal-attainment processes. The structuring elements of the adaptation function are "roles." The adaptation function relates directly to the system's efficiency and responsiveness.

The fourth and final imperative problem relates to the internal functioning of the system. Parsons proposes that the actions of all internal subsystems must be coordinated to prevent unhealthy conflict, to maintain efficiency, and to encourage productivity within the system. Further, motivation must be generated to energize the system and a control structure must be implemented to direct it. Thus, the system must concern itself with vitalization and internal coordination. This final imperative is termed "*integration*." The concept of "norms" is used by Parsons in his structural descriptions of the integration function. Parsons suggests that the integration process becomes more difficult and complex as the elements of a system become more highly specialized and differentiated.

In sum, the GTSS postulates that each system faces four imperative functional exigencies: pattern maintenance, goal attainment, adaptation and integration. These problems must be resolved for the system to continue its existence. The elements of the functional imperatives are outlined in Figure 1. Parsons' shorthand representation of these functional imperatives is adapted to develop this Figure. Next, the discussion will focus more closely on the perspective of exchange developed by Parsons within the GTSS.

The Functional Perspective of Exchange

The perspective of exchange developed within the GTSS, is based upon concepts of systems dynamics and analysis. These reflect postulates of subsystem interdependence and interaction in the resolution of imperative functional problems.

Parsons (1977) suggests that exchange relationships—characterized as interchanges (flows) of valued resources—describe most of social action (see pages 145-269). Exchange evolves from a complementarity of needs and expectations among both social actors and social systems, and from functional specialization and differentiation among subsystems. According to Parsons, a specialized subsystem develops in response to each imperative functional problem. Each subsystem interacts with other subsystems, importing and exporting valued offerings contributing to the resolution of the functional problems. Functional contributions become interrelated and interdependent. Complex networks of exchange characterize the processes of interaction.

Parsons carefully notes that exchanges involve the decisions and actions of concrete persons acting in boundary roles. Exchanges are not reified movements of objects and symbols between abstract subsystems. Parsons depicts exchanges between subsystems (1) by graphically portraying resource interflows—the value offerings (products/payments) and (2) by specifying the most appropriate media facilitating the flow. Parsons suggests that there are four dominant exchange media: money, power, influence and commitments. He has written lengthy discourses about each media and its properties (c.f. Parsons 1977: 204-228). Parsons conceptualizes that institutional patterns of interaction develop and encompass exchange relationships. He defines these interaction patterns to be “markets.” He argues that markets operate at all social (sub)system boundaries. These markets adjust and regulate exchange decisions, actions and interflows over time. Markets contribute order and value to the solution of imperative functional problems.

At the most fundamental level, each exchange within a network can be analyzed by examining input/output interrelationships across focal subsystem boundaries. The basic elements involved in the analysis include:

- a) The *focal subsystem* and *relevant actors* and *roles*
- b) The “*objects and symbols*” of exchange
- c) The *flows* of exchange
- d) The exchange *structure*
- e) The exchange *media*
- f) The *impact* of the *exchange network* upon the focal exchange

IMPERATIVE FUNCTIONAL CHARACTERISTICS

OF A SOCIAL SYSTEM OF ACTION

	<u>ADAPTATION</u>	<u>GOAL ATTAINMENT</u>
(FI)		
(O)	Task Environment (and Physical Environment)	Task Environment (critical constituency--clientele)
(P)	Instrumental Support; Adaptive Response	Consummatory Performance; Gratification; Compliance
(S)	Roles	Collectivities
(C)	System Efficiency and Responsiveness	System Effectiveness
(FI)	<u>PATTERN MAINTENANCE</u>	<u>INTEGRATION</u>
(O)	Cultural Environment	Intra-system Environment
(P)	Value Integration; Legitimation	Coordination; Motivation; Control
(S)	Values	Norms
(C)	Long-run Efficacy	System Productivity

KEY:

Functional Imperative (FI)

Orientation (O)

Process (P)

Structuring Element (S)

Contribution (C)

FIGURE 1

- g) The *contribution* of the focal exchange to the resolution of a *specific functional imperative*
- h) The *contribution* of the focal exchange to the *system's efficacy*.

Exchange analysis can be extended to explore interactive decision processes, structural interdependencies, exchange externalities and other complex dynamics.

Analysis of markets also provides insight into the dynamics of social action. The process of "market analysis" denotes the need to study:

- a) Both (or all) (sub)systems of an exchange *interdependently*
- b) The *interactive* decision process of exchange
- c) The exchange *interflows* (input/output relationships between subsystems)
- d) The relevant situational and environmental *context*
- e) The *dynamics* of stabilization, evolution and change of the relationship.

To model context, the normative structural elements—roles, norms, values and collectivities—are typically used. Interflows can be characterized (1) by a dominant exchange contribution value, and (2) by the potentially dominant exchange media. Interaction and interdependencies are depicted simply in terms of network relationships. Network exchange patterns evolve, develop and change indicating system progression or digression. Our interpretation of a function network of exchange is presented in Figure 2.

Each functional subsystem is portrayed in an interdependent exchange relationship with the other subsystems. Each subsystem within the network generates specialized contributions to the efficacy of the system through the exchanges with each of the other subsystems. The explicit value offerings and processes of the exchange are not elaborated. Rather, each exchange is characterized by the value it contributes to the system and by the dominant media proposed to facilitate the exchange. Each exchange contributes to the execution of the other exchanges as well as to the total system. The entire network of exchanges must be consummated to build an effective goal-attaining relationship. Both network patterns and individual relationships can be analyzed.

In conclusion, Parsons attempts to describe and explain action at both the individual and social system level in the GTSS. He employs a complex functional perspective of exchange analysis which emphasizes interdependencies and interaction subject to normative structuring elements. Some general implications of the GTSS for developing macromarketing analysis and theory follow.

MACROMARKETING PERSPECTIVES FROM PARSONS

Parsons' formulation of functional analysis has numerous historical correlates in marketing theory, particularly the work of Alderson (1957). Parsons' systems orientation and exchange perspective are compatible with many current macromarketing viewpoints. His drive for general theory would be admired by many marketing theorists. Yet, explicit adoption and development of Parsons' work has not occurred significantly in marketing scholarship.

CHARACTERISTICS OF EXCHANGE NETWORK PATTERNS
IN A SOCIAL SYSTEM OF ACTION

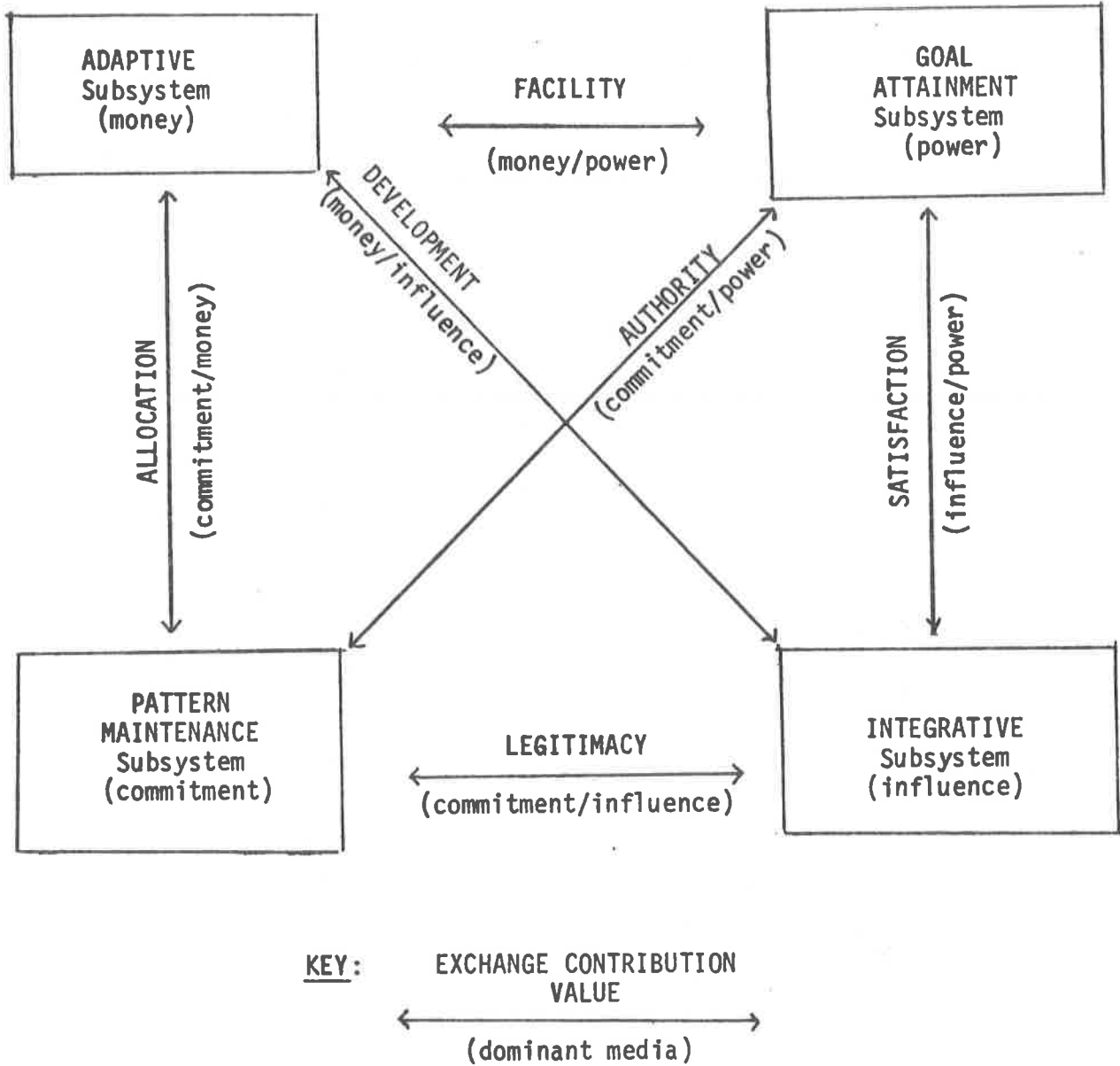


FIGURE 2

One reason for ignoring his work is that it is simplistically categorized into the domain of structural-functionalism which often is perceived as atheoretical. Another reason involves the criticism of his methodology indicating its lack of rigid, quantitative structuring of issues and relationships, and its elaborate semantic operationalism. However, these stereotypes appear to be stifling and sometimes misleading. Parsons' robust, thoughtful, and detailed scholarly style and conceptual frameworks could provide rich insights for orienting macromarketing inquiry. In the following discussion, we will attempt to explore the surface value of Parsons' work by building upon our interpretation of the GTSS. We will focus our observations on two basic areas: (1) issues of the domain of macromarketing; (2) a "functional exchange" framework for studying marketing systems.

The Domain of Macromarketing

Defining the domain of macromarketing has been a problem for marketing scholars (e.g. Bagozzi 1976; Bartels and Jenkins 1977; Hunt 1976). Marketing is inherently social, and marketing in complex societies invariably involves systems of exchange (c.f. Alderson 1957; Arndt 1978; Bagozzi 1974 and 1975). Thus, we feel dichotomizing micro and macro domains may be tenuous at best. Yet, marketing scholarship has generated a recent tradition of reductionism which encourages the study of fractionalized exchanges and frequently ignores the analysis of the contextual dynamics of marketing (c.f. Levy and Zaltman 1975).

It has been popular to study disaggregate marketing units and processes—individual organizations, individual consumers or segments, specific marketing "management" functions, isolated elements of buyer behaviors. Furthermore, questions of contextual purpose, structure and impact, even at levels of disaggregation, are frequently treated with tautology and emotion, rather than scholarship and empiricism. We feel that marketing phenomena are invariantly macro; that micromarketing is merely a reductionist perspective which can facilitate inquiry and practice, but which must be approached more cautiously.

The two most widely accepted analytical perspectives for differentiating the domain of marketing into macro or micro categories have been: (1) the level of aggregation (e.g. Bagozzi 1976; Bartels and Jenkins 1977; Hunt 1976) and (2) the level of implication (c.f. White and Emory 1978). In Figure 3, these perspectives are interrelated; then, the functional imperatives of the GTSS are superimposed on the framework. We agree with White and Emory (1975) that differentiation of macromarketing is largely a function of an analyst's perspective. However, we disagree that level of implication is sufficient differentiating factor. Thus, we attempt to build a framework for exploring the domain of macromarketing as well as its relationship to micromarketing, and for suggesting research orientations.

Our framework draws heavily on Bagozzi's (1974, 1975, 1977, 1979) theoretical elaborations of marketing exchange: (1) by using his level of aggregation taxonomy (Bagozzi 1977); (2) by reformulating his elaboration of exchange dynamics into a level of implication taxonomy (Bagozzi 1979); (3) by interrelating the two analytical perspectives; and (4) by adding the GTSS functional imperatives as an orienting mechanism

A FRAMEWORK FOR EXPLORING MACROMARKETING FROM
A PARSONIAN PERSPECTIVE

		Level of Aggregation →				
		Individual	Dyadic	Network	Societal	
Level of Implication ↓	Exigencies/ Purpose	Goal Attainment	Integration	Adaptation	Pattern Maintenance	Functional Imperative
	Psychological States (Experiences)	Micromarketing Perspectives		Macromarketing Perspectives		Goal Attainment
	Actions and Behaviors					Integration
	Outcomes					Adaptations
	Impacts					Pattern Maintenance

FIGURE 3

for inquiry. Special attention should be directed to the addition of two important factors to Bagozzi's (1976) exchange formulation (as presented in the level of implication). These are *purpose* and *impact*. Both are boundary concepts which integrate exchange relationships with contextual dynamics, even at disaggregate levels. Purpose can be defined in terms of functional exigencies. Impact can be conceptualized as intersystem consequences.

The framework suggests that micromarketing is merely a subset of macromarketing phenomena. The parameters for the traditional definition of micromarketing have been outlined (with bold lines) in Figure 3. These include: (a) individual and dyadic levels of aggregation; (b) all levels of implication except impact. We indicate (dotted lines), however, that delineation of exchange exigencies and outcomes, as well as all dyadic perspectives, involve social system boundary contexts. As such, a strong argument can be made that a micro-reductionist analysis of these phenomena is not a sufficient theoretical approach. Contextual analysis is necessary for developing valid models of marketing exchange relationships. Furthermore, we feel that the practice of ignoring purpose and reducing context has frequently contributed to sterile conceptualization, trivial theorization and a gap between scholarship and practice in marketing.

The formulation of a contextual perspective of marketing should be a fundamental concern of macromarketing scholarship. A contextual perspective would include network and societal aggregations, purpose and impacts; it would involve principles of transpositional connectiveness and system dynamics. For many scholars, a redirection of orientation would be necessary. Currently, most macromarketing analysis is focused on issues of impact or on isolated (disjoint) network or societal problems. Purpose is largely discussed ideologically or ignored. Systems approaches are advocated but not operationalized. Thus, Parsons' functional analysis should be compatible with fundamental macromarketing concerns; it could provide a framework for redirecting our orientation.

As such, the functional imperatives can be conceptualized as an operational translation of exchange system exigencies (purposes). The imperatives can be related across both level of aggregation and level of implication. Some interesting observations can be made.

When an individual level of aggregation is used, which is most common in marketing research and strategy, analysis is usually enveloped in goal attainment issues. For example, the "product concept" is a philosophy based upon an organization ignoring its context; most consumer research views the buyer as a target—an instrumentality for the organization's success; basic consumer research often focuses on isolated gratifications or satisfactions as the consummatory outcome of buyer behavior.

At the dyadic level, integration should become the focal topic. Interactive decision models, dialectic analysis and mutually accommodating behavioral strategies are manifestations of the integrative imperative. Moreover, individuals are not studied in isolation, but rather in relationship. Exchange is the focal process, and reductionism to individual levels is often considered inappropriate and even invalid. The acceptance of the exchange construct (and related dyadic paradigm) as the focal perspective of marketing appears to be widespread among scholars. However, while exchange is philosophically rooted as the discipline's core construct, it does not appear prevasively to be

understood nor translated into operational marketing inquiry. This indicates the strength of the reductionist philosophy of marketing inquiry, and certainly it inhibits the analysis of marketing phenomena at higher levels of aggregation and across levels of aggregation.

For example, network level analysis seldom employs exchange network frameworks or dialectics; rather, exchanges are fractionalized, reduced to dyads or more frequently individual levels, and flow (S-O-R) conceptualizations replace exchange perspectives. The adaptation imperative is often ignored, because attention is directed to integration and goal attainment.

Least developed and most critical to a macro orientation of marketing is the pattern maintenance imperative which is fundamental both to societal levels of aggregation and to impact levels of implication. Most impact studies in marketing have been conducted at low levels of aggregation. Most social system scholarship is reduced to simple adaptation issues and problems, often in one societal domain, or to intellectualizing ideological system states. Cultural and ecological development as well as quality of life concerns are basic to this area of inquiry. Yet, considerable conceptualization is still needed to even explore such issues. Sadly, they represent peripheral concerns on the agenda of marketing scholarship.

To conclude this section, we suggest that Parsons' analytical strategies for studying exchange systems and market behaviors (both were elaborated earlier) could be employed in the conceptualization and analysis of macromarketing phenomena. In particular, issues of exchange structure and norms, network and societal impacts and dynamics, and dyadic contribution values can be studied in relationship to exchange elements—purpose, experiences, behaviors and outcomes; the exchange elements can be interrelated across levels and related to functional imperatives; and, exchange system stabilization, evolution and change can be a fundamental orienting issue providing a sense of cohesion, continuity and direction to inquiry. Developing this perspective further, we propose a “functional exchange” framework for studying marketing systems.

A “Functional Exchange” Framework

Kotler (1972) suggests that marketing thought has evolved through various levels of consciousness. At the lowest level, marketing is perceived as an economic activity focusing on the dyad of supplier and consumer; the supplier exchanges an economic good or service for an economic payment. At the next level, marketing is viewed as an invariant function for all organizations. Every organization has products (offerings of value) and clients; each uses marketing processes. Valuation of these exchanges often is not reducible to economic payments, but valuation and “payment” are inherent. Finally, Kotler argues that at a third level of consciousness, marketing is concerned with the exchange relationships between an organization and all its relevant publics, not just its consuming public.

In concept, the third consciousness is widely accepted; however, in research and practice, this generic conceptualization has not oriented much substantive work. Once again, the fundamental problems incurred when conceptualizing and studying phenomena at this level are: (1) the reduction and isolation of distinctive exchange

relationships; (2) the encompassing emphasis on goal attainment behaviors. Network analysis of exchange relationships is a necessary yet underdeveloped condition for operationalizing generic marketing inquiry. Furthermore, the role of purposive exchange specialization and integration has not been widely considered. Thus, the use of functional imperatives could extend the generic orientation to a higher level of consciousness focusing on the purpose of exchange systems and their elements; on system behaviors for attaining purpose and meeting exigencies.

In Figure 4, we present a framework for developing a "functional exchange" perspective for the analysis of marketing systems. The framework has been constructed by integrating a generic consciousness of marketing with our interpretation of Parsons' functional perspective of exchange (see Figure 2). Contribution criteria and values are the aggregate structuring elements. These are manifest: (1) in the delineation of specific functional subsystems and appropriate system roles for these subsystems; and (2) in the value characterization of the exchange processes between subsystems.

We propose that the marketing system should be the focal unit of macromarketing analysis. A marketing system can be conceptualized as a set of organizations and individuals interacting in a purposive pattern of accommodating exchange relationships where there is role differentiation in terms of structural patterns and exchange contributions. As such, market exchange patterns and role structures can change over time and across situations; there are different degrees of system complexity and differentiation; and the resolution of a specific functional imperative may require distinctive emphasis or differential efforts as a market system evolves or as the environmental context changes.

As suggested by Lyden (1975), there may be a "life-cycle" of functional exigencies encountered by a social system. Thus, an effective social system—strategic marketing organization—can be characterized by its ability to successively consummate imperative functional transactions across its relevant domain, building these into exchange relationships which can be maintained and developed efficiently as the system evolves. This process supports the view that as a market system evolves exchange relationships with suppliers, distributors, consumers and even regulators become institutionalized such that critically relevant external publics become component subsystems of an "organized strategic marketing" system.

In elaboration of the "functional exchange framework," we have employed a "middle-range" level of aggregation perspective which focuses on a generalized strategic marketing organization and its total contextual domain. Initially, we observe that the role of a marketing organization has dramatically evolved in our socio-economic system. In the early development of our socio-economic system, marketing was executed largely as an adaptation function focusing on distributive processes which contributed "facility" to the exchange system. Today, strategic marketing processes plan, organize and control—thus, functionally integrate and develop—substantial amounts of socio-economic and political activity. We suggest that the contemporary strategic marketing organization has assumed the focal role of the "development" subsystem which is concerned with the integration imperative. Strategic marketing management technologies are the methods of development. Traditionally, the integrative role was enacted by processing organizations, focusing on production and assembly technologies. Marketing activities

A "FUNCTIONAL EXCHANGE" PERSPECTIVE
OF AN "ORGANIZED STRATEGIC MARKETING" SYSTEM

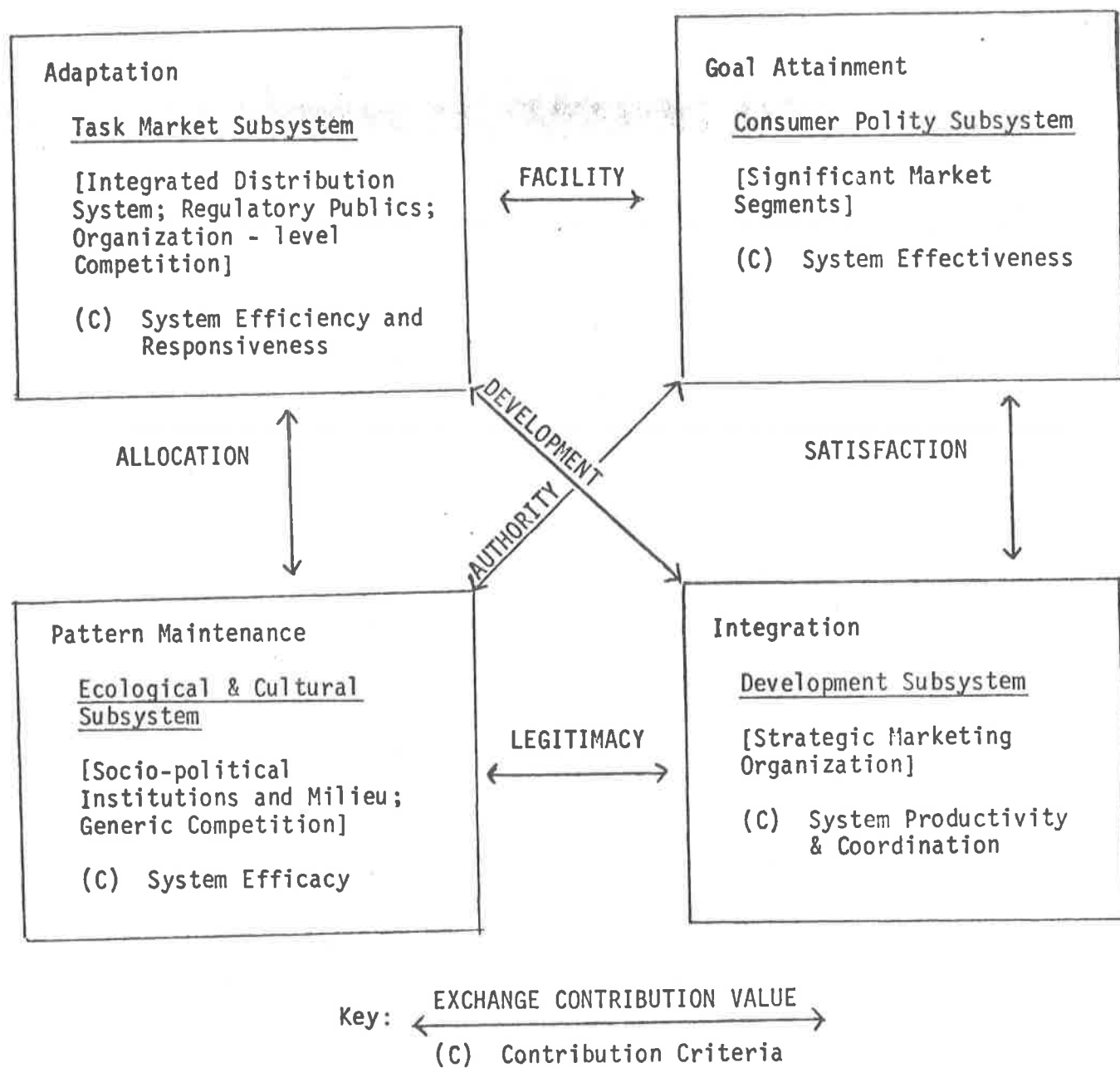


FIGURE 4

were adaptive functions buffering the technological core of the organization from its environmental context. Today, the strategic marketing organization manages exchange relationships across its total market environment in execution of the developmental role. Execution of each subsystem exchange contributes distinctively to the development (or degeneration) of the marketing system. A brief exploratory example follows.

The strategic marketing organization derives its legitimacy through a complex circular exchange with socio-political institutions and the broader cultural milieu. It maintains legitimacy by satisfying a significant market segment of consumers, its organizational membership and relevant publics from within its task market environment. Socio-political institutions derive authority from a satisfied consumer subsystem executing their role as the polity. When the consumer/polity subsystem is acquiescent in their "authority" exchange, system efficacy can be undermined. Compensatory structures such as consumer advocates or strong regulatory publics develop within the adaptive subsystem. By nature, these publics acquire allocative responsibilities. Moreover, as compensatory structures they mediate both the legitimacy and authority exchanges. Thus, a regulatory public can become very powerful. It is not uncommon to find strategic marketing organizations developing cooptative exchanges with their regulators. Such relationships often constrain consumer satisfaction, rather than protect or enhance it. Consumers lose confidence in the institutions and become alienated—the system continues degeneration—or take "authoritative" actions—potentially positive social change.

Another brief example focuses on an important yet often neglected dimension of this circular exchange—the necessity to consider the ecological imperative inherent within pattern maintenance. The dynamics of generic competition play a critical structuring role in the relationship of consumers to their resources and natural environment. When competitive dynamics degenerate (or are regulated) to focus only on organizational-level issues (brand competition), exchange legitimacy can also degenerate; long-run satisfaction is threatened.

This type of functional exploration of the marketing system can be expanded to consider any network dimension of the exchange relationships among subsystems. It can be deepened and enriched with empirical observations of specific rather than generalized market systems. Different levels of aggregation can be studied. Normative and comparative analysis can be undertaken. More specific definition of the elements and processes of marketing exchange behavior can be elaborated. Specific implications of system dynamics can be conceptualized or observed.

We find this type of probing functional analysis to be a stimulating exercise in exploratory macromarketing scholarship. We are asking the very important questions: (1) *What* are the elements—purpose, structure and process— of a marketing system? (2) *How* does the system behave? (3) *Why*? Our analytical focus is on exchange relationships, network systems, purpose, and developmental change. Reductionism is minimized. Semantic operationalism is the predominant methodology (c.f. Rapoport 1969). Moreover, normative insights grounded in robust analysis can be generated to formulate policy level decision rules to manage a market system.

CONCLUSION

We feel strongly that functional analysis, as developed and practiced by Parsons, could add a relevant and interesting dimension to macromarketing scholarship. Our presentation has been exploratory and formulative. Purposefully, we have directed our attention to a careful investigation and interpretation of Parsons' style and work; then, to a more general discussion of its implications for marketing inquiry. We have only scratched the surface both in the elaboration of our own frameworks and in the translation of Parsons' perspectives into marketing implications.

Paraphrasing Parsons' own work (with Smelser 1956), a set of general propositions can be outlined:

1. A marketing system is a distinctive type of social system.
2. Marketing theory is a distinctive elaboration of the General Theory of Social Systems, and thus, of the General Theory of Action.
3. A marketing system, like any social system, develops boundary exchange relationships with its context.
4. Exchange between the marketing system and its context is not randomly executed nor distributed; differentiated and purposive exchange relationships develop and evolve in relationship to system exigencies.
5. Concrete (specific) "marketing" behaviors, processes and structures are purposively generated to develop and execute exigent exchange relationships; a theory of marketing exchange is necessary to conceptualize, analyze and understand marketing phenomena.
6. Concrete "marketing" processes and structures are always conditioned by "nonmarketing" (contextual) factors; these phenomena can be characterized in a parametric conceptualization of a marketing system that focuses on delineation of functional exchange subsystems and their behavior.
7. Theoretical frameworks other than "specific" marketing theory are plausible and necessary to conceptualize, analyze and understand the marketing system and context; theoretical integration can enhance the articulation of theories from within specific domains and of more powerful general theory.

These propositions are indicative of the scope of Parsons' perspective. They provide summative insight into his scholarly style; his methodology; his general conceptualization of action; the extensiveness of his substantive analytic work. The propositions also outline a context for marketing scholarship in relationship to Parsons' perspective. We draw from these propositions extensive challenges for the development of marketing theory—particularly, the adoption of a higher consciousness of marketing which focuses on *purpose* and a macro orientation of marketing which elaborates *context*.

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MEDIEVAL MACROMARKETING THOUGHT

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For many years marketing theory has been burdened by the ludicrous conception that "the beginnings of marketing thought are associated with events following the turn of the present century" (Bartels 1964, p. 4). There is some danger that a similar type of misconception may arise with respect to macromarketing thought: "The intensive study of macromarketing concepts, issues, and theories lay dormant . . . until 1976 when the first Macromarketing Seminar was held at the University of Colorado in Boulder" (Shawver and Nickels 1978, p. 29).

This paper represents part of a long-term effort to dispell the illusion that man's intellectual effort to understand the world about him failed to include market phenomenon, and the interaction of marketing activity and its environment, until some particular moment in recent time. An earlier paper indicated some foundations of macromarketing thought which can be found in the Classical Greek literature (Dixon 1978, pp. 9-28). The present paper extends this previous work by presenting some of the ideas found in the work of the medieval *doctores scholastici*, the Scholastics (or "Schoolmen") who were the professors of the medieval universities. The works which are referred to below were the textbooks used in these universities.

Of course the medieval scholars were not concerned with marketing activity *per se*, but their interest in the whole of human knowledge naturally encompassed the social phenomena which we identify as market activity. Such interest was stimulated by economic growth and the rise of capitalism which shattered the feudal system and brought new patterns of thought derived from the mental habits and values of businessmen. It is not argued here that there existed a body of thought which can be referred to as "macromarketing;" nevertheless, concepts relevant to macromarketing can be identified in the work of the medieval scholars. This paper arranges these ideas in a logical order to suggest a continual development of thought.

THE PROBLEM SETTING

Since the whole fabric of medieval civilization rested upon a religious foundation, the analysis of human behavior centered upon its moral aspects. Market transactions were examined in the same manner as any other type of behavior; the issue was whether or not such transactions were "just." Efforts to determine which contracts were just, and thus permissible, and which were not, involved a study of both legal and economic factors.

One aspect of justice in market transactions was associated with the civil law, which in the middle ages was based upon the principles of Roman Law. With respect to contracts, Roman Law held that the seller properly attempted to obtain the best terms he could, as long as he did not fraudulently mislead the buyer. Early in the third century Paulus wrote:

In buying or selling it is naturally permissible to buy for less what is worth more, or to sell for more that which is worth less, and thus in one's turn to outsmart and be outsmarted; and similarly also in leasing and hiring it is legal.

But the Church was concerned with commutative justice; not merely the avoidance of fraud and deceit, but the fulfillment of the law of God. And the "outsmarting" allowed in the civil law was in principle opposed to the golden rule: "And as ye would that men should do to you, do ye also to them likewise."

For a transaction to be "just," equal value must be exchanged for equal value; but the early authorities encountered an analytical problem here. For example, St. Chrysostom (345-407) perceives a difference between the work of a craftsman and that of a *negotiator*: "The man who buys an article, not in order to sell it whole and unaltered, but as material from which to make something, that man is not a negotiator." To illustrate this point he mentions the purchase of wood to make a box, or sheets of paper to make a book. Thus, the negotiator is "the man who buys an article to make a profit by selling it whole and unchanged." In classical Latin, *negotiator* meant wholesaler, but eventually the word came to mean either a wholesaler or retailer, and thus may be translated as "trader," or "merchant."

The issue raised by Chrysostom was that although it was apparent that the seller gained from a transaction, because he sold an item for more than he paid for it, it was not always clear what the buyer gained. In the case of a craftsman the product was obviously "improved," and it was this improvement which the buyer obtained by paying a higher price. But what was the nature of the improvement provided by the merchant? None could be ascertained because the product was not physically altered in any way. Thus the seller's gain seemed to be at the expense of the buyer, and this was sinful.

The first step toward an analytical system which would provide a method for handling this issue was taken by St. Augustine (354-430) when he distinguished between the person and the work which he performed. Surely merchants, as well as others, might sin; but sin is an attribute of the person, not of the work. Thus it became important to examine the nature of the work done and determine if it contributes to the public good. Essentially, St. Augustine asks, "What do merchants do?"

In his analysis, St. Augustine introduces an imaginary dialogue with a merchant, who says: "I bring merchandise from afar to those places in which there are not the things which I bring, whence I make my living, and so I ask a wage for my labor, so that I buy more cheaply than I sell. Whence indeed may I make my living." This short passage contains a number of analytical elements. First, the merchant labors to perform the task of transportation. Second, this work is useful because it makes available goods which are otherwise lacking. Third, the profit earned is nothing more than a wage. And the merchant receives payment for his labor, to support himself and his family, because "the laborer is worthy of his hire." It must be emphasized that St. Augustine saw no inherent difference between the contribution of a merchant and that of any other laborer.

Through the following centuries St. Augustine's reasoning was widely accepted, and the social contribution of trading activity was clearly recognized. Indeed, it was the analysis of the nature of this contribution which led to the emergence of marketing theory. The next section of this paper discusses the analysis of the social contribution of marketing by the medieval Scholastics. But, although marketing activity could make a social contribution, the actual contribution depended upon the manner in which the activity was carried on. Thus, a subsequent section of this paper deals with discussions of the correct manner of performing marketing activity. In the final section of the paper the impact of the medieval scholars upon marketing activity is suggested by an investigation of some marketing literature which appeared at the close of the middle ages.

THE SOCIAL CONTRIBUTION OF MARKETING

The acceptance of St. Augustine's position is apparent from a passage found in a child's schoolbook, written in the tenth century by an English abbot, Aelfric (Grammaticus). This book contains several imaginary dialogues, among which the following remarks by a merchant are found:

I am useful to the king . . . and to all the people. I go aboard my ship with my goods and row over parts of the sea, sell my things and buy precious treasures which are not produced in this country. I bring these here with great peril from the sea. Sometimes I suffer shipwreck and lose all my wares, hardly escaping with my life.

This statement not only repeats St. Augustine's argument, but also introduces an additional function performed by the merchant; he incurs a risk in connection with his work. Subsequent authorities deal with both the physical distribution function and risk bearing in their analysis of marketing activity.

One of the earliest scholars, Alexander of Hales (1175-1245) argues against the position of St. Chrysostom, stating that a marketer alters the goods which he sells, just as the craftsman does:

If anyone by his own labor transfers some item from one place to another so that it is in no way damaged and he transfers it whole and unaltered in substance, but not in locality, for this reason he can lawfully seek a reward for his labor . . . Further, if anyone buys something, anticipating some danger while he is keeping it safe because it could deteriorate or be consumed by fire or stolen by a thief . . . out of regard for the uncertainty of future events and the risk undertaken in the purchase of such an article, this man in actual fact does not buy such an article simply to make a profit in selling it whole and unaltered.

Thus, although a product may not be altered in substance, it may be altered in location. Further, there is a storage function performed, so that an additional type of risk arises because of the passage of time between purchase and resale.

This view of marketing functions was accepted by the greatest of the medieval scholars, St. Thomas Aquinas (1225-1274), who states that the seller earns a profit when "the value of the thing has changed with the change in place, or time, or on account of the danger he incurs in transferring the thing from one place to another." Furthermore, St. Thomas clearly states that marketing activity makes a social contribution: "Buying and selling seem to be established for the common advantage of both parties, one of whom requires that which belongs to another, and vice versa."

But a more complete analysis of marketing functions awaited the work of John Duns Scotus (1265-1308), who carefully explains the nature of the merchant's contribution:

It is useful to the State to have preservers of its marketable goods, so that they may be found easily by those who need them and wish to buy them . . . those who bring in necessary things, things in which that state does not abound, yet are necessary and beneficial there. From this it follows that the merchant, who carries something from a land where it abounds to a land where it is lacking, or one who stores it when it is brought, so that it is easily available to one wishing to buy it, has done a useful thing for the State.

The merchant's profit is justified because of the labor, industry and risk which is required to perform the tasks described above. Here, however, the nature of the merchant's work is distinguished from that of a laborer. In addition to receiving a reward for his labor, the merchant is to be rewarded for his diligence: "Great diligence is required for transferring goods from country to country, as he considers in what goods a country abounds or is deficient."

Finally, in addition to receiving a profit for his labor and diligence, the merchant receives "something corresponding to his risks." These risks arise in both the transport and storage activity: "Sometimes he is injured through no fault of his own . . . as when a merchant loses a ship loaded with fine goods, and another merchant by a chance fire loses precious goods which he stores on behalf of the state."

The manner in which the merchant is to be compensated for the loss of some of his goods is by selling other goods at a higher price than otherwise. This argument was opposed by subsequent writers on both moral and economic grounds. Morally it was indefensible since other sellers who suffered losses, such as farmers or craftsmen, did not have an opportunity to sell some of their goods at one price and some at another. Moreover, it was not possible for a merchant to sell goods at a higher price in a free market since others, who had not suffered losses, would be offering goods at lower prices. And finally, because of market conditions, merchants sometimes had an opportunity to sell all their goods at a higher price than usual even though they had suffered no losses.

It was this latter issue, variations in market price, which was recognized by San Bernardino (1370-1444) and utilized to extend the analysis of Duns Scotus. San Bernardino perceived that the risks born by a merchant included price variations in addition to the accidental loss of goods. Thus there was an additional aspect of the merchant's work, "diligence and care concerning predictions." The merchant had to learn

to consider closely the prices and values of goods, as well as the various times and opportunities suitable for buying and selling goods. If an error in estimation was made, he must bear the risk: "Hence, if merchants make a profit through trade, it proceeds from the gift of God."

This conclusion arose from the proposition that the merchant must sell at the "just" price, that is, the market price. This was a socially determined price resulting from the "common estimation" of buyers. The emphasis upon the importance of utility represents a significant contribution of the scholastics. St. Augustine states that the price of marketable goods depends upon their usefulness or utility to men. Olivi (1248-1298) develops the concept of utility with remarkable precision. The value of marketable goods is seen to arise from three factors, which came to be referred to as *virtuositas*, *raritas*, and *complacibilitas*. *Virtuositas* refers to the inherent qualities of a product: "How from its inherent virtues and properties a thing is more suited and effective for our use." *Raritas* refers to the scarcity of goods and "the difficulty of their discovery," and affected value because "depending upon the scarcity of these things we have the greater want of them and the lesser capacity of possessing and using them." But the most interesting of the three factors is *complacibilitas*, which may be translated as "pleasurableness":

Not a small part of the value of usable things is considered in terms of the satisfaction of our will, whether we are more or less pleased in the use of this or that thing through having it at our command. . . . In this way one person considers a thing, which another person considers inferior, very much to be appreciated, and for himself costly and expensive, and vice versa.

This is a lucid statement of the concept of subjective utility, and makes clear that the value of goods can not be constant. Indeed, a statement about the value of a good "can scarcely or never be made by us except by conjecture and probable opinion." Furthermore, even this estimate cannot be made precisely, but only "within some suitable range, with respect to times, places and persons concerning which, as it has been said before . . . different men differ in reaching an estimation."

The supply price, derived from the costs of the sellers participating in the market, also affect the "just" price. A market price might rise or fall as goods became scarce or abundant, but unless he chose to withhold his goods from the market, the seller must offer his goods at the market price, without regard to his own costs. Thus the merchant might sometimes have to resign himself to a loss because of price fluctuations; as San Bernardino says: "He may have to sell for less what he purchased for more." This argument was also presented by Saint Antonino (1389-1459), a contemporary of San Bernardino, as well as later writers. For example, John de Lugo (1593-1660) argued that: "A merchant cannot compensate himself for expenses he has incurred when other merchants who have incurred smaller expenses commonly sell the same goods at a lower price. He must reckon it his bad luck that he has brought goods at a greater outlay to a place where their common price was less."

Thus, by the end of the middle ages the social benefits bestowed upon society by the merchant's work were clearly recognized. Indeed, one writer emphasizes the

retailer's function of breaking bulk, for among the various ways in which an article might be improved, Luis Molina (1535-1600) notes: "Likewise to sell something bit-by-bit and piecemeal in the way that those whom we call retailers are wont to sell makes its [just] price go up. Things are as a rule sold cheaper than when they are sold piece-meal."

The recognition of marketing's contribution was widespread, and repeatedly appears in the casual comments of various writers. For example, Martin Luther (1483-1546) says, "It cannot be denied that buying and selling are necessary. They cannot be dispensed with . . ." But perhaps the most interesting illustration is found in a curious work, *Le Livre des Marchands*, a sixteenth century satire against the Church in which the merchant is taken as the model of virtue, and the clergy shown to compare unfavorably with the honorable merchant. The introduction to the English translation of this work (Marcourt 1534) begins with the statement that "the estate of marchaundise for the time of this present life, is so necessary, that withoute the same, none can well live." It then continues:

For truely it is nedefull, that the abundance of one country, supply and satisfie unto that, whiche nedeth in another. And by this meanes: laborous, diligete, and industrious persons be requisite, for the entertaining of the publike welth . . . to chaunge conserve and transporte many sorts of marchaundises, from one place to another, according unto the convenience of times, and the necessite of the people. Unto the whiche true marchauntes is right lefull, as unto good and faithfull ser-vauntes of the comunewelth.

MORAL INSTRUCTION

A contribution to social welfare was a necessary condition, but it was not sufficient to justify marketing activity to the medieval scholars. There was a second condition: the activity must be carried on in a proper manner. The conditions under which marketing should be carried out are specified by Alexander of Hales:

Trading becomes lawful when it is carried on by a suitable person such as a lay person, and for a necessary or honorable cause so that he may either provide himself and his family with necessities or carry out works of charity. It should be carried out in a fitting way without lying and perjury; at a suitable time, not on a feast day; in an allotted place suitable for the activity; with a fair price set on the article and with business methods such as are commonly employed in the state or place where the business happens to take place.

There is a great deal of material devoted to instruction regarding these points. Not only was moral instruction contained in the scholarly texts but there are many collections of sermons as well as manuals of religious instruction for the common man. Some of these contained sections specifically devoted to the merchant. For example, one of the sermons of Robert Crowley (1518-1588) contains lessons for the twelve "estates of man." One of these estates is the merchant, so that the sermon includes

“The Marchauntes Lesson” which instructs the merchant regarding the “honorable cause” of his activity:

Nowe marke my wordes thou marchaunte man,
Thow that dost use to bie and sell,
I will enstruct the, if I can,
How thou maiste use thy callinge well.

Fyrst se thou cal to memori
The ende wherefore al men are made,
And then endeavour busily
To the same ende to use thy trade.

The ende why all men be create,
As men of wisdome do agre,
Is to maintaine the publike state
In the contrei where thei shal be.

There is an immense literature dealing with lying and cheating which represents an early literature of consumerism because, in listing the sins of the seller, the authors are suggesting practices of which the buyer must beware. Among the strategems found in a mid-fifteenth century work are “selling a different article than was first bargained for, hiding the fault of a thing, as horse dealers do, and making a thing look better than it is, as do cloth sellers who choose dim places to sell their cloth” (Jacob’s Well). Another example (The Vision of William) contains the precise technique used by one seller:

Then I went to the drapers to learn their ways, stretching The selvedge
til the cloth seemed longer. I got hold of a trick with a good striped
cloth, to prick it with a needle and join the pieces, lay them flat in a
press, all pinned together, till ten or twelve yards had turned into thir-
teen.

Concern over the proper time and place for marketing activity continued through-
out the middle ages. Buying and selling occurred not only in churchyards, but within
churches as well, often interfering with religious services. John Gower (1325-1408)
expresses a typical expression of concern: “We are all so bent upon money at all hours
that scarcely one festival day now remains for God.”

There was considerable attention paid to sales at the “just” price, but there were
also other issues, such as price discrimination. San Bernardino offers one example,
together with the rule which is to be drawn from the example:

You who go selling your wares in the street, when a stranger comes and
asks you What do you want for this? You say, I want thirty soldi, But of
a fellow-citizen you don’t ask more than twenty. Nor do I accuse shop-
keepers only. The countryman is just as bad when he gets the chance.
. . . But this I say to you. Under no circumstances is it right to sell a thing
for more to one and less to another (Harrison 1926, p. 97).

The final item in the list offered by Alexander of Hales, business methods, can be illustrated by a sermon by Berthold von Regensburg in which the manner in which a seller might fall into sin are described:

Yet now thou swearest so loudly how good thy wares are, and what profit thou givest the buyer thereby; more than ten or thirty times takest thou the names of all the saints in vain . . . thou swearest laud and boldly: "I have already been offered far more for these wares." and that is a lie.

But the sermon was not solely proscriptive. An example of appropriate seller behavior is offered: 'Thou shouldst say: 'If thou wilt not buy it, perchance another will,' and should thus sell honestly without lie or deceit.'

And instructions to merchants were not only found scattered among sermons and other religious works; in at least one instance the material was codified and published in a form designed for merchants. This was a book by Johannes Nider (1380-1438), *De Contractibus Mercatorum*, (On the Contracts of Merchants), in which the author is "relying principally on the opinions of famous teachers," that is, the scholastics whose works have been referred to above. The topics covered in this work included "things required for buying and selling justly" and "how the price of a good may be determined." One chapter includes a list of twenty-four rules to assist the seller in determining if he is acting ethically.

But perhaps the most interesting passage in the work specifies that "small tradesmen, hucksters, and petty merchants of whatever sort" deserve to earn a profit:

Because of the expenses, exertions, cares, qualities of industry, risks, and other reasonable engagements or burdens which they undergo in bringing together things useful to me or in preserving or setting out necessary things in the common market place, and because they remain (there) in order that anyone in need may promptly have such goods.

SCHOLASTIC THOUGHT AND EARLY MARKETING LITERATURE

It is useless to speculate upon the impact of religious teaching upon the day-to-day behavior of the medieval merchant, but it is possible to see the impact of these teachings upon written material prepared for the instruction of merchants.

Early business manuals include instructions concerning religious duties. For example, *The Marchants Avizo* (Browne 1589) begins with a "General Remembrance" for the agent travelling on business. Seven points are to be remembered. Some of these involve precise business instructions, such as to send a letter reporting one's arrival at his destination. Others offer general business principles, such as "deal secretly, and be faithful and just in all dealings." But the first in the list is to give thanks to God for your safe arrival; and the last, which is "the chief point," emphasizes religious observances and includes sample prayers. But this is a business manual, not a textbook in the usual sense, for it contains no more than a collection of these "Remembrances," sample business letters, information concerning weights and measures, and the like.

Of much greater interest is a volume entitled *An Essay of Drapery*, written for the young man who is entering the clothing business after serving his apprenticeship (Scott 1635). The three parts of the work are listed in the subtitle: "The Compleat Citizen, Trading Justly, Pleasingly and Profitably." The emphasis throughout is upon the "compleat citizen," not the role of businessman; the introduction begins with the statement that "Hee cannot bee a good Draper which is not first a good man . . . opening his conscience, living as if he were alwaies in publike, rather fearing himself than others."

It is significant that the first, and longest, section of the work deals with the issue of Justice, the very topic which provides the foundation of the scholastics' writings on business matters. Indeed, the section begins with a quotation from St. Augustine, followed by statements such as price is established "by common estimation," and "A Constract must be made according to the equality of things." These, and other statements create an atmosphere which closely resembles the scholastic discussion of marketing. And it is in this context that there appear detailed remarks about dealing with customers, displaying goods, setting prices, and other managerial issues.

The second section of the work is entitled, "He shall live Pleasingly, to Himself [and] Others." The advice offered with regard to living pleasingly to oneself is typical of instructional manuals of the period. It consists of miscellaneous advice about keeping books, viewing losses philosophically, and paying suitable attention to religious matters: "I would not have his Bible stand in the Hall so much for ornament as use." An especially interesting part of this section concerns behavior which is "Pleasing to Others." Here are rules for dealing with all persons, including customers: "It is expected that the outward carriage should promise what's within a man."

The third, and final section of the book is entitled, "He shall live Profitably, to Himselfe [and] others." Here the term "profit" refers not to net income earned in business, but the well being of the "Compleate Citizen" in which wealth plays only one part, although an important one. Some rules for the conduct of business are presented in the first part of this section, but in addition there are more general principles such as "be sincerely and constantly Religious," and an emphasis that "Wealth being gotten, their minds may with more diligence intend the publicke affairs."

The second part of the final section, "Hee shall live Profitably to others" begins by speaking of responsibility to one's wife and family, including the apprentices. But the discussion then is extended to a broader arena: "Every private man is a servant to the Commonwealth," so that while behaving in a manner profitable to himself, "Hee hinder not the good of the Commonwealth, but further it." The discussion ranges from giving money to the poor, to being careful not to take too many apprentices, which would create underemployment.

From the evidence of this marketing text, it is apparent that the relationship of marketing activity and the social environment was considered as an integral part of a manager's day-to-day concern. It is significant that not only is there an emphasis upon justice, but the method of reasoning, as well as many of the phrases employed, follow directly from the work of the scholastics. To this extent there is a direct link between

the macromarketing concepts developed by the medieval scholars and the earliest marketing literature. Furthermore, there is no clear line between micromarketing and macromarketing; instead there are micro aspects and macro aspects, which are logically interwoven. The idea of writing a "micromarketing" textbook would be inconceivable to Scott because the medieval conceptual paradigm, rooted in societal concern, logically leads to a consideration of "The Compleat Citizen."

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A SYSTEMS FOUNDATION FOR ALDERSON'S FUNCTIONALISM

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It is argued that the system's theory paradigm underlies Alderson's functionalism. This is demonstrated by describing classes of systems which constitute the organised behaviour system. In distinguishing between these classes it becomes clear that the systems theoretic concept of variety explains the dynamics of Alderson's sorting functions. Finally some implications flowing from systems theory for Alderson's survival theorems are presented.

Alderson's major works are rich patchworks of insights, suggestions and integrative thinking. He aspired to a "functionalist" view of marketing because it could "be applied to all types of firms which participate in marketing" (Alderson 1957, p. 23). The functional goal of marketing was to enhance the assortments held by the parties to an exchange, these parties being organised behaviour systems. Alderson suggested that the mechanism by which assortments were improved must, in turn, more effectively fulfill functions of shaping, sorting and fitting.

However, Alderson was not, as his general endorsement of the functional approach may indicate, an ideologue of the functional viewpoint. He clearly recognised the importance of structure, although he tended to waver, a trifle unsteadily, between structural and functional explanations of marketing exchange. He emphasised, rather than whole-heartedly endorsed, the functional approach. However we hope to show that Alderson was a systems theorist *manque*, that the concepts of structure and system were integral to his approach. Examination of his writings indicates that he intuitively recognised the relevance of systems theory for his theoretical position, but probably because of the embryonic state of systems thinking at that time, he failed to articulate his feelings.

We shall firstly discuss the concept of system and how it relates to Alderson's notion of the "organised behaviour system." We then consider relevant properties of systems. This serves to translate Alderson's concept of "sorting" into systems terms and demonstrate the general applicability of its systems derived homologue. Finally some implications, flowing from systems theory, for Alderson's "survival theorems" will be presented.

The Concept of System

Alderson used the "total systems approach" (1965, p. 21) as the theoretical framework to explain the functioning of the marketing system. According to his view,

marketing was that aspect of group behaviour which functions to produce some assortment of preferred outputs.

The two concepts that Alderson advanced to project the essence of his functionalist theory were the "organised behaviour system" (1957, p. 26) and the "heterogeneous market" (1965, p. 26). The organised behaviour system was conceived of as "that system of components related by their common or complimentary participation in some operation" (Alderson 1957, p. 26) and reflects the assumption that people achieve membership in a group for purposeful action. As such, the organised behaviour system is an expression of the expectations of the individuals that compose the group. The market is heterogeneous in the sense that the organised behaviour system is actually composed of two sub-systems i.e. households or consuming groups (systems) and business firms or supply systems.

Although functionalism stresses the whole system, it tries to interpret how the component parts of the system work together to produce a desired end result. Alderson does however recognise that dysfunctional relationships can occur.

One of the main limitations of Alderson's systems approach is the simplified way in which he conceptualizes the marketing system as one large "purposeful" behaviour system. The elements of Alderson's organised behaviour system are people. However, Alderson did not explicitly recognise that people are not the only components of the marketing system or that individuals can achieve different levels of system functioning.

Classes of Systems

As part of the marketing system there are a manifold of technical devices and components auxiliary to its functioning. There are physical distribution systems, computers, people, etc. They are obviously ostensibly different systems.

An automatic delivery device in a warehouse is akin to the cybernetician's electronic maze solving rat in the sense that it has one function in all environments. This type of device is programmed to take a solution path in a maze environment, but if placed in another environment, it will function as if it were in its original environment and seek to carambole about the environment in an attempt to attain its goal. An obsessive compulsive personality behaves in this fashion, pursuing one goal in all environments. Ackoff and Emery (1972) classify this type of system as "goal seeking."

The computer, unlike the maze solving rat has some limited range of functions in some limited range of environments. The computer controlling traffic lights has a particular function that is directly related to its task environment. By way of an impact registration sensor and timing device, the computer tallies up the number of cars and then activates the lights. On the other hand the computer can be a problem solving instrument that can iterate and find solutions to problems. But it obeys the instructions from the programmer or operator and functions to achieve the goals that are determined by the operator. To function effectively the computer requires environments that are generally stable i.e. environments which are "grossly non-terrestrial" (Ashby 1962, p. 265). Within the Ackoff and Emery classification this system is "multi-goal-seeking" (1972, p. 31).

Individuals belong to the most distinctive class of systems, i.e., "purposeful systems" (Ackoff and Emery 1972, p. 31) as they can have numerous and variegated functions in the same and different environments. The person, unlike the other system classes, is to some degree environmentally independent and can display choice and will.

The marketing system is composed of at least three different classes of systems which differ in the range of functions they can perform, and the degree to which they are dependent on the environment. It is misleading to characterise the marketing systems as one large behaviour system with presumably uniform characteristics.

One of the important characteristics of the purposeful system, that distinguishes it from the goal-seeking system, is that it can attain a greater range of states. The term variety is generally used to describe the number of possible states of a system. One of the implications of this is that the purposeful system can use the goal-seeking system as an "instrument" just as the carpenter uses the hammer as an instrument to drive a nail (Ackoff and Emery 1972). Many of the tools of marketing, such as advertising, pricing, etc., can also be classified as instruments in that they must necessarily display less variety than the marketing manager who uses them to attain a particular goal, e.g., increasing market share.

While Alderson recognised that households were part of the organised behaviour system he did not appreciate the massive variety which a household can generate. For example, consider a household of three individuals, the maximum number of "relationships" or "interactions" that they can experience is 3×2 or 6. If for each relationship there are only two states, they can either speak or not speak to each other, the total number of states of affairs or variety of this group of three, is 2^6 or 64. For a group of four, operating under the same conditions, the variety is 2^{12} or 4,096 (i.e. $4 \times 3 = 12$ relationships, 2 states, speaking or not speaking, the variety is therefore 2^{12}). If the group expands to seven, the variety has now increased to 2^{42} or approximately 4 million million (Beer 1975). The question of how this potentially great variety of the purposeful systems (consumers and households) is handled by the marketing system is important.

The starting point is the recognition that people handle their own variety by splitting themselves into smaller segments, like the household, and thus reducing variety to tolerable levels. This splitting into sub-systems is analogous, as Alderson pointed out, to the notion of niche (Alderson 1957, p. 55). We will return to this later.

The notion of variety is also important in explaining one of the key concepts of Alderson's functionalist theory, the concept of sorting. Alderson views the marketing process as the creation of assortments via exchange. "Conglomerations" (Alderson 1958, p. 70) or heterogeneous mixtures, move through the marketing channel to ultimately satisfy the needs of households or individuals. The sorting function is composed of four processes, i.e., sorting out, accumulation, allocation and assorting. Sorting thus creates the ultimate utility of the final exchange. The exchange process to overcome the "discrepancy of assortment" (Alderson, 1957, p. 215) is an attempt by the goal seeking system (firm), with a limited reservoir of variety, to match the effectively infinite reservoir of variety of the purposeful consumer. The physical flow of goods from the goal seeking system to the purposeful system is *variety increasing* primarily because of the successive stages of "sorting out" to increase the "potency of assortment." In other

words the functions that are performed on the physical flow of goods as they move through the successive stages of the distribution channel are to transform the number of states of the system into a higher number of states (i.e., the transformation from low to high variety) in an attempt to match the variety of the consumer.

The notion of variety is a particularly rich construct which can explain the functioning of systems. It is much more general in its application than the concept of sorting and can also explain the evolution and control of systems.

Evolution of Systems

If the function of the channel of distribution is to handle variety, what can we expect to occur if the variety requirement of the consumer changes because of, say, a change in technology? There is a simple relationship which explains the evolution and continued existence of intermediaries, the Law of Differential Variety.

This law states that when two or more systems are undertaking exchanges, gross differences in the variety they bring to the exchanges will result in mechanisms to either amplify or attenuate the variety. The corollary to this law is that when two systems are undertaking exchanges which match the variety each brings to the exchange, no mechanism will evolve.

We have not tackled the question of the magnitude of the differences in variety that must occur before adaptive mechanisms arise. This problem is at least potentially solvable by methods similar to those which gave rise to the Weber-Fechner law in psychophysics and the use of fuzzy set algorithms in decision making.

Nicosia (1962, p. 95) criticised Alderson's conviction that intermediaries evolve because of the variety inherent in considerations of contract, item flow, location pattern, storage capacity, goods and information handling, sorting balance and risk (Alderson 1957, pp. 217-25). Nicosia's contention was that "economical" performance of the marketing processes was the only reason that intermediaries arose. According to our conceptualisation, Alderson was right. It is not only possible, but likely, that intermediaries would arise even though they may contribute to overall economic costs. To support our contention Stinchcombe (1968, pp. 279-281) gives the example of a situation where manufacturers could save money on transportation charges by shipping through Boston or Norfolk, but are willing to pay extra transportation costs by shipping through New York. The reason they choose New York is because of the ability of that centre to handle the information intensive process of mixing goods from many sources. In short, New York has an advantage over Boston and Norfolk in handling variety.

Control of Systems

The variety concept is also useful in considering the notion of control in systems. Because of the relative paucity of the instruments available to the marketing system, and the constant flux in the consumer's variety, we would contend that it is virtually impossible for the marketing system to match the variety of the consumer, as long as the

consumer acts as a purposeful system. It means that at best the marketing system can only approximately match the consumers variety requirements.

If the consumer's variety is perceived as high, the marketing system can attempt to control this high variety by undertaking actions which attempt to truncate the consumer's variety. There are a number of mechanisms which are commonly observed to achieve this end, the most prominent of which is advertising. By "creating" and maintaining illogical and irrational loyalties, advertising may have the effect of restricting variety. When marketers attempt to exercise control in this way it gives rise to the trenchant social criticisms of the role of marketing in a capitalistic society.

Marcuse (1964) for example, has argued that marketing's role in our modern technological society is part of the apparatus used to curtail freedom, repress individuality and limit the scope of human experience with the subsequent "manipulation" of false needs.

Multi brand policies often reflect this behaviour. The firm may have several different brands of the same product, e.g., soap powders, to give the illusion that the consumers' variety is being matched. One can argue that consumers, in fact, want little variety but want the illusion of variety, i.e., of choice. This may be true, and if it is, it may be a basis for endorsing the view that our society is increasingly superficial in its relationships as a way of handling variety (Emery 1977).

Survival Theorems

In Alderson's (1957) earlier work he suggested three survival theorems. No doubt his use of the noun "theorem" was quite deliberate as each was put forward as a proposition which remained to be proved. Take, for example, his first two theorems.

"An organised behaviour system will tend to survive as long as the footing it occupies endures because of the collective action arising out of the status expectations of its competitors."

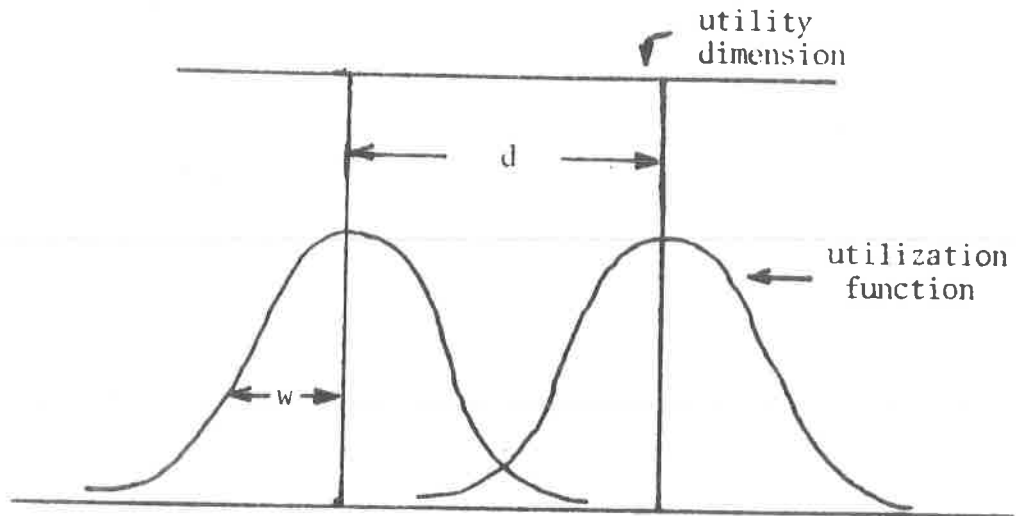
"An organised behaviour system may survive the most aggressive attacks of competitors because it is able to exist at the core of its position even though losing ground at the fringes and, meanwhile, mature its own campaign which may utilise strategies that have been overlooked by competitors" (Alderson 1957, pp. 55-6).

The inspiration for these theorems appeared to have stemmed from animal ecology, particularly the concept of the ecological niche. Alderson clearly felt that an organised behaviour system, like a plant or animal, must have "a footing or a place to stand in order to survive and prosper" (Alderson 1957, p. 55). This was an interesting and imaginative speculation which has become somewhat loosely translated into concepts such as market standing, product positioning and so on. As subsequent developments have shown, these theorems do have empirical and theoretical support.

We can generalise May's (1974) analytically derived results to the issues raised by Kuehn and Day (1962) by, firstly, considering a one dimensional utility (preference)

function. Each market or market segment will have a preferred position along this dimension. The preferred position along this dimension is represented by the mean of the distribution of a utilisation function which has a characteristic variance about this mean.

Fig.1



We can firstly consider a situation where there is one utility function which is unvarying or deterministic. May (1974) has shown that the equilibrium of the competition matrix, representing the degree of interaction between both markets, is determined by the ratio d/w . But short of complete congruence there is no practical limit to the number of "markets" which can coexist along this dimension. However, this clearly flies against observation, as under any conditions the number of possible markets does not appear to be infinite.

A more realistic situation is when the competition matrix is a simplex, where n "markets" compete in an n dimensional utility space. Now also assume there are random fluctuations in the environment which are reflected by random noise in the utility dimension. In a practical sense this may be observed by elements of stochasticity in consumer preferences. In this case competing markets will only survive providing they take environmental fluctuations or variance ($E\sigma^2$) into account. Similarly, May (1974) shows that this leads to the qualitative requirement that stability in this multidimensional situation, where competition is distributed in a symmetrical and interdependent way is maintained where $d > w E\sigma^2$.

Some of the implications of these findings are as follows. The "footing" or niche which a behaviour system occupies is established and endures by far more subtle processes than the status expectations ascribed to competitors. However, the relevance of

niching concepts for marketing only gain force if a clear distinction is drawn between the organised behaviour system and its environment. Apart from highlighting the significance of the environment (whose impact Alderson clearly recognised but failed to explore) these findings indicate that strategies aimed at increasing w have less chance of success, in terms of surviving the competitive situation, than finding another position along the utility dimension or dimensions. And this is in accord with Alderson's second theorem.

We now turn to consider Alderson's third survival theorem.

"An organised behaviour system may survive despite severe functional disturbance resulting from environmental changes if sufficient plasticity remains so that new functions may develop or new methods may be adopted for performing existing functions" (Alderson 1957, pp. 57-8).

Plasticity was defined as "the capacity for undergoing or reshaping of behaviour patterns" (Alderson 1957, p. 58). Within the system's framework, plasticity is more precisely defined in terms of the range of possible couplings between the elements of a system. If only one set of couplings are possible then the system is said to be rigid. Conversely a system which has available a number of potential couplings is regarded as relatively flexible or plastic. Typically in mechanical systems, some degree of flexibility is obtained by designing the system upon the principle of redundancy of elements or parts. But the degree of plasticity to be built into a system is once again, determined by the environment of the system. At one extreme the individual bricks which compose a wall are coupled to each other via the medium of cement. Once the coupling has been established no other is possible without destroying at least part of the wall. In building a house this rigidity is generally accepted because of the small probability attached to severe environmental instability occurring, i.e., an earthquake. On the other hand in designing a sophisticated mechanical system, like an aeroplane, great care is taken to achieve a degree of flexibility that will enable the safe functioning of that system in its environment by introducing back-up systems and relating the parts of the system in such a way that it can interact dynamically with its environment.

It is important to note that systems designed on this principle are, contrary to Alderson's suggestion, *unlikely* to survive "severe functional disturbance resulting from environmental changes . . ." (1957, p. 57). An implicit assumption is that the environment remains relatively quiescent.

Alderson did not appear to recognise that many aspects of the marketing system obey the design principle of redundancy of parts, e.g., physical distribution. He concentrated on the design principle of redundancy of functions, whereby a system is so organised that it can accomplish a range of different functions in the same or different environmental conditions. This will be recognised as a purposeful system. However, while we would agree that plasticity obtained via functional redundancy is critical for successful adaptation, it is, in itself, insufficient.

As Alderson tended to speak of plasticity as an attribute of the business organisation we can compare two organisational designs as a means of demonstrating an additional survival criterion. The first pictures an "orthodox" bureaucratic design, the

second a democratised design based on the semi-autonomous or self-management work group. They have been adapted from Emery and Emery (1975, p. 169).

Fig. 2

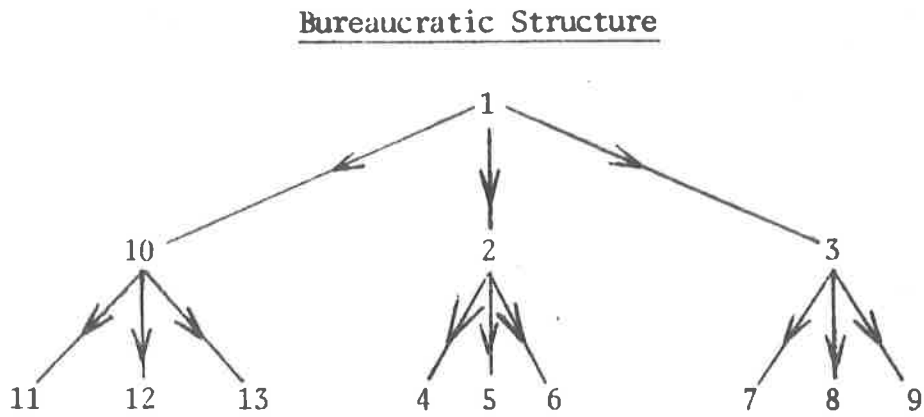
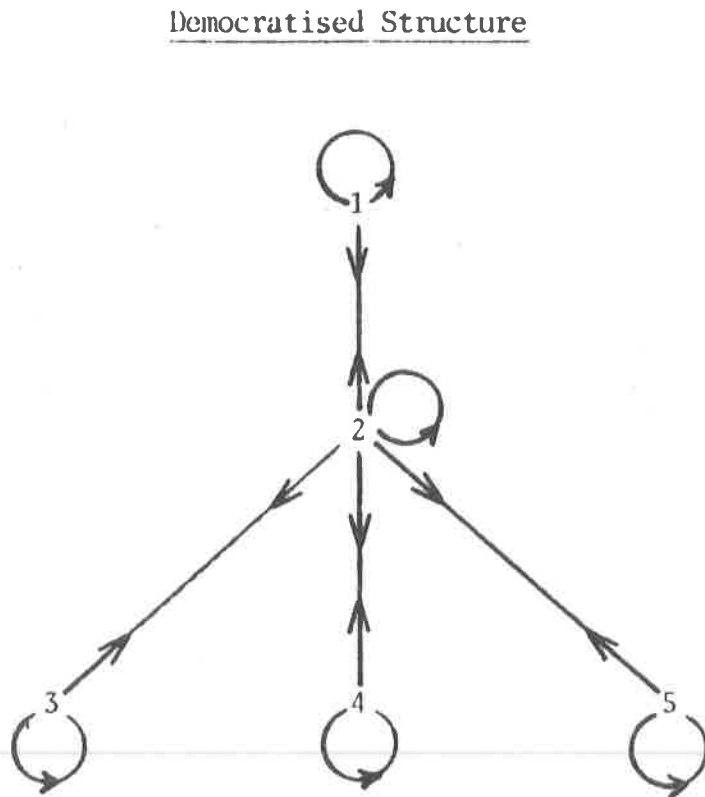


Fig. 3



Both designs are normative and artificial in the sense that they depict how the organisation chart should look. Nevertheless, if these designs are represented by matrices they can be shown to have interesting properties. In the matrices below notice that some elements take on unit value. This is because in comparing structures we wish to hold the probability of element couplings constant. We also wish to estimate the stability of each matrix by calculating its eigen value. If the eigen values of either matrix have negative real parts then that matrix can be said to be stable.

Bureaucratised Matrix (B)

$$B = \begin{bmatrix} 0 & -1 & -1 & 0 & 0 & 0 & 0 & 0 & 0 & -1 & 0 & 0 & 0 \\ 0 & 0 & 0 & -1 & -1 & -1 & 0 & 0 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & -1 & -1 & -1 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & -1 & -1 & -1 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 \end{bmatrix}$$

Democratised Matrix (D)

$$D = \begin{bmatrix} -1 & -1 & 0 & 0 & 0 \\ 1 & -1 & -1 & -1 & -1 \\ 0 & 1 & -1 & 0 & 0 \\ 0 & 1 & 0 & -1 & 0 \\ 0 & 1 & 0 & 0 & -1 \end{bmatrix}$$

None of the eigen values of the B matrix exceed zero while the real part of the D matrix eigen value is -1. This indicates that the B matrix is in neutral equilibrium, i.e., if the system is thrown out of equilibrium it will stay in the arbitrary state it finally assumes. It stops and starts, in a random fashion, across the face of an imaginary behaviour surface. However, the eigen value of the D matrix indicates great stability and also that the damping time of the system is fairly rapid.

In matrix terms the reasons for the marked differences in the behaviour of both systems is bound up in the direction of the flows linking the elements. In the B structure each element is treated simply as a transducer. The D structure is interactive and, most importantly, provides for negative feedback to each element, i.e., it symbolically gives each element the property of self-regulation or learning. We would suggest that the capacity of an organisation to learn is also intimately related to its capacity to survive. Donald Schon (1971) is probably the most vocal protagonist of this view. But in order to learn the system must be able to characterise its environment so that the experience it brings to those circumstances is appropriate. This raises a multiplicity of issues related to both individual and organisational adaptation, which are discussed elsewhere (Glaser 1979, and Glaser and Halliday 1979).

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TOWARD A FUNCTIONAL THEORY OF MACROMARKETING

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Macro marketing represents the application of efforts toward an end; it is a working mechanism as is micro marketing. Macro marketing, like its counterpart micro marketing, must [also] respond to changes and challenges. In essence, macro marketing concerns itself with the social husbanding, supplying, and responding—hopefully—to the social wants of society. Macro marketing is something like a distillation of social, ethical, and legal responsibilities and constraints on the behavior of the firm.

Marketers, in their attempts to better serve the best interests of society, have in the last several years directed a part of their efforts to develop a macro-marketing theory (or theories) to help achieve a better understanding of what macro marketing is about; an engagement to be applauded. Unfortunately there is a problem in the process.

Eclectic proliferations threaten the theory goal. Written and oral commentaries, fragmented to a fault, jeopardize the effort. What seems to be conspicuous by omission is a lack of direction, focus, and theoretical foundation. For example, the following counterpoints readily demonstrate that micro marketing in contrast *has direction, focus, and theoretical foundation*. It is a structure that seems missing in macro marketing. All one has to do initially, to prove the point, is to realize the dimensions of micro marketing: take any product as an illustration and trace the tremendous range of activities from its original concept to its final delivery to the retailer. Multiply this single instance by the untold myriad of products that become available to consumers and some idea of the dimensions of micro marketing become apparent.

Micro marketing, over the generations that have passed ever since the development of the marketing concept, has had certain foundations: consumer orientation, goal orientation, and, later, a systems approach. The premise that firms should serve to add to profitability has provided for structure and direction. The appropriate blending of the 4 P's, price, promotion, product, and place—the marketing mix—has long been recognized for its contribution to successful product and service marketing. The marketing manager over the years has had the prime responsibility for identifying consumer self-interest and then responding to it. However, social values, to the contrary, are difficult to change by marketing strategy. To illustrate: we have hardly been successful in marketing birth control information in various locations of the world!

Over the years, too, micro marketing has had theory development. Contributions to Theory in Marketing have been made by such eminent contributors as Wroe Alderson, Leo V. Aspinwall, Walter J. Boumol, Reavis Cox, Paul E. Green, Lawrence Lackley, Edmund D. McGarry, Hans Thorelli, Stanley J. Shapiro, as well as many others.

The Proposition

This paper addresses the proposition that macro marketing and micro marketing both have their foundations rooted in the functional activities of organized behavior

systems (the family) in our society. The household or organized behavior system then is responsible for searching and sorting in the purchasing process. It is further suggested that, in the development of the theory to be proposed, that macro-marketing changes in the marketplace stem from relationships between the organized behavior system we call the family, the firm, communication, ethics, and public policy. *There is the additional premise that macro-marketing theory is predicted upon this basic principle: that problem-solving behavior by individuals in organized behavior systems is the major influence in macro-marketing changes and responses.* Thus it is that the firm, ethics, and public policy *respond to* the larger societal issues. The incentive for change results, it would seem, from increased consumer concern; that it is this behavior that triggers action; not conversely, that outside factors—i.e., the firm— that trigger most activity in the macro setting in many instances.

The author, in submitting this proposal as a model takes a modicum of strength from the observations of Perry Bliss (1964):

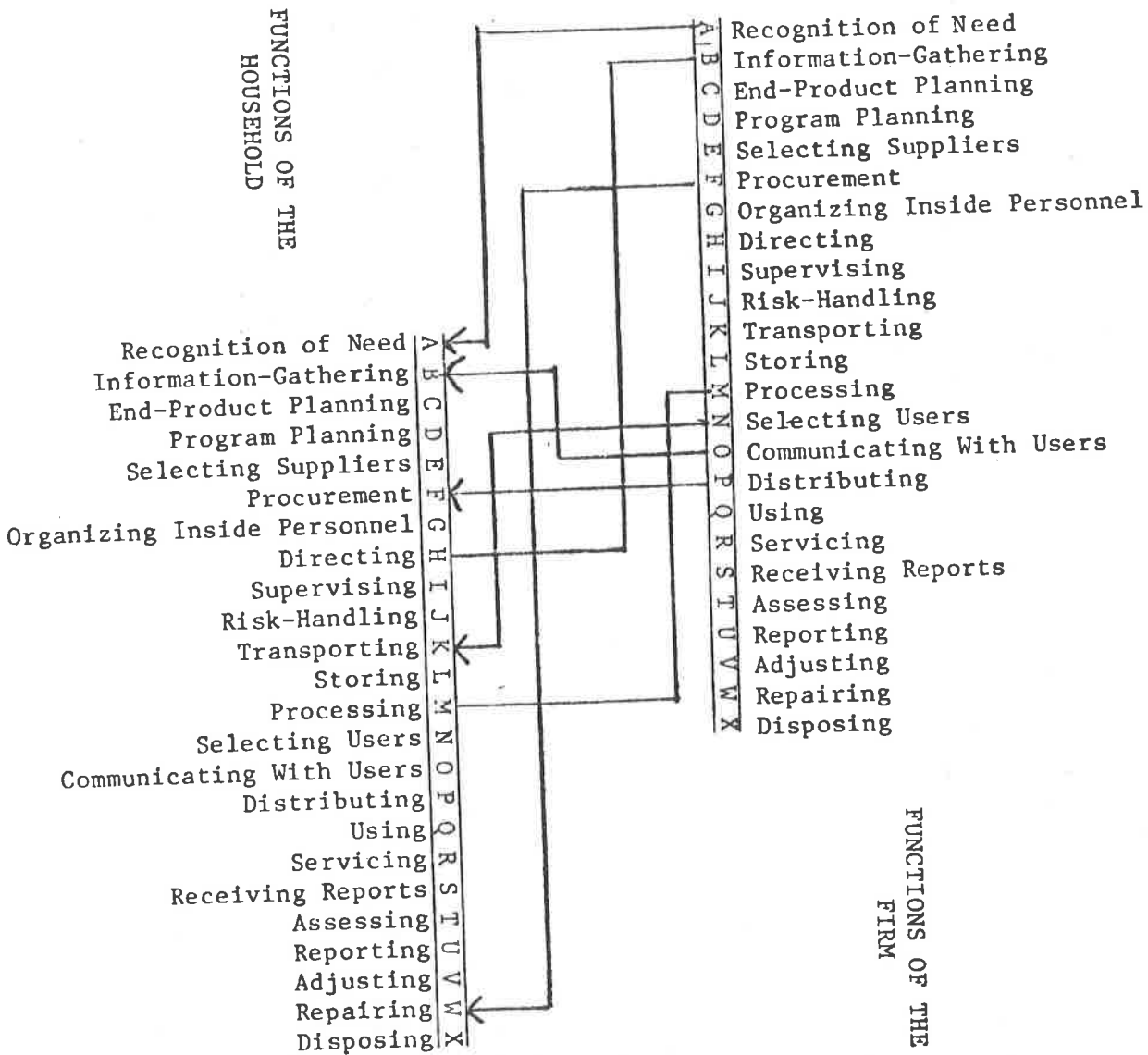
. . . concepts are building blocks for middle range conceptual patterns. These patterns enable us to understand the system and “know” something more of the marketing process. Of course, there are those who hold that in theorizing the model building should be kept to a minimum. Stark empiricists believe that marketing investigation should center around specific problems and that when such problems arise, they should be answered by grasping reality in any manner possible. Attempts to generalize and build theories about marketing per se are either out of place or premature. Although this group is critical of efforts to develop a theory of marketing, the theorist cannot afford to ignore the work of his critics. . . .

The Theory Itself

There is a sequence of functions, as shown in Chart 1, that are performed in every organized behavior system we call the family. So, too is there a corresponding sequence of functions performed by every firm, irrespective of size. Most importantly there is an interdependence and intertwining of these functions between firm and behavior system (Clawson 1957).

Moreover, insight into the household reveals that this complex mechanism is constantly engaged in problem solving, consciously or unconsciously, as it moves through this sequence of functions. All of the functions, it should be observed, must be performed by or for the individuals who comprise the household in every case. The real question is how many changes in the system regarding product liability, for example, have stemmed from competition and technological change rather than from spontaneous consumer movements. There is a degree of confusion, under certain conditions, over which comes first. What changes stem from competition and technological change rather than from spontaneous consumer movements. The performance of this functional activity in the organized behavior system also reveals a greater display of intelligence and rational behavior that is frequently recognized.

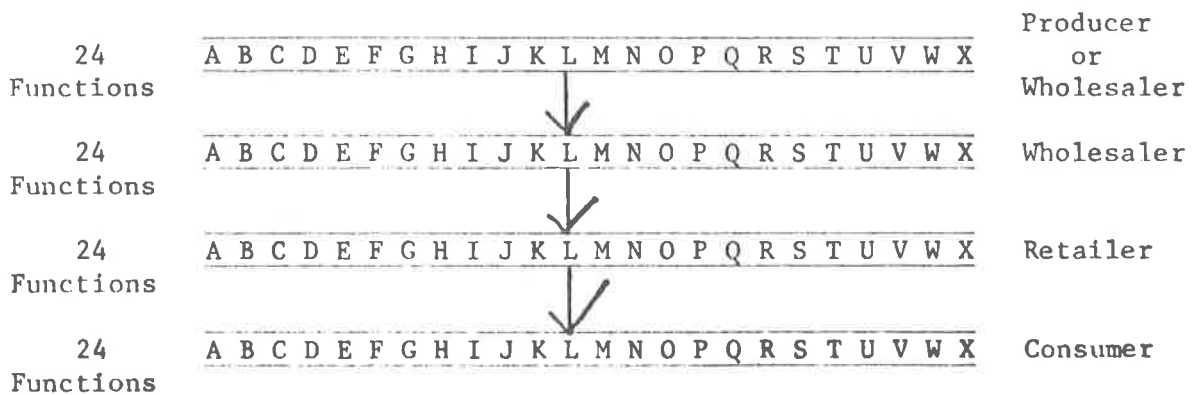
Chart 1. Intertwining of Business and Household Functions



The individuals as members of the organized behavior systems develop and integrate ethical needs and changes as functions are performed. As an example, a family receiving reports, assessing, and then reporting, may have tremendous influence on conditioning ethical response by the firm. Witness what has happened as a result of numerous group claim actions where a manufactured product lacked engineering integrity in original building and sale of a particular product. Ethics, or the failure thereof, are a strong conditioning factor not only on the individual but also on public policy.

Ever constant in the intertwining that takes place between the aforementioned functions of the firm and the functions of the organized behavior system is the *functionalism* that pervades the process. Similarly there is a *functional intertwining* in what Dr. Clawson called The Cascade of Distribution between manufacturer and producer, the various intermediaries such as wholesalers and retailers, and the ultimate consumer. This activity can be observed in Chart 2 (Clawson 1957).

Chart 2



Public policy enters into the cascade of distribution under the following circumstances, as an example: a pharmaceutical house manufactures a particular drug which is subsequently distributed to the next lower tier, the wholesaler or agent intermediary, to the retailer destined for the ultimate consumer. Let us suppose the specific drug has negative side effects. These dangerous results are transmitted to appropriate agencies and subsequent actions result in activities representative of public policy. Correction and redress are thus provided through public policy initiatives.

In all this activity, *the writer's theory is that, in most instances, the influencing factors for changes in the macro concept stem upwards from the society to influence firm and public policy.* It is not business or marketing usually that in itself thinks macro. Rather more frequently it is the stimulation by individuals and society—the organized behavior system—that calls for the social audit that contributes to the macro response. Only then, on many occasions, does the firm respond.

Not only are goals set by consumers themselves for the purpose of improving performance in the organized behavior system. Goals are usually recommended for the

firm and it, in turn, with exceptions, makes the appropriate adjustments. Not to respond is to court disaster in the marketplace. Just as the consumer learns, so too is there insightful learning by the firm. In essence it is, however, not the firm that is the single innovator but rather the consumer who, through a learning process, motivates companies to develop, change, and project. It is, as was stated earlier, problem-solving consumers who most often condition the marketing changes and responses.

It should, however, be noted that while the writer emphasized consumer influence as an innovator, recognition of course must be accorded to the firm as it innovates in terms of new products, new appeals, and in other ways responds to perceived changes in consumer values and unsatisfied needs. New problems that require consumer solution are provided solutions by companies. Through their innovation new solutions are developed.

Ethical behavior, too, stems upward from the behavioral system:

Since the mid-1960's, Americans have been turning sour on America—on its dreams, the promises, its leaders. Every major poll of public opinion has shown that. Now, in increasing numbers, Americans are focusing their new, European-style cynicism on the profits, prices, and policies of the country's largest corporations and on the workings of the entire economy (*Business Week* 1972, p. 100).

So today almost every industry and business firm is regulated. Why? To assure response by the micro-marketing segment. To assure, in addition, compliance with regulations relates to public policy that has its incubation in the organized behavior system and its functionalistic approach to problem solving.

Much earlier it was Adam Smith (1976) who said:

. . . the interest of the dealer, however, in any particular branch of trade or manufacturers, is always in some respect different from, and even opposite to, that of the public.

When we scrutinize macro marketing—or any marketing—in terms of the society and public policy, we find again the effects of the organized behavior systems, the individuals who comprise society registering their weight. J. Boddewyn (1971) explains the fact:

Exchange concerns governments for *social* reasons, too. Historically, exchange has provided an important avenue for social mobility in Western societies. This crucial function coupled with the frequent *political* weight of the "middle classes" to which the tradesmen belong, has led them to look to government for help in facing the profound changes in distribution systems.

An illustration of how the functions can be applied to a macromarketing decision follows: members of the organized behavior systems register unfavorable physical reactions to a particular frozen food. The intertwining functions lead to significant

danger signals that alert the firm. The firm then recognizes that a particular germicide had been sprayed on ingredients used in this food product. Attention to this fact is broadened through communication to the various public sectors. Corrective action is then taken to eliminate the danger.

Summary

. . . major uncertainties arise from economists' [and marketer's, too] uncertainty about the structure of the economy. It is convenient to distinguish between uncertainty about the correct model of the economy and uncertainty about the precise values of the parameters or coefficients within a given model [macro marketing] of the economy, even though the distinction is not watertight. First, there is considerable uncertainty about the correct model of the economy. There is disagreement among economists on some of the behavioral functions of the economy. . . . As yet, there has not been decisive evidence that has clearly demonstrated that one and only one of those models is correct. Accordingly, different economists [marketers] use different models of consumption. Of course, the models have much in common, but they are not identical. There are also minor disagreements . . . and those disagreements in turn lead to different predictions about the effects of policy.

Reasonable economists [and marketers] can and do differ about what theory and empirical evidence suggest are the correct behavioral functions of the economy. Generally, each economist [marketer] will have reasons for favoring one particular form, and will use that form. But being reasonable, the economist [marketer] will recognize that the particular formulation being used may not be the correct one, and will thus regard the predictions made by using it as subject to a margin of error. Policy makers in turn will know that there are different predictions about the effects of a given policy, and will want to consider the range of predictions that is being made in deciding on policy (Dornbusch and Fisher 1978, p. 287).

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EXTERNALITIES, REMEDIATION AND PUBLIC POLICY

The papers in this section are bound by the common thread of concern over the negative externalities of micromarketing decisions. The negative effect of such decisions which reverberate through many interest groups has increasingly become the subject of public scrutiny and public policy. Yet little attention is paid to the costs of public policy responses or the possibility of reliance on the market for at least partial solutions. This section begins with a theoretical analysis of externalities, provides two examples of unusual externalities, moves to an examination of public policy costs and a comparative analysis of public and private delivery systems and finishes with two suggestions for the use of the market in redressing externalities.

Thomas Klein sets the tone for this section in his paper, "Toward a Theory of Marketing Externalities: A Framework for Identification and Evaluation." He presents appropriate means of measuring marketing externalities as an extension of conventional marketing research methodology.

The next two papers present examples of externalities of marketing in two diverse areas. First, Joseph Miller investigates "Employment Effects of Marketing Programs." After presenting a conceptual framework for the analysis of employment effects he illustrates the effects in two cases—the case of foreign market entry, and the case of returnable bottles. On the other hand, Michael Hutt examines externalities in industrial marketing in his paper, "A Societal Perspective of Industrial Marketing: Selected Issues and Research Questions." He points out that not only are negative externalities of industrial marketing traditionally ignored relative to the consumer market, but that industrial marketers are experimenting with a range of strategies heretofore only considered appropriate to consumer goods markets.

The fourth paper by Mulhern and Spratlen argues for the need to substitute positive and proactive strategic planning for escalating regulatory costs. The focus of "Curbing the Costs of Government Regulations Affecting Marketing: A Role for Strategic Planning" is on business usage of strategic planning as a means of reducing environmental uncertainty and reducing the need for costly governmental constraints.

"Consumer Dissatisfaction and Complaining Behavior as Feedback: A Comparative Study of Public and Private Delivery Systems" by Arndt and Grønhaug investigates the issue of public delivery of needs as a response to micromarketing externalities. In this comparative study they found smaller dissatisfaction with public delivery systems than with private. However, they point out that dissatisfaction is a function of expectation of satisfaction and of effectiveness of complaining which differ between public and private delivery systems.

The final two papers suggest that there are possible uses of the market itself to supplant or augment regulatory solutions to negative externalities. First, Karl Henion argues that possible shifts in values of consumers will allow larger segments to emerge who will allocate their purchases to socially and ecologically sound products and firms. Robert Nason pursues the theme in "Consumer Awareness and Response to Information on Potential Product Harm" by presenting an experiment on the value of information

where products are suspected of causing consumers harm. This preliminary investigation leads to the conclusion that information on product harm did in fact reduce consumption of a limited sample of products. Therefore, for products in the gray area of suspicion, but not proven harmful, information could be used to allow consumers with different needs and risk preferences to use or avoid the products in question.

TOWARD A THEORY OF MARKETING EXTERNALITIES:

A FRAMEWORK FOR IDENTIFICATION AND EVALUATION

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Recent attempts to sensitize marketing students, professors, and practitioners to the social effects of both customary and innovative policies and practices are legion. To our great discomfort, they also expose a substantial void in the theoretical synthesis from which marketing management, public policy, and social criticism may be evaluated. Connections to the traditional conceptual framework of marketing is absent. Recognition of trade-offs between social effects and internal effects and between conflicting social effects is crude. And the methodological bases on which evaluators can undertake the critical task of measuring the social costs and benefits of alternative strategies have yet to be identified within the mainstream of marketing thought and literature. Contemporary forces and events call for socially responsible marketing and social accounting and question and redefine the very nature and organization of our market economy. Against this backdrop, the need for identification, classification, and operationalization on the subject of marketing externalities seems evident.

In response to this need, the present paper undertakes three distinct tasks: (1) a general explanation of the nature of marketing externalities with a view to describing how and why they arise and what they are and are not—solving the matter of theoretical boundaries; (2) a discussion of methodological issues—what measurable phenomena can be observed in order to evaluate marketing externalities, how can one synthesize different indicia in order to provide information to policy-makers; and (3) a model which portrays the multi-dimensional character of the externalities issue and the approaches to measurement which may be used to evaluate them.

THE NATURE OF MARKETING EXTERNALITIES

Externalities, as a product of economic activity, are widely understood as a collection of dysfunctions which include injuries associated with unsafe products, pollution of our environment associated with solid waste disposal, depletion of scarce natural resources, and similar “spillovers.” While there is some recognition of beneficial externalities, e.g., the eradication of a public health problem associated with the invention, production, and sale of a vaccine or the implementation of sewage treatment technology, both popular and professional focus is on externalities resulting in social cost or “diseconomy.” Furthermore, the popular assessment of externalities tends to be limited to primary and direct effects only and, thus, are one sided. The verifiable fact that resource depletion may prompt the development of more effective or more economical technology is frequently overlooked or undervalued. While economists and others professionally concerned with social cost-benefit analysis are less prone to these errors, bias is frequently present and assessments tend to be oversimplified. The result is that we share a sense of the externalities concept in terms of specific, widely recognized issues which, in the main, have negative social welfare implications.

Moreover, with the possible exception of consumerist concerns and a limited range of pollution issues, few within or outside of the marketing fraternity are inclined to make a meaningful distinction between marketing externalities and those arising from other managerial or economic functions. This situation is probably aggravated by the inclination of economists and some others to combine all economic externalities, including racially biased employment practices and water pollution from municipal sewage systems, under the term "market failures." While it seems obvious to me that all "market failures" are not marketing failures (except, perhaps, in the broadest possible sense), I am not aware of anyone who has attempted to survey the specific intellectual territory over which marketers have a primary responsibility. Although marketers do take on the externalities question on a problem by problem basis, this has tended to be reactive. The turf has already been staked out by journalists, politicians, citizens' groups, or applied economists from industry or government—with their own perspectives and objectives.

By way of contrast to these observations, "externality" is a residual concept, encompassing all effects which are not anticipated, internalized, and fairly reflected in economic decision-making, whether by consumers, business, or government. These effects may be bad or good and a single decision may generate both kinds of effects. Since perspectives may differ, a good effect for one group may be a bad effect for another. Further, economic decisions and decision-makers are interdependent in a complex system with a significant temporal dimension. So-called primary or direct external events may stimulate forces to operate over time and across system elements which, in net terms, may amplify, attenuate, or even change the initial impact.

Despite the intellectual expansion of marketing horizons of the past decade or two to include all kinds of organizations and missions, it seems reasonable to restrict our concern to externalities which result from traditionally recognized marketing functions of exchange and distribution, i.e., those directly or mainly generated by buyers and sellers implementing product or service, communications, distribution, and pricing strategies. While any definition of "marketing externalities" is bound to spark some disagreement, it seems useful to offer one, if only to provide a point of departure:

A marketing externality is a benefit or cost arising directly or indirectly from marketing functions experienced by a second or third party, which could be anticipated but is not a self-interest criterion for first-party decisions (Klein 1977, p. 7).

As Nason (1978) has suggested, marketing externalities arise for three reasons:

- x (1) *Informational deficiencies.* Exchangers have insufficient information regarding the possible consequences of exchange or fail to assign adequate probabilities and values to consequences which they recognize as possible.
- ↳ (2) *Market power.* Parties to a transaction possess unequal ability to command desired outcomes (product attributes, services, price and related terms of sale) or to withhold purchase or sale.

- ✗ (3) *Third party effects.* Many groups and individuals affected by a transaction or by the predictable consequence of a transaction (e.g., the use of the item purchased) are unrepresented or, at least, insufficiently represented in the planning and negotiation that leads to the transaction.

Thus, a kind of multidimensional “space” containing various forms of marketing externalities can be described in terms of the following product:

Decision area X Source X Problem area X Party affected X Effect X Costs and Benefits X Timing of effect

A portion of this space is portrayed in Figure 1. This particular figure indicates that a dollar value discounted to the present can be assigned in terms of medical bills experienced can be related to an injury due to product usage based on a safety deficiency in that product attributable to the product decision makers’ ignorance or oversight regarding the prospect for such injury. Further analysis of the space might also indicate lost wages (to the user’s family), lost productivity (to the user’s employer) and, on the positive side, a stimulus to improve product safety in the industry. In a similar vein, other effects related to other problems and sources and to other marketing decisions might be identified. Thus, the space can be fleshed out more completely in order to provide an operational catalogue of possible marketing externalities for any organization. It paves the way for fixing managerial responsibility for external outcomes, for evaluating the outcomes, and for assessing alternative strategies.

EVALUATING MARKETING EXTERNALITIES

As already suggested, most of us are inclined to characterize externalities of marketing in somewhat simple and, often, predisposed light. An injury due to a product design defect is bad; an increase in product safety is good. Conclusions follow immediately—marketers should make the product safer or improve instructions. More thoughtful assessment begs additional information: What is the comparative cost and effect of making the product safer vs. various instructional strategies? How severe is the injury; how many people are exposed and are likely to be injured? Are safer alternatives already available? Is the product essential to life and livelihood? Are users generally sensitive to the risks in the product (a knife vs. a toy)? What are the downstream benefits and costs of redesign (is any new technology applicable to other situations or not)? What are the effects of internal trade-offs (resources devoted to redesigning a toy might otherwise be devoted to a new line of educational products)? What about external trade-offs (does a new safety feature reduce durability)? What’s the real problem (a cut or abrasion is usually minor if the injured party has had a tetanus shot and owns a bandage)?

In other words, the customary evaluation (good vs. bad) and apparent conclusion may lead to externalities which, on net, are worse than either the original problem or some other alternative or both. The proper approach is to be more thorough in examining the complexities of an issue and to use some measure of opportunity cost as a decision criterion. The reality of managing externalities is that few situations present us with simple good vs. bad choices—the best choices convey some social cost; the worst, some social benefit. Managers may have to choose between, for example, environmental protection and consumer safety, apart from any internal considerations.

The gist of these remarks is that externality evaluation is not a matter for superficial measurement. But that is what we tend to get from most of the protagonists we find on the front page of the newspaper, whether corporate executives, consumerists, or politicians. The situation, frankly, presents an extraordinary opportunity to professional marketers and market researchers. We are accustomed to using economic, attitudinal, and behavioral measurements and statistical techniques in objectively assessing internal results for evaluation and planning purposes. These concepts and tools are also applicable to externalities and could, I am confident, supplant or enrich the naive evaluations customarily employed.

Improving Precision and Relevance in Externalities Evaluation

If the goodness or badness of marketing externalities is to be evaluated in more than binary terms, three standards must be met in devising measurement techniques:

- (1) The value of an event must be determined in terms which allow analysis of a significant number of policy alternatives, including some which are similar in effect, both quantitatively and qualitatively.
- (2) The value of an event must be stated in terms that reflect evaluation by the parties affected.
- (3) The value of a possible future event must reflect its probability and an appropriate discount rate.

These criteria, applicable to any externalities evaluation task, and various approaches to externalities measurement have been explored in some detail elsewhere (Klein 1977, chap. 3-4). Recent thinking prompts the following amendments and summary comments:

Accounting. Customary managerial accounting provides a sufficient numeric basis for assessing the benefits and costs of marketing externalities. In particular, internal costs can be determined with relative accuracy if the accounting system provides detail by department, product, and function. Accounting surveillance can also be stretched to capture a sufficient sample of external costs and benefits, if measurable in monetary units, to evaluate external effects of existing or proposed actions. On the other hand, accounting analyses are quite limited in their ability to accurately assess opportunity costs or to capture valuations which are not reflected in monetary terms.

Economic Cost-Benefit Analysis. Economists engaged in assessing the impact of such public projects as dams, bridges, transit systems, etc. offer us a model of sophistication for evaluating externalities. Utilizing accountants' cost data and further armed with such concepts as consumer surplus, rent, and shadow or imputed prices, they are able to capture opportunity costs with considerable precision, taking account of demand and supply functions, probabilistic outcomes, and the time value of money. Despite their precision, their efforts may not be completely relevant. Not all benefits and costs are readily translatable to monetary equivalents. Is the cost of a small cut only the value of the bandage? Where do the pain, tears, and inconvenience enter the accounting? Who

knows what people would be willing to sacrifice to avoid the risk of a cut? What are the respective "values" of a cut finger, an amputated finger, and a bored or agitated child. And values on these matters may vary widely among individuals.

Subject Measures. A variety of attitudinal scaling techniques have been developed to capture individual valuations of product features. While many of these are quite crude, psychologists and market researchers have developed scales which stand up well against the standards proposed above and most considerations raised in determining measurement validity. Of significance for our purposes is the fact that attitudinal scaling can capture economic values, scale results can be aggregated to generate preference functions for groups of individuals and can be converted back to monetary equivalencies.

Thus, measurement protocols which utilize accounting, economic, and subjective measures in combination offer the greatest prospect for precision and relevance in evaluating marketing externalities. From the standpoint of marketing theory, the addition of subjective measures is recognition of the vision that the "relevant market for externalities" consists of those parties affected by them; the relevant yardstick of the degree of goodness or badness is the values and attitudes of those parties.

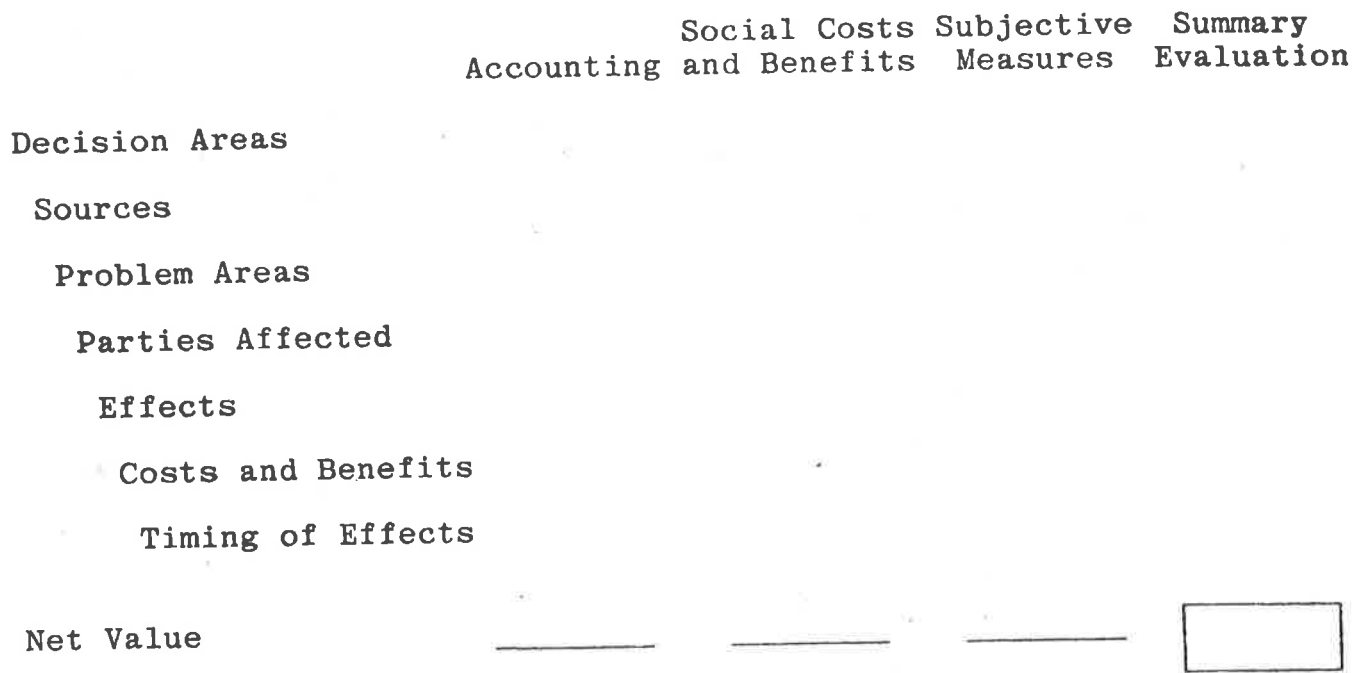
The ultimate task of externalities evaluation is to reduce ambiguity and confusion for a decision maker, whether business executive, government bureaucrat, legislator, voter or consumer. Indeed, it is the inclination to avoid ambiguity which prompts these decision makers to characterize external events, no matter how complex, in simplistic good or bad terms. That is why the marketing executive, regardless of his social conscience, is inclined to resolve questions in favor of profit or sales improvement when confronted by conflicts between externalities—safety vs. durability, employment vs. environment. Thus, the concept of a net benefit scale, ideally stated in dollar equivalencies, is more attractive than a qualitative accounting of social costs and benefits.

SYNTHESIZING CONCEPTUAL AND METHODOLOGICAL ISSUES

My goal in this paper is to integrate the measurement potential of market research methodologies with externalities generated by marketing. This goal is founded on the assumption that marketers, marketing critics, and marketing regulators find it useful to distinguish between marketing externalities and those generated by other business functions—personnel, production, or finance—and among those generated by the specific managerial vectors of marketing. As organizational responsibility for marketing policies of a particular kind rest with specific individuals or units, responsibility for anticipating and evaluating external effects as well as internal effects should rest with these same parties.

Carried to fulfillment, a matrix which would convey this synthesis would exceed the space limits imposed for conference papers—and would be further limited by my personal ability to identify all of the aspects of this problem for all marketing functions for all industries and affected groups. Therefore, it must suffice to note that the step-down portrayal of marketing externalities shown in Figure 1 can be juxtaposed against the measurement approaches identified above. Figure 2 serves this purpose. Thus, I leave

Figure 2. Framework for Evaluating Marketing Externalities



to a later time, a different medium, and perhaps, heartier intellects the task of fleshing out the matrix. At the very least, the various cells of the framework can be, over the next few years, filled by researchers concerned with the evaluation and control of specific marketing externalities. In totality, the body of knowledge thereby generated may provide the basis for developing or testing a more holistic theory of marketing externalities.

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EMPLOYMENT EFFECTS OF MARKETING PROGRAMS

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One of the results of a broadened concept of marketing in recent years is a greater awareness of the effects of marketing decisions on job creation or displacement. Some marketing thinkers have referred to employment effects in the context of the "new marketing concept," with an emphasis on the intracorporate implications of marketing (see Drucker [1973] and Bell and Emery [1971]). Other marketing writers place employment impacts within the societal marketing concept: gains or losses in jobs resulting from marketing decisions, e.g., to introduce new products or move the base of marketing operations into another country, are viewed as social externalities of the marketing programs. Employment issues appear to have received more attention in the United States than other countries because of U.S. concerns over "job exportation" through overseas marketing and the job impacts of environmental regulations. However, similar issues are being raised in other industrialized countries, and in less developed countries there are increasing demands for marketing investments that provide greater numbers of more highly skilled personnel.

The objectives of this paper are, first, to develop a conceptual framework for analyzing employment impacts and, second, to suggest a method for evaluating such effects. The importance of employment effects is well established in the macromarketing literature (see e.g., Slater [1978] and Moyer and Hutt [1978]). Indeed, it is recognized that in some situations employment impacts are of greater consequence to the marketing-oriented company than the more commonly observed efficiency effects. For example, several U.S. companies have recently modified their international marketing strategies in favor of exporting from the United States, de-emphasizing direct foreign investment in overseas manufacturing capacity, and one of the important factors in the decision was to maintain and increase the size of their skilled American staffs. Obviously, the companies stand to gain in efficiency by keeping on the skilled employees, but the decision to shift towards export marketing was significantly influenced by a consideration of the employees' welfare.

Following Slater (1978), we suggest a general framework of the relationships among various effects of marketing decisions as shown in Table 1. Examples of transactional and allocative efficiency, equity (including employment) and other effects are given in the table as they affect buyers, sellers, and society (or third parties). For example, a major market entry decision by a company can lead to gains in transactional efficiency by buyers, who will have a greater variety of goods at lower prices, by the seller that makes the marketing decision, in the form of increased sales and lower costs (larger scale output), and to increase benefits for society in the form of more education, health, etc. services in the new market. Allocative efficiency may also increase as a result of the market entry. For example, the wider choice of goods gives buyers a real income (total benefits) gain, the seller itself becomes more profitable and hence able to make further new investments, and members of society who are neither buyers or sellers may benefit from increased efficiency in capital markets. At the same time, the market entry program will have equity effects: some buyers may become relatively better off,

Table 1

Macromarketing Effects: Examples of Efficiency (Transactional and Allocative), Equity and Other Effects

	Transactional Efficiency	Allocative Efficiency	Equity	Other
Effect on:				
Buyers	Income and Substitution Effects	Real Income Gains or Losses	Income Redistribution	Aesthetics
Sellers	Sales or Exchange	Profitability	Employment Gains or Losses	Technological Progress
Society (Third Parties)	Health or Education Benefits	Capital Markets Growth or Decline	Political Stability	Self-Sufficiency

the seller will hire more employees, and other persons or firms not directly affected by the entry will be positively or negatively affected by the shifts in income distribution and employment. The other effects are less obvious but often quite important. Buyers may enjoy a high level of aesthetic quality as a result of a new, improved-design product (e.g., a household appliance). The seller may make a significant technological breakthrough from its entry into the new market with a new product. Also, the new (foreign) market entry may enable members of that society to be more economically independent (or less reliant on a foreign source of the product).

As Carman (1979) and White (1979) have pointed out, macromarketing effects are primarily the results of marketing decisions on society—the effects illustrated in the third row of Table 1. Micro effects are the transactional and allocative efficiency impacts on sellers and buyers as individual entities, and these income or welfare (consumers) or sales or profit (sellers) effects are often the subject matter of research on consumer behavior or marketing management. The equity effects of marketing decisions on buyers and sellers occur at both the societal or macromarketing and individual or micromarketing levels (as, indeed, the other effects). At the individual or micro level, the buyer can experience benefits (or losses) in being treated with greater (or lesser) fairness as the result of a marketing decision (e.g., change in product quality). Similarly, managers and other employees of the seller as a company can be treated more (or less) fairly as a consequence of a marketing decision (e.g., an enlargement of the sales force). Equity or fairness effects also have societal or macromarketing dimensions precisely because buyers and corporate employees are also members of society and their concerns about equity effects (redistribution of buyers' incomes or changes in employment) are often expressed as social concerns.

Like many other macromarketing effects, employment effects are not usually the primary or intended results of marketing decisions. Klein (1977) refers to these effects as unplanned or unanticipated by the marketing decision-maker. Some allocative efficiency effects, especially at the third-party level, are also unanticipated, as Klein

observes. Anticipated or unanticipated, many marketing programs result in the displacement of jobs, and in some cases these impacts are quite significant. Two such cases are examined below, market entry by direct foreign investment and new product (or packaging) development in response to pollution regulations. In both cases, the companies involved are primarily (and properly, we would argue) concerned with the efficiency or profitability affects of the marketing programs: making a successful entry into the foreign market in the first case, and development of a new product or container that provides profitable sales growth in the second. However, the firms are also concerned, as are labor unions and consumer groups, in the potential or actual loss of jobs resulting from the new marketing programs. Without denying the existence of efficiency (or other) effects, we focus on an analysis of job-creating or job-displacing effects.

FOREIGN MARKET ENTRY

The Problem

From the marketing point of view, there are many reasons why a company would want to establish overseas production or distribution facilities. A base inside the foreign market not only saves on transportation and tariff costs, but it also puts marketing managers in a more advantageous position to keep in touch with changes in customers' needs, competitors' strategies, and requirements for channel support. However, despite these and other benefits, foreign market entry or overseas production for U.S. markets is coming under increasing criticism by American labor unions and political leaders for alleged loss or "exportation" of U. S. jobs (see e.g., Goldfinger [1973]). Their argument is that U.S. companies could serve foreign markets at adequate profit levels through export marketing and minimal investments in promotion, marketing research and channel distribution; by producing goods overseas and marketing them in the foreign markets or in the United States, the companies are in effect replacing U.S. employees with foreign employees.

We emphasize again that the employment-displacement argument focuses primarily on equity, rather than the efficiency effects. The implicit premise always is that the loss of any American jobs is grossly unfair to the displaced worker and the labor organization representing that worker, regardless of other, new jobs created. The company and its new employees undoubtedly gain in efficiency (increased sales and profitability) as a result of the entry into the foreign market, but this efficiency gain is not considered an off-setting positive effect against the negative effects of job displacement. Some of the labor analysts (see e.g., Goldfinger [1973] and the U.S. Senate hearings on Multinational Corporations [1973]) discuss such efficiency effects, but it is clear that they regard the employment issue as overshadowing other issues.

The relationship of employment effects of foreign market entry to the allocative efficiency, transactional efficiency and other effects of entry can be seen with reference to Table 1. Entry almost certainly increases allocative and transactional efficiency of the seller, buyers and third parties. The seller gains in sales and probably profitability, buyers' real incomes and other benefits rise with expanded choice and quantity (although higher prices could erode these benefits), and society benefits from more efficient capital markets or improved balance of payments effects. In the category of other effects, it is possible (but not certain) that buyers can enjoy higher aesthetic pleasure from the new

product, that the seller may achieve some technological progress in adapting a product or production process, and society becomes more economically self-sufficient as a result of the entry. As emphasized above, our main concern is with equity effects, and here we see that buyers' incomes may be redistributed, the seller will increase employment in the overseas market (and possibly also at home in the United States), and the effects on third parties may be substantial.

The significance of the employment displacement question concerns not only corporate policy but also governmental regulations affecting the international marketing decisions of companies. Several bills have been introduced in Congress that would impose restrictions on the ability of corporations to enter foreign markets by establishing subsidiaries there. Faced with mounting criticism on several issues, U.S. multinational corporations are anxious to inform governmental policy-makers that their international operations also contribute to employment gains in the United States.

Conceptual Framework

Research by Eldridge and Saunders (1973) of the U.S. Bureau of Labor Statistics, Hawkins (1972), Miller (1975), Stobaugh (1973) and several others (U.S. Department of Labor 1978) provides several useful guides toward developing a model of employment effects. First and most fundamental, these research studies agree that the negative or displacement effects must be balanced against the positive or job-creating effects of foreign market entry. Earlier papers had argued only one point of view, marshalling case examples and data that supported either job losses or gains, but more recent research recognizes the validity of a net effect. Thus, displacement results from market entry overseas, in which the marketing or production or other foreign employees' work could just as well have been done in the United States, and job creation refers to the additional U.S. positions generated as a result of more exports or service support to the foreign market operations of the companies.

Two further distinctions are useful in explaining job-creating and job-displacing effects. The first separates export marketing effects from gains or losses in employment resulting from direct foreign investment in marketing distribution, assembly or production. On the investment side, U.S. employees may be displaced by the action of companies to move operations overseas. It is important to observe, however, that displacement occurs only if the operations could have continued (or been expanded) in the United States: no U.S. jobs are lost by the investment of a U.S. firm in, e.g., foreign mining of a mineral not found in the United States. Similarly, most investments in foreign promotion or channels of distribution do not displace U.S. employees simply because the investment could not have taken place effectively in the United States. Investment that creates additional American employment also includes market entry by foreign firms into the United States. Some new jobs for U.S. managerial and technical personnel are generated by overseas market entry, but the number of such jobs appears to be small, especially as more foreign managers are being employed by U.S. companies.

In contrast, the job-creating effects of export marketing and other trade support to foreign market entry seem to be quite significant. Hawkins (1972) describes these

effects as the "export stimulus effect" and the "home office effect." The export stimulus effect is defined as U.S. employment created by the production of exports that would not have occurred in the absence of foreign subsidiaries, and these exports include capital goods as well as marketing, technical and other services. The home office effect refers to non-production employment of a managerial, clerical or service nature that is created in the American parent firm solely because part of the company's operations are carried out abroad. Trade may also result in the displacement of U.S. jobs. Import competition from shipments by U.S. subsidiaries abroad may result in displacement if the imported goods or services could have been produced in the United States.

A second important distinction is the difference between direct and indirect effects of foreign market entry on U.S. employment. Direct effects take place in companies that are engaged in exporting or direct foreign investment; indirect effects are the jobs created or displaced in other firms that provide marketing distribution or other service support to the primary firms. Thus, indirect displacement may result from the transfer of a production facility overseas in the U.S. firms that had provided goods or services to the U.S. plant or had distributed the output of the plant. The primary criterion for direct effects is whether the goods could have been produced in the United States, and if this test is satisfied the indirect effects criterion asks whether the jobs in the supporting firms depended on the U.S. production of the goods. Similar analyses are applied to indirect job-generating effects. For example, when U.S. employment is created directly through exports of home-office support to foreign subsidiaries, other U.S. jobs are indirectly generated in other firms that supply marketing, engineering or transportation services that would not be needed in the absence of the exports.

A summary of the concepts of employment creation and displacement resulting from direct foreign investment and from trade is given in Table 2. Indirect effects are not stated explicitly in the table, but they follow from the direct effects given, on the condition that these jobs depend on the foreign trade or investment of the companies directly involved. Since our main concern is the employment impacts of foreign market entry by U.S. companies, we omit the job-creating effects of investment by foreign firms in the United States. One may argue that U.S. governmental policy affects the market-entry decision of foreign corporations, but we limit our analysis to market-entry policies of U.S. firms.

Table 2

**U.S. Employment Effects of Foreign Market Entry
by U.S. Corporations**

	<u>Creation of Jobs</u>	<u>Displacement</u>
Setting up a Marketing or Production Base Overseas	Americans in managerial and other positions in foreign subsidiaries of U.S. firms	Primarily production jobs, resulting from manufacturing overseas that the U.S. firm could have done effectively in the U.S.
Export Marketing	Production of exports and service (marketing, technical, etc.) support that are required by the existence of foreign subsidiaries	Jobs displaced by import competition of U.S. overseas subsidiaries

Methods of Evaluation

Our objective of evaluating employment effects is to measure accurately and objectively the numbers of U.S. jobs generated and displaced, to provide a national net figure of the impacts of foreign market entry. Not all persons would agree with this objective, however. The individual whose job has been displaced and labor unions representing such individuals may insist that jobs generated in other sectors of the economy cannot meaningfully offset their lost employment. At a higher level of aggregation, managers of a corporation are interested in job losses and gains in their firm and in competing firms. However, unions and corporations, as well as governmental policy makers are interested also in national net effects, and this objective provides a common frame of reference for comparing methodologies of various studies.

A series of research papers, published between 1960 and 1973 by the Bureau of Labor Statistics (see Eldridge and Saunders [1973]), developed estimates of the employment-generating effects of U.S. exports. The method used was to calculate the annual average number of jobs associated with each \$100,000 of output of industries at two- and three-digit SIC levels of aggregations, and these average "employment coefficients" were multiplied times the value of exports of each SIC industry for the year to reach estimates of employment generated by exports. Also, an interindustry employment table, based on the national input-output table, was used to estimate the indirect employment effects by industry. However, these estimates of indirect effects do not include employment needed to produce capital equipment purchased by the exporting firms, nor jobs required to produce the food, housing, clothing, and other goods and services consumed by employees whose jobs depend on exports.

Thus, the BLS estimates are a useful, but limited source of information on employment effects. A fundamental weakness is the fact that the export employment coefficients are averages which change significantly from year to year. The corporate or governmental decision-maker would prefer to have marginal coefficients that could be used to evaluate manpower plans for the future. If averages are used, the researcher must further refine them to include only exports to subsidiaries of U.S. corporations. Although exports to foreign buyers help generate employment in the United States, such employment cannot be attributed to foreign-investment entry by U.S. firms. Also, the BLS data refer only to job-creating effects; to estimate displacement, the researcher must take the major additional step of developing information on competing imports from overseas subsidiaries of U.S. firms. Trade displacement in an industry is estimated as the employment coefficient times the value of subsidiary imports (c.i.f. value, in the United States) times the decimal fraction of imports deemed to be competitive, the latter figure often assumed to be unity in the absence of other information.

If the estimation of trade effects is difficult, measuring the impacts of direct foreign investment is nearly impossible. A method analogous to the export employment coefficients approach was initiated several years ago by the BLS (1966), but further empirical research on the relationship between investment and employment is not available. With such investment employment coefficients or "multipliers," the researcher could estimate the direct displacement effects of foreign investments of U.S. companies. Most of the displacement would occur in manufacturing industries, since investments in mining, agriculture and services are less likely to have been made alternatively in the

United States. Indirect displacement effects would be estimated using an interindustry investment-employment table, on the model of the input-output table. Finally, surveys of companies' overseas personnel would provide a basis for calculating the job-generating effects of direct foreign investment.

NEW PRODUCT PACKAGE DEVELOPMENT: RETURNABLE BOTTLES

The Problem

Beginning in the early 1970's with municipal (e.g., Oberlin, Ohio) and county (e.g., Montgomery County, Maryland) ordinances that prohibit the sale of non-returnable soft drink and beer containers, environmentalists have succeeded in obtaining passage of similar laws by the state legislatures of Oregon (1972), Vermont (1973), South Dakota (1973), Maine (1975) and Michigan (1976), and have introduced bills in several other states as well as Congress. The objectives of these laws are to reduce litter in parks and roadsides and to decrease the costs of collecting and disposing of solid wastes. The first aim is usually considered an aesthetic purpose and the second one of efficiency, although the two are typically taken together. Opposition to these laws focuses on both countervailing efficiency effects and employment effects. The efficiency arguments for repeal (or non-passage) are that collection and disposal costs are not reduced greatly, and that the returnable bottles create additional costs of handling and storage by retailers and wholesalers. Costs would also be higher for consumers who must take extra time to return the bottles or lose the value of the deposit. The employment issue, which is the focus of this paper, is the apparent displacement of jobs in non-returnables manufacturing and related industries, which would be shut down or shift to low levels of output of returnable bottles.

Referring again to Table 1, we see that the bottle laws appear to result in a mixture of positive and negative effects. The allocative efficiency and transactional efficiency effects on society are intended to be (and actually are, according to surveys) positive with the reduction in cost of litter collection and lower consumption of energy and materials. However, the efficiency effects on sellers and buyers appear to be negative as sellers' distribution costs rise and buyers' convenience declines. The equity effects on buyers are probably quite small, but the employment impacts on sellers are substantial enough to generate controversy, and it is this issue which we analyze further below.

Conceptual Framework

Many of the same concepts discussed in the context of foreign investment apply to the employment effects of returnable bottles. First, there is a balancing of positive and negative effects here also, to produce an overall net effect. Against the displacement impact in manufacturing firms, job gains may occur in retailing and wholesaling in response to the need for greater handling capacity. Since the wages or salaries in the retailing and wholesaling jobs are generally lower than in manufacturing, the net impact may also entail a loss in income to the employees. Second, as in the case of international investment, the employment effects of returnable bottles are both direct and indirect. Direct impacts are seen in the bottle manufacturing plants as well as the retail

and wholesale firms that deal in the beverages. Indirect effects occur in the industries supplying inputs (e.g., raw materials, transportation services, etc.) to the companies directly affected, and (less tangibly) in the firms that provide consumer goods and services to the employees displaced or newly hired.

The foreign market entry distinction between trade and investment effects applies in some respects to the returnable bottle case. For example, after Oregon enacted its prohibition on non-returnables corporate investment in the production and marketing of such containers may have shifted to other states (or outside the United States) thereby displacing Oregon jobs. On the positive "export-stimulus" side, additional jobs may have been created in Oregon to supply goods or service shipments to branches or subsidiaries of the Oregon companies outside the state. A recent summary by the federal General Accounting Office (1977) concluded that the net gain in jobs was between 20,000 and 32,000 (see also Gudger and Bailey [1974]).

Methods of Evaluation

Most of the research on employment impacts of the returnable bottle laws has relied on survey methods of data collection. A study conducted for the Legislative Research Agency of the State of Oregon (Applied Decision Sciences 1974), for example, reported that two soft-drink contract canning companies had closed down during the first year following the enactment of the new law in that state, although no figures were given on the number of jobs discontinued. The study also observed that wholesale and retail operations in handling the returnable bottles had increased, but again no specific job gain data were given.

Other studies have provided more detailed estimates of employment creation and displacement. A much-cited report of the U.S. Department of Commerce (1975) concludes that the net effect of national legislation requiring returnables would be a gain of some 20,000 jobs. Relying largely on employment coefficients in the manufacturing, wholesaling and retailing industries directly affected, the Commerce study estimates that 80,000 jobs, mainly in bottle manufacturing, would be lost and 100,000 jobs would be added in retailing and distribution. No dollar estimates are given, but the report notes that the added jobs would be lower-paying, on the average, than the positions displaced in manufacturing.

As in research on foreign market entry, much work remains to be done in assessing the employment effects of the returnable bottle laws. Data are more limited, however, since only two states have had much experience with the laws, which have been in effect only a few years. In these states, there are opportunities for some in-depth analyses of jobs effects. Marketing researchers would seem to have an advantage in research on the channel relationships between bottle manufacturers, wholesalers and retailers, and on the indirect effects in other supporting industries. In a recent marketing analysis of the bottle bill in Oregon, Murphy (1974) suggests that "marketing myopia" has characterized some of the discussions of the effects of the new environmental legislation:

It seems that it would be in their best interest for aluminum and steel can manufacturers, as well as those making glass containers, to expand their perception of their traditional roles. Expanding markets for these

materials in the future could be in more permanent industrial uses such as building construction, rather than in the transitory beverage container. The brewer and soft drink bottler should not be myopic in their perspectives. Product differentiation need not be equated with nonreturnable containers, but attributes of the product such as taste and drinkability may offer definite performance advantages to both consumer and marketer. Another correlate point to taking this broader view of a firm's purpose is that all marketers, not just package or beverage, begin to make social costs resulting from their actions implicit, if not explicit, criteria in decision making (Murphy 1974, p. 352).

CONCLUSIONS

The growing emphasis on employment effects of marketing decisions, prompted in part by labor unions and governmental regulations, makes it increasingly important for the marketing researchers and manager to understand the concepts and method of analysis of these effects. At a fundamental level, the distinction between efficiency effects and equity effects needs to be clarified in many practical and policy contexts. The two issues discussed in this paper both have significant efficiency dimensions, but these issues should not be confused with the questions of employment effects. Corporate or governmental policy decisions must take account of both types of effects, which take place simultaneously, but the final decisions will be much better informed if the two effects are analyzed separately.

The foreign market entry and returnable bottle examples provide good illustrations of the need for further research on methods of measuring job impacts. In addition to the issues raised above, future research needs to provide more detailed analyses of different types of jobs created or displaced, salary or wage differentials and their impacts, and the problems of retraining or adjusting to new types of work. Also, further studies of employment effects would examine the different impacts on men and women, black and non-black and Hispanic and non-Hispanic employees.

Marketing researchers can provide better-informed insights on many of these issues of research data and methods. The usefulness of knowledge about channel relationships and other interdependencies for measuring indirect effects has already been noted. In addition, the application of improved methods of market surveys and data analysis would be a great advantage in many of these studies. As companies become more aware of employment effects, the demand for improved research methods will grow.

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A SOCIETAL PERSPECTIVE OF INDUSTRIAL MARKETING: SELECTED ISSUES AND RESEARCH QUESTIONS

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Contemporary discussions of macro marketing issues inevitably focus on the consumer market and often neglect parallel issues that encircle the industrial market. While the two markets are inextricably linked, important insights can be derived by isolating the industrial market and examining selected issues from a societal perspective. Such an examination falls within the domain of macro marketing and is consistent with the consensus definition that emerged from the Third Macro-Marketing Seminar:

Macro-marketing is the study of exchange activities and exchange systems from a societal perspective (Shawver and Nickels 1979, p. 41).

Several factors point to the need for an examination of the industrial market from a macro marketing perspective. First, all formal organizations, public or private, profit or not-for-profit, participate to some degree in the exchange of industrial goods and services. Clearly, there is a need to examine the social externalities that emerge from these exchange relationships. Second, research clearly indicates that organizational buyers, while following a more formalized purchasing process, are no more rational than consumers in their purchasing decisions (Bonoma, Zaltman and Johnston 1977, pp. 33-35). In turn, many industrial marketers are beginning to reach organizational buyers with promotional efforts that were previously confined to consumer marketing—cents off coupons for raw materials in trade journals, artificial packaging differences, private labeling, television and radio advertising. Third, an examination of the industrial market from a societal perspective appears to be particularly timely given the growing interest of regulatory agencies in industrial marketing practices. Sheth (1977), for example, predicts that with the advent of more consumer-oriented marketing approaches, the marketing practices of industrial firms will be more closely scrutinized by regulatory agencies such as the Federal Trade Commission (FTC) and the Food and Drug Administration (FDA). He also anticipates that consumer advocates for organizational buyers will likely emerge, “. . . especially if the trade associations of the buying organizations remain inactive and fail to act as watchdogs of supplier marketing practices” (Sheth 1977, p. 32).

INDUSTRIAL MARKETING: MACRO DIMENSIONS

The purpose of this paper is to explore and highlight macro marketing dimensions of industrial marketing activities. The intent is not to provide an exhaustive and comprehensive analysis of all issues, but instead, to bring selected issues and research questions to the surface. Shawver and Nickels (1979, pp. 40-41) provide a definitional framework that is useful in organizing the discussion and specifying the macro dimensions of the subject matter. They note that the dividing line between micro and macro marketing

depends upon the perspective of the researcher. Thus, when the perspective is on social externalities of exchange relationships, the subject falls within the domain of macro marketing. Likewise, public policy matters related to exchange are macro in nature because of social welfare implications.

Consistent with this definitional scheme, the discussion is divided into two parts. First, attention will center on selected macro issues that surround buyer-seller relationships in the industrial market. Specifically, treatment will be given to reciprocal trade agreements and some potential implications of the trend toward centralized procurement by large buying organizations. Such basic dyadic relationships raise public policy questions, have social welfare impacts and are, thus, macro in nature. Second, social externalities of industrial marketing practices are examined. Social externalities refer to the social benefits and costs that result from exchange systems (Nickels and Hill 1978, pp. 38-39). Industrial pricing and promotion, product liability, and product warranties will be examined from a macro marketing perspective. Ultimately, each of these areas directly or indirectly affects the consumer market.

Macro marketing issues cut across both consumer and industrial markets. Often, issues of relevance in the consumer market are worthy of equal attention in the industrial market. The perspective of the researcher is the same in both cases, only the participants in the exchange relationship are different.

BUYER-SELLER RELATIONSHIPS

Buyer-seller interdependence is a critical element in industrial marketing (Webster 1978). The buyer becomes heavily dependent on the vendor for an assured supply of raw materials or component parts, skilled repair service for capital goods, and an efficient and reliable order handling and delivery system. In contrast to the consumer market, buyer-seller relationships are more enduring and are often characterized by lengthy periods of negotiation. Sensitive ethical and legal questions can emerge in such buyer-seller relationships.

Reciprocity

Since buyers and sellers often have close and enduring relationships in the industrial market, opportunities for reciprocal trade agreements frequently emerge. A relationship involves reciprocity when the buyer-seller arrangement, rather than economic or performance factors, influences the purchase decision. Reciprocal trade relations can be based on friendly or highly coercive pressure. Briefly, reciprocity is legal as long as the arrangement is not enforced through coercive power by one or more parties, and if the reciprocal agreement does not serve to substantially lessen competition.

The nature and extent of reciprocal trade agreements in the industrial market is a subject of debate. Finney (1978) contends that anticompetitive and coercive reciprocity have been successfully checked by the government in recent years. However, he concludes that friendship reciprocity continues to be a force in the industrial market. He notes that “. . . innocent reciprocity continues and will continue—not illegal, not

injurious to competition, and of no consequence in antitrust" (Finney 1978, p. 59). Bonoma and Zaltman (1978, pp. 20-21), however, note that much of the commentary on reciprocity is speculative and the subject has received very limited research attention because of its highly sensitive nature. They point to the need for innovative research methods that match the sensitive nature of the phenomenon. Such research is needed to verify the effect of reciprocity on buyer-seller relationships in the industrial market.

Centralization of Procurement

There is a trend toward centralizing purchasing at the headquarter, divisional or regional level (Cory 1978). Such firms as General Motors, PPG Industries and General Foods have revamped and centralized the purchasing function in recent years. The factors contributing to increased centralization of the purchasing function center on opportunities to (1) enhance a firm's bargaining position in dealing with its supply environment, (2) achieve purchasing cost reductions, and (3) assure long-term availability of needed resources (Cory 1978). Centralization allows purchasing managers to specialize and deepen their knowledge of the structure and cost factors of the supply industry as well as the competitive positions and strategies of the individual firms that make up the industry. This knowledge, coupled with the consolidated purchasing power, clearly strengthens the bargaining position of the buyer. Such strength is particularly important when critical shortages of materials emerge in the supply industry.

The benefits or costs generated in the economy by the existence of power on the buyer's side defy exact determination. The nature of competition in the end user market, the nature of supply industry competition, potential for economies of scale in buying and related factors would likely influence the nature of the impact in the consumer market.

Some large buying organizations, such as International Business Machines (IBM), carefully monitor purchases to insure that a supplier does not become overly dependent on IBM business (Corey 1978, p. 23). The objective of this policy is to insure that the loss of the IBM account would not unduly damage a particular supplier or the community in which that supplier is located. In addition, IBM has found that highly dependent suppliers are tempted to violate purchasing guidelines by offering gifts to buyers.

Only preliminary research attention has been devoted to the impact of centralized purchasing on organizational buying behavior. Even less is known about its specific impact on buyer-seller relationships. This line of research may be particularly appropriate especially in those supply industries where availability, rather than price, is the chief concern of buyers.

INDUSTRIAL MARKETING PRACTICES: A SOCIETAL PERSPECTIVE

While buyer-seller relationships are more enduring in the industrial market than in the consumer market, deceptive marketing practices can emerge. Likewise, organizational buying decisions often involve products that are technically complex, thereby raising significant product safety and liability issues.

Pricing

While the importance of price in organizational buying decisions is often overestimated and varies with the specific purchasing situation, it assumes greater importance during periods of inflation. Thus, the focus of this section is on techniques that may be employed by suppliers to disguise price increases. Elsewhere, French and his colleagues (1979), for example, provide a comprehensive discussion of another issue, price discrimination.

Organizational buyers appear to be particularly unlikely to detect disguised price increases in repetitive buying situations. Such decisions are highly routinized and are handled by a member of the purchasing staff, often with the assistance of a computer. Several techniques that may be employed by suppliers to lower the visibility of a price increase are outlined in Table 1. Note that these methods range from alterations in product service charges to increases in minimum order quantities. Obviously, the supplier may be somewhat reluctant to bring such changes in policy to the immediate attention of the buyer. While price is just one of many selection criteria of importance to organizational buyers, several months may pass before the real "cost" of dealing with a supplier is factored into the purchasing equation. The workload and sheer volume of transactions processed by the buying organization contributes to this time lag.

A recent, and somewhat unusual, case illustrates the manner in which a price increase can be disguised in a deceptive manner (Katz 1979). Corning Glass Works and Owens-Illinois, two manufacturers of disposable glass culture tubes, have been required, under consent orders accepted by the FTC, to make refunds to certain customers for short-count packages. These culture tubes are purchased in large quantities by hospitals, laboratories, doctors and others. The complaint alleges that the packages shipped by sellers often contained less than the stated 1000 units. Corning, for example, is required to refund to buyers 2.5 percent of the amount of their 1974-1975 purchases.

Promotion

Since industrial advertising expenditures are but a fraction of expenditures for consumer advertising, it is not surprising to find that very limited research attention has been invested in studies of the macro dimensions of industrial advertising. Available research generally centers on the question of advertising's effect on competition and often groups consumer and industrial firms together.

Concerning specific advertising practices, Sheth (1977) forecasts that the FTC will become more active in investigating deceptive advertising in the industrial market. Attempts to measure the "deceptive" nature of industrial marketing practices must broadly consider the complementary and synergistic roles of industrial advertising and personal selling. To illustrate, organizational buyers display a diminishing reliance on media advertising and an increasing reliance on salesmen and other personal sources as they move from the initial awareness stage to the decision stage of the new product adoption process (Ozanne and Churchill 1971). Thus, a deceptive message presented by a salesman to a key buying influential may have a greater impact on a buying decision than a deceptive trade journal advertisement.

Table 1

Selected Supplier Techniques that Raise Organizational Buyers' Costs and Often Disguise Price Increases

PRODUCT SERVICE

Increasing repair or replacement charges
Insisting a component be replaced rather than repair a subcomponent
Assessing a charge for formerly free services

MATERIALS

Changing materials that result in decreased product performance

PACKAGING

Changing size of package while increasing cost per unit
Increasing price of product and size of product, but increasing price by a higher percentage than the increase in the size

OTHER

Adopting a more restrictive policy on lost or damaged shipments
Guaranteeing pricing for shorter periods of time
Increasing minimum-order quantities

Source: Adapted from Thomas F. Dillon, "Watch Out for Gimmicks that Disguise Price Hikes," *Purchasing* (February 21, 1979).

While the extent of deceptive promotional activities in the industrial market is unclear, a substantial body of research indicates that professional buyers are no more rational than consumers in their purchase decisions (Sheth 1977, p. 30). Thus, organizational buyers are likely no less susceptible to deceptive marketing techniques. A recent FTC case, which centers on a deceptive trademark, provides an illustration. Dayco Corporation, a manufacturer of occupational safety products, has agreed to stop using the trademark OSHA-SPEC (Cohen 1978). In the view of the FTC, the trademark misrepresented that Dayco's safety products are approved or endorsed by the Occupational Safety and Health Administration (OSHA) and that the OSHA Act requires the use of certain products and equipment sold under this trademark.

Product Liability

Product liability constitutes an issue of growing significance to industrial marketers. The umbrella of liability can cover component-parts manufacturers, assemblers,

industrial distributors and, in selected cases, suppliers of basic materials from which the product is made (Weinstein et al. 1978). Increasingly, industrial marketers are being identified as third party defendants in product liability cases. To illustrate, injured employees often sue the manufacturer of the product involved in their injury. Employees injured on the job account for only 11 percent of product liability cases, but such cases collectively are responsible for over 40 percent of total bodily injury payments (Busch 1978).

Where it is determined that the industrial marketer did in fact sell a defective product (such as a machine tool) that caused the plaintiff-employee's injury, recovery has been allowed. Several problems emerge in such cases. First, heavy industrial machines are often modified by buyers (employers) to fit their specific requirements. Likewise, buyers may take liberties with such machinery and remove or fail to install safety guards in order to improve efficiency. Here the courts must decide whether an original defect existed that was the cause-in-fact and the proximate cause of the harm. Defects that existed at the time of the sales transaction and that contributed to the injury are not overlooked merely because the buyer (employer) added to the injury potential of the machine. A second problem that emerges in such cases concerns the proper allocation of damages between the product manufacturer (seller) and the employer (buyer). Courts have followed a number of differing positions on this question (Weinstein et al. 1978).

An industrial marketer who takes reasonable precautions in designing and producing a product may be absolved of liability under negligence theory. Strict liability theory, however, holds the manufacturer liable if the court concludes that the product is unsafe. Busch (1978) summarizes relevant factors used by the courts in evaluating the adequacy of product design: (1) the gravity of the potential danger; (2) the probability of danger occurring; (3) the feasibility of a safer alternative design; (4) the dollar cost of improvement; and (5) the negative consequences to the product and to the consumer resulting from an alternative design.

The issue of product liability carries with it a range of primary and second order effects in the industrial and consumer chain of distribution. Industrial producers of capital equipment, component parts, and raw materials face rising liability insurance premiums, increased demands for product testing, expanding needs for careful documentation of product design considerations, and a growing need to infuse a product safety perspective into marketing communications. Similar demands are being placed on industrial distributors who, in selected cases, have chosen to withdraw from some markets due to potential product liability complexities. Of course, these factors ultimately influence the cost and safety of many consumer products.

Product Warranty

The definition of a "consumer" versus and "industrial" product emerges in debates concerning warranty coverage. If an item is not a consumer product, the first requirement for coverage under the Magnuson-Moss Warranty Act is not satisfied and, therefore, the legislation is not applicable. Thus, a commercial buyer of an appliance cannot assert the benefits of the warranty provisions under this act. Products purchased solely for commercial or industrial use are excluded (White 1976).

Additional complexities emerge concerning the applicability of the Magnuson-Moss Warranty Act to other products, such as the components and equipment which are sold as part of a new home (Katz 1977). An FTC advisory opinion limits the applicability of the legislation to personal property including equipment items installed in a new home (e.g., air conditioners, furnaces). The new homes themselves are considered real property. Thus, coverage does not extend to wiring, cabinets, plumbing and other items which are integral parts of the house structure.

The nature of the sales transaction also influences the manner in which items are classified. Products such as insulation and exterior siding are considered consumer products when purchased "over the counter" (e.g., from a building supply center). By contrast, if such items, at the time of the sales transaction, are integrated into the structure of the home, they are not considered consumer products and are not covered by the Warranty Act (Katz 1977).

CONCLUSION

Discussions of industrial marketing or organizational buying behavior inevitably begin with the assertion that the subject has been woefully neglected by researchers in the past. While the body of micro-oriented research is growing, many challenging macro issues which encircle the industrial market are worthy of further investigation. As buying organizations adapt to an increasingly complex supply environment by altering the organizational position of procurement or by finding more innovative applications of the computer in buying, sellers are experimenting with a range of strategies that, heretofore, were considered appropriate only in consumer goods marketing. What effects are these and other changes having on buyer-seller relationships? Which research approaches are most appropriate in examining such delicate issues? Concerning specific areas, such as deceptive advertising, are any adjustments necessary when the focus of the researcher shifts from the consumer to the industrial market? Answers to these questions merely provide a start in unraveling some of the societal issues that originate in the industrial market and often touch the consumer market.

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CURBING THE COSTS OF GOVERNMENT REGULATIONS AFFECTING MARKETING: A ROLE FOR STRATEGIC PLANNING

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From an economic point of view costs generally should not be analyzed without also considering the accompanying benefits. To do so may take the costs out of context and exaggerate their magnitude and negative impact. Yet for the sake of analytical convenience, it may be appropriate to just consider the cost side of resource use. Such is the case for this paper. Beyond an initial reminder of the intended purposes and expected benefits of government regulations, the primary focus is on regulatory costs and their containment.

The benefits of government regulation contribute to the public interest in various forms. Examples would include "regulations to prevent monopolistic pricing, to assure product safety, to provide reasonable and effective standards for environmental protection and worker safety and to make possible fair employment . . ." (Simon 1976a, p. 6). There are of course numerous other benefits which are expected from regulations that secure various rights and safeguards in the marketing system. Such expected outcomes should be kept in mind as background for the analysis presented here. It should also be noted that while only regulatory costs and their containment are considered here, from a resource-use perspective it would be in the public interest to have regulations generally and systematically subjected to a cost/benefit analysis before they are implemented (Crandall 1979).

The paper is organized in the following manner. After a brief interpretation of various types of costs of government regulations, an overview is presented on regulatory trends. Approaches to curbing such costs are then discussed. As background for developing a framework for strategic planning, conventional responses of business to regulations are outlined. The content and characteristics of a strategic planning approach are then analyzed. The paper is concluded with comments on the micro- and macro-marketing implications of the analysis.

COSTS OF GOVERNMENT REGULATION

It is easy to recognize that government regulations impose a variety of costs on the marketing system. Although these costs may be measured in environmental, political, humanitarian or perhaps other terms, economic and social costs are of primary concern here.

Economic costs are imposed on marketers and consumers when disclosure requirements on labels, expenses of redesigning products for safety or other regulatory costs

are passed along through marketing channels to the points of final demand. Social costs are associated with the total net expenditures of resources used in gaining compliance with and enforcing regulations. That is, direct and indirect costs of imposing regulations must be considered in a broad, social context.

Estimates of regulatory costs prepared at the Center for the Study of American Business of Washington University indicate the following for fiscal 1979 (Weidenbaum 1978, p. 5):

Administrative costs	\$ 4.8 billion
Compliance costs	<u>97.9 billion</u>
Total	\$102.7 billion

While such a large multiplier effect between costs of administration and costs of compliance (by business firms, households and other institutions) may be questioned, any reasonable estimate would surely be very large.

Two examples will provide further insights into the magnitude of regulatory costs. First, it is estimated that individuals and business firms spend over 130 million person-hours annually completing in excess of 5,000 government forms (Simon 1976a, p. 4). Although regulatory compliance is not necessarily the primary purpose for completion of these forms, the monetary and opportunity costs associated with compliance are substantial. Second, many costs are ultimately borne by the end user as a result of the increased cost of doing business in a regulated environment. To the extent that such costs raise the prices in a given product class, a "hidden tax" is imposed on consumers. The incidence of the tax is also regressive, since it takes a larger fraction of income from lower income than from higher income consumers. Stated more generally, the relative burden on lower income consumers exceeds that of higher income consumers (Busch 1976, pp. 44-45; Weidenbaum 1977, p. 18).

Qualitative dimensions of regulatory costs should also be noted. "Regulatory agencies have come to exercise direct control over transportation, energy, communications and the securities markets—industries that account for almost 10 percent of the value of everything made and sold—and to exercise indirect control over much of the rest of our private economy. Business activities have become more controlled in areas of environmental protection, job safety, consumer requirements, hiring practices and information reporting and much more" (Simon 1976a, p. 6). To the extent that such controls and influences are anticompetitive, prices are raised, entry into markets as well as innovation may be stifled, and the entire free enterprise system may otherwise be adversely affected.

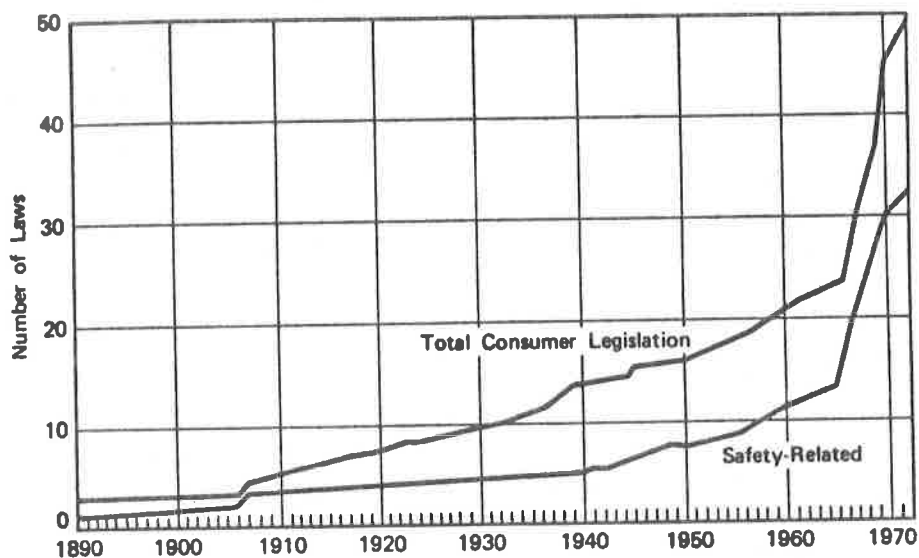
Irrespective of the manner in which regulatory costs are measured, it is generally agreed that they are high; perhaps too high. Hence, research, analysis, and action by the public and private sectors should be focused on various ways of curbing regulatory costs in the years ahead.

AN OVERVIEW OF GOVERNMENT REGULATION

The magnitude of the costs just described can be further analyzed with respect to the number and scope of regulations. They are large, and are increasing. As is indicated in Figure 1, the pieces of federal consumer protection legislation enacted from 1960 to 1972 have more than doubled. If consumer related legislation is representative of the bulk of legislation, then the amount of total legislation is rapidly increasing. In addition, Stigler (1972, pp. 216-18) notes that economic regulation is a lucrative proposition for regulators. The average federal agency doubles its dollar expenditures every eight to ten years. Thus, once established by law, regulatory agencies often become institutionalized.

Figure 1

FEDERAL CONSUMER PROTECTION LAWS 1890-1972



Adapted from: Weidenbaum 1977

The scope and impact as well as the volume of legislation has expanded. This has resulted from a changing approach to regulation by the federal government. The initial approach was to establish industry specific federal commissions to oversee business practices. A secondary concern was to promote the well being of the regulated industry. A distant third was concern for the consumer or public interest. An example of this initial approach would be the establishment of the Interstate Commerce Commission to control the transportation industry.

Over time it became apparent that many industry specific commissions became dominated by former industry members as a result of the mobility of the labor force and the subsequent cross-fertilization of talent. Wilson (1974, p. 158) notes that an additional factor in the business "capture" of regulatory agencies exists when a government policy has the potential to confer large concentrated benefits on a small, organized sector of society and impose only small widely dispersed costs on a large, hard to organize sector. In this situation, the proposed policy implementation will likely serve those requesting it. Hence, situational factors enhance the likelihood of agency "capture" by business interests.

Partly as a consequence of these phenomena and partly as a result of a changing social milieu, a second approach is emerging. Issue or topic specific regulatory agencies have been established by law. For this new breed of agency, and contrary to the previous regulatory thrust, the consumer or public interest is the primary focus. Examples include the Consumer Product Safety Commission, the Environmental Protection Agency, and the Equal Employment Opportunity Commission. Their functions have contributed several societal and business benefits. First, by reducing industry dominance of regulatory agencies and improving product safety in the marketplace, the general public interest is served. At the organizational level, market opportunities are often created as the result of federal regulation. For example, stringent air pollution standards enacted and enforced by the EPA have required many manufacturers to modify production facilities. The required modifications have provided attractive market opportunities for even reactive organizations whose goods and services are purchased in complying with the new regulations.

Although societal and organizational benefits have accrued with this issue-specific approach, it has not been without its costs. Overlap and conflict among government objectives have resulted in significant diseconomies for society in general and consumers in particular. Consider, for example, the plight of the New York consumer caught between conflicted ecological and product safety objectives: By washing flame retardant pajamas in phosphate-free detergent, the unfortunate consumer reduced water pollution while inactivating the flame resistant agent in the fabric (Weidenbaum 1977, pp. 154-155). Disadvantages at the organizational level focus on the decreased market attractiveness of many products due to price increases passed on to the consumer or on product design modifications mandated by federal regulations. In addition, as noted earlier, substantial direct costs are incurred by society to finance the administrative structure required to implement public policies. Lastly, the aggregate or societal impact of these regulations is often unknown, or if known, is difficult or impossible to quantify.

To further clarify the two broad approaches, the industry specific approach to regulation generally takes an economist's perspective. That is, emphasis is placed upon

costs, efficiency, and the anticompetitive implications of government regulation. This reinforces a classical view of business in which the objective of profitable growth facilitated by continual technological innovation in the production of goods and services is the most important and legitimate purpose for corporate existence. Further, by defining profit as the primary goal of business, the predominant legal view of business functions meshes nicely with the economists' perspective (McKie 1974, pp. 18-24).

Alternatively, the issue or topic specific approach often takes an environmental or consumerist perspective. The thrust of the regulatory activity is to minimize risks to both environment and consumer. This is accomplished by stressing the importance of consumer safety and environmental protection. McKie (1974, pp. 30-31) notes that the predominant view of the role of business in society which has evolved concurrently with this regulatory approach recognizes that corporate management has the responsibility to satisfy the needs of a variety of constituencies. In addition to stockholders—consumers, employees, suppliers and other external publics and interest groups make legitimate demands on the organization which, if ignored or avoided by management, often produce undesirable results for the organization. Simply because it is such a prominent social institution and controls a substantial amount of society's resources, the corporation becomes the target of both interest group dissatisfaction and governmental inquiry and regulation. However, the primary weakness of this perspective is the limited practical guidance offered to management. That is, the appropriate weight to assign each constituency is not addressed. In addition, recognition of several publics does not provide a basis for defining the terms and limits of business interaction with them.

Although costs and benefits accrue with each of these approaches, it is clear that evaluating both sides of their impact requires due consideration to the changing roles and expectations of business corporations in society. An important aspect of the changes which are occurring involves the increased interaction between government and business in society.

APPROACHES TO REGULATORY COST CONTAINMENT

Under both approaches to regulation the problems of rising costs remain unresolved. The basic challenge is to find ways to maintain essential regulatory policies and at the same time curb or contain the costs of regulation. Various options for regulatory cost containment are presented in Exhibit I. Only a few brief comments are made about each.

The first approach originates in the traditional laissez-faire philosophy of government-business relations. Through a combination of adherence to the principles of free competition and restraint in market intervention, the need for regulatory intervention is avoided or at least kept to a minimum.

The second approach minimizes the imposition of regulations by reducing or eliminating those regulations which are associated specifically or primarily with enhancing the competitive advantage of an industry. The now rescinded fair trade laws are prime examples as are many aspects of trucking industry regulations. When complemented by a government approach that imposes regulations only as a "last resort," intervention can be lessened.

Exhibit I

APPROACHES TO REGULATORY COST CONTAINMENT

<u>Options for Containment</u>	<u>Government</u>	<u>Business</u>
1. Avoidance of the Need for Regulations	Exercise of maximum feasible restraint in market interventions	Adherence to basic principles of competition and to lawful practices in all areas of business conduct
2. Minimal Use of and Reliance on Government Regulations	Imposition of regulations as a "last resort" option to influence the marketplace	Avoidance of using regulations as a shield or device against competition or competitors; or to use government in "corporate welfare" schemes--subsidies, import restrictions on competing products, etc.
3. Use Efficiency and Fairness as Standards for Regulation (Simon 1976b, p. 14)	Avoidance of regulations which are anti-competitive or which decrease competitive efficiency in the marketplace; ensure that rules and regulations are responsive to changing conditions in the marketplace (Examples would be the deregulation of airlines and trucking)	Operate consistently on the basis of market efficiency and fair competition in a manner compatible with the aims of economic and social regulation; i.e., following practices which lead to more competition, better products and services, lower prices, etc.
4. Adopting Standards Based on Social or Environmental Consequences and Cost-Benefit Analysis	Subjecting all regulations to some kind of impact analysis before implementation	Evaluating the direct and indirect as well as the short-run and long-run consequences of business policies and decisions

Exhibit I (continued)

<u>Options for Containment</u>	<u>Government</u>	<u>Business</u>
5. Adopting Standards Based on Regulatory Budget Constraints Using Cost-Benefit Analysis (Crandall 1979, p. 4)	Weighing trade-offs and alternative means of accomplishing the aims of regulation; ensuring that benefits are at least equal to costs (Crandall 1979, p. 4)	Using social audit concepts to evaluate the effects of decisions which may lead to the need for government intervention
6. Selective Use of Voluntarism and Social Responsibility	Encouraging such actions by business through moral suasion, threats and national leadership	By voluntarily adopting standards of conduct which are consistent with the aims of economic and social regulation, some of the needs for regulation may be lessened
7. Use of Strategic Planning to Develop and Implement Public Policies	Scanning the environment, forecasting changes and then adapting regulations on the basis of the long-run public interest	Scanning the environment, forecasting changes and then adopting business policies on the basis of long-run societal interest

A third approach suggests that regulatory intervention is required in many instances. Nevertheless, whenever required, standards of efficiency and fairness should be applied in evaluating regulations. In order to implement this approach business, guided by the goals of economic and social regulation, must operate consistently in terms of market efficiency and fair competition. The public sector must develop regulations which impact all competitors equally and should be responsive to changing market conditions as well. A recent example of this approach is airline deregulation.

The fourth and fifth approaches to cost containment require governmental cost-benefit analysis in light of budgetary constraints and adverse effects of regulatory intervention. The appropriate business action in these approaches includes an evaluation of short and long term consequences of strategies and policies using social audit concepts and techniques.

Approach number six relies upon the voluntarism by government in the form of moral suasion, threats, or national leadership and by business in the form of voluntary

adoption of ethical conduct consistent with the aims of economic and social regulation. An example would be bicycle manufacturers who voluntarily offer rider safety programs and also redesign the product to include additional (i.e., non-mandated) safety features.

Finally, a strategic planning approach is proposed to control regulatory costs. Major elements include environmental scanning for threats and opportunities; forecasting the impact of relevant threats and opportunities, and adapting public and business policies to these external changes. This approach has the potential to maximize public welfare by having business and government mutually striving for a common goal. That goal is long-run societal benefit.

The latter approach is presented in greater detail in this paper. As background for discussing strategic planning as an approach to curbing the costs of government regulation, various types of organizational responses are described.

ORGANIZATIONAL RESPONSES TO GOVERNMENT REGULATIONS

The two broad categories of organizational responses to government regulations may be described as reactive and proactive. Each has its subheadings and related patterns of response. Such categories, of course, assume ultimate compliance with government rules and regulations. However reluctant the compliance may be, it is law-abiding. Responses may vary on a continuum from minimum compliance to full endorsement of the letter and spirit of the law as the most supportive form of organizational effort or action.

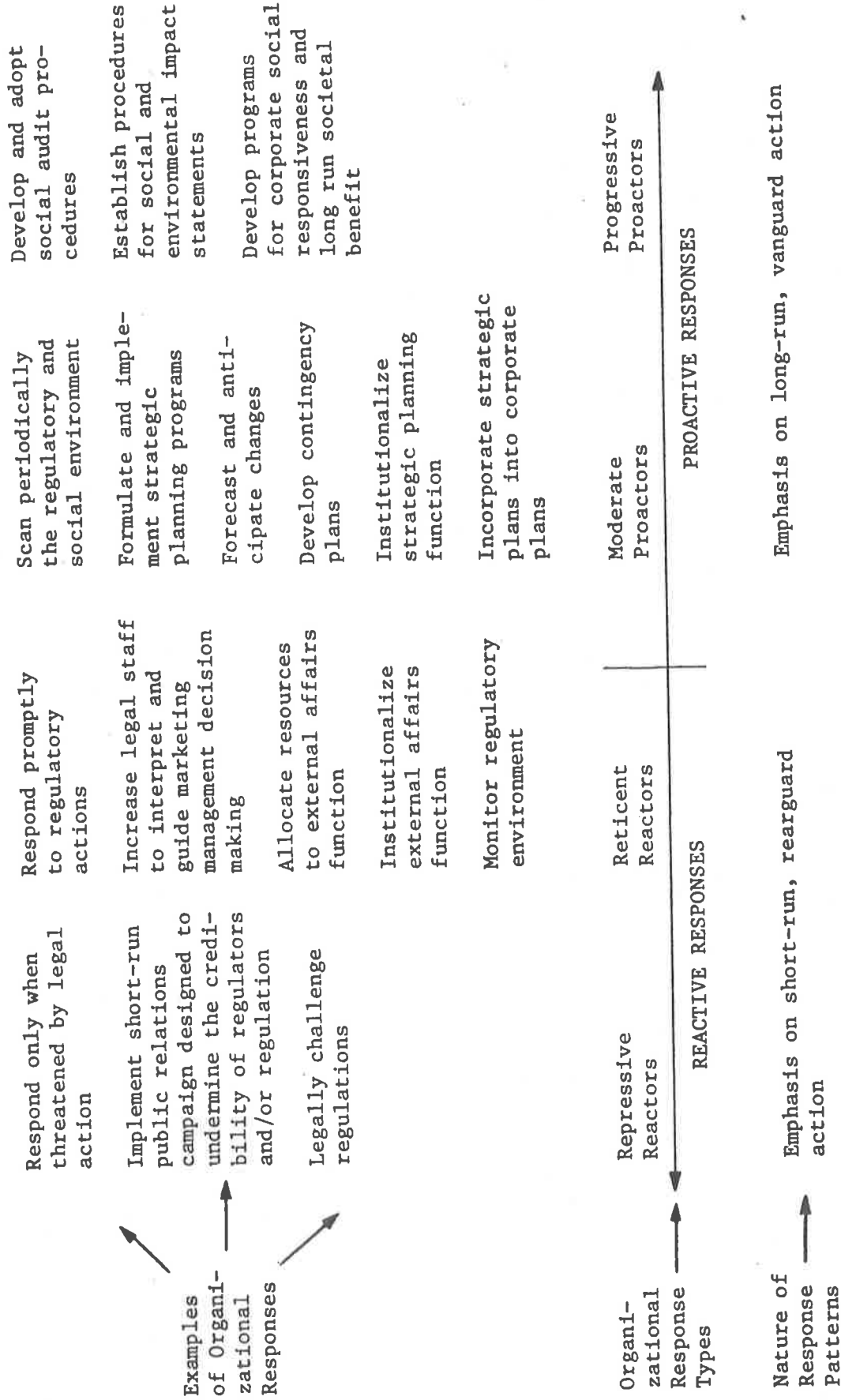
Examples of the two categories are presented in Figure 2. Each is discussed briefly in turn.

Reactive responses are characterized by an adversary view of business-government relations. There is a tendency to oppose and to counteract government actions. Steadt (1975, pp. 162-163) suggests that reactors fall into two categories. The "repressive reactor" responds by taking a least-cost course to demands by government (or other non-owner constituencies). Nonaction and maintenance of the status quo are common aims of the "repressive reactor." The "reticent reactor" monitors certain portions of the environment in order to adjust to interest group pressures. In the government context, there is as much evasion and avoidance as can be practiced legally. In both instances responses are short-run and rearguard in orientation or emphasis. Examples of responses are shown in Figure 2.

Proactive responses are anticipatory in nature. They require that the content and consequences of threats and opportunities in the environment be appraised and acted upon. Based on strengths and weaknesses of the organization as well as conditions in the environment, strategic alternatives can be identified and selected for the most favorable outcomes that are possible under the circumstances. Specific forms of these responses are illustrated in Figure 2. Generally, there is an emphasis on long-run vanguard action. Moderate and progressive are two suggested categories.

Figure 2

CONTINUUM OF ORGANIZATIONAL RESPONSES TO THE REGULATORY ENVIRONMENT



Based on the patterns of responses described, a few observations can be made. Organizations that wait for events to force a response can at best only react quickly and decisively to them. A proactive stance typically permits greater organizational control over its destiny and should extend the span of response and adjustment time. Strategic planning is one formalized proactive approach.

STRATEGIC PLANNING AND REGULATORY COST CONTAINMENT

One of the primary functions of strategic planning is the reduction of uncertainty associated with environmental change (Child 1972; Cyert and March 1963; Miles and Snow 1978; and Thompson 1967). Its use also has contributed to improved long run corporate performance. Since changes in the regulatory environment represent critically important targets for corporate strategy development and implementation, it is expected that strategic planning will make some important contributions to the effectiveness of managing in an increasingly regulated environment (Dominguez 1978). There is limited evidence which supports this expectation (Fahey and King 1978, Hegarty and others 1978, Markoe 1979, and Phillips 1979).

Of course if this expectation is to be realized, there are at least three conditions which must be met. The first is that top management must be committed to the use of strategic planning. Secondly, accurate and timely external information must be acquired and applied on a regular basis. As a third condition, anticipatory planning for responding to the regulatory environment must be perceived as a high priority task by managers, especially those with policy making responsibilities.

A Strategic Planning Framework

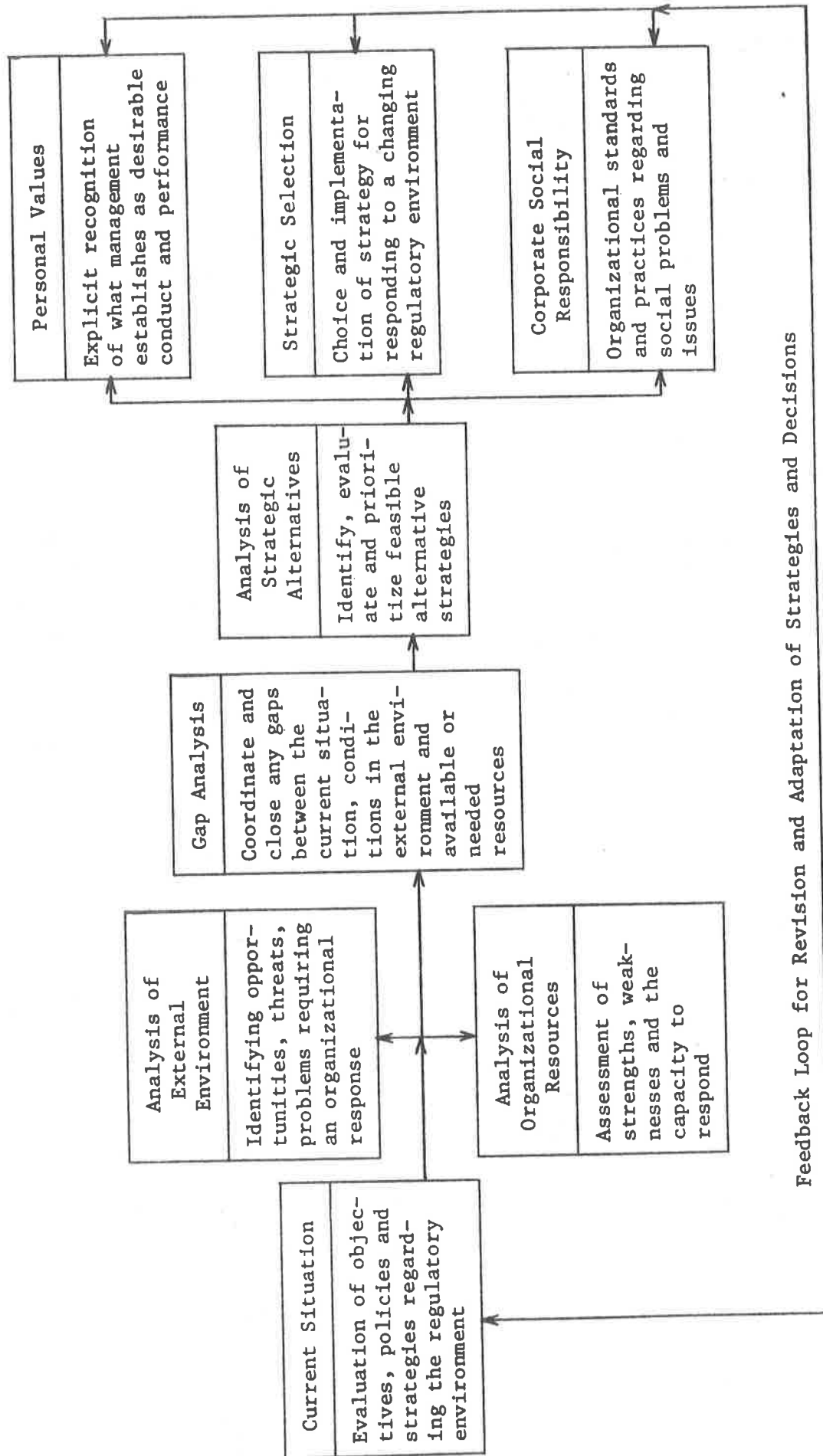
There are seven major elements or stages in the planning framework suggested here. It is a reduced-form version for organizations without extensive experience with planning models. A more complex format is presented in Abell and Hammond (1979) and in Hofer and Schendel (1978).

In graphic form, the framework is outlined in Figure 3. Each of the elements or phases of the approach is briefly described as to the main tasks involved.

In carrying out these tasks it should be possible to help contain regulatory costs. By forecasting the impact of relevant threats, costs to the organization should be reduced. Business policies can be more adequately reconciled with public policy to further reduce delay and disruption. This should also lessen compliance costs for the firm. Moreover, even the necessity for regulation may be avoided since practices can be adjusted so as to minimize conflict with or the actual violation of public policies. Moreover, in some instances it may be desirable for government and business organizations to adapt explicitly to a common goal—with both striving for long run societal benefit.

Figure 3

ELEMENTS OF A STRATEGIC PLANNING MODEL FOR MANAGING IN A REGULATED ENVIRONMENT



Feedback Loop for Revision and Adaptation of Strategies and Decisions

Source: Adapted from Andrews 1971 and Hofer and Schendel 1978.

The Regulatory Publics: A Marketing Perspective

One of the ways of bringing strategic planning and marketing together in the context of government regulation is through a focus on various regulatory publics (Kotler 1975). A format for analyzing various relationships involving regulatory publics is illustrated in Figure 4. Their strategic relevance and importance can also be expressed with respect to the level of government, type of regulatory function along with selected elements of strategic analysis. If one wished to make the matrix more complex, each element presented in Figure 3 could be incorporated into Figure 4.

The entries in the cells of the matrix could take a variety of forms. For example, assume that consideration is being given to policies regarding product safety. Entries probably would be confined to the federal level. The relevant administration public could be the Consumer Product Safety Commission. Its expected actions could pose immediate or urgent threats and provide minimal opportunities. Organizational resources may be adequate; capacity for avoiding the costs to be imposed may be extremely weak. Similar entries and examples could be extended to the U.S. Senate as the main legislative public and to a federal court as a judicial public.

Also separate matrices could be developed for particular products or for other areas of marketing (advertising, sales promotion, etc.) as well as for profit centers, strategic business units, and the like. By more clearly delineating these relationships it should be possible to further reduce environmental uncertainty; and thereby to reduce the costs of responding to the regulatory environment.

IMPLICATIONS FOR MARKETING

The uses of a strategic planning approach to managing in an increasingly regulated environment raise a number of issues for marketing. There are risks, costs, challenges as well as other impacts which should be recognized.

Micro-Marketing Implications

Short-term costs will increase as a result of introducing and developing this approach. Very likely conflicts will arise over changes brought about through this approach—planning skills, reorientation of government-business relations, etc.

However, on a more positive note, this approach offers several significant advantages. First, it provides a logically consistent conceptual framework for dealing with the pervasive influences of government. Further, by extending the time frame for analysis from short term to long term, the resolution of conflicting societal and business objectives can be facilitated. Thirdly, strategic planning identifies alternative programs of action which the organization may implement. As a consequence, contingency plans can be developed. Through their implementation a sounder basis for responding to environmental change will be provided. Some gains in risk reduction should also be realized. Further, the techniques and procedures which are part of strategic planning encourage more positive, rational and informed management action.

Figure 4

RELATIONSHIPS BETWEEN REGULATORY PUBLICS AND ELEMENTS OF STRATEGIC PLANNING

Level of Government	Elements of Strategic Planning		Administrative/ Executive Publics	Legislative Publics	Judicial Publics
Federal	Analysis of Current Situation				
	Environmental Analysis	Threats			
	Organizational Resource Analysis	Opportunities			
		Strengths			
		Weaknesses			
State	Analysis of Current Situation				
	Environmental Analysis	Threats			
	Organizational Resource Analysis	Opportunities			
		Strengths			
		Weaknesses			
Local	Analysis of Current Situation				
	Environmental Analysis	Threats			
	Organizational Resource Analysis	Opportunities			
		Strengths			
		Weaknesses			

Macro-Marketing Implications

At the societal level of analysis, opportunities are provided for mediating conflicts within as well as outside the organization before they negatively impact society. Moreover, as costs of compliance with and adjustment to regulations are curbed, overall resource use for social control of the marketplace can be reduced. Through this approach, then, business can take action which in the long run will help curb some of the negative effects of government-mandated changes in business practices (Lanzilotti 1977). In addition, the business sector may find it advantageous to temper some of the traditional adversary dimensions of government-business relations. Thus, by confronting and analyzing the relevant facts before they become overt political issues or critical factors impacting organizational goal attainment, an initial step will be taken toward achieving the ideal of a mutual partnership between business and government. Indeed a sound case can be made for restructuring the nature of the business-government relationship from competition to cooperation. Ultimately, economic, social, and even psychic costs could be reduced.

Finally, a dual benefit may accrue by taking a strategic planning perspective. By providing decision making guidance for business and government, this approach can enable the organization to implement well planned responses to its regulatory publics.

CONCLUSIONS

Most of the literature on curbing the costs of government regulation focuses on what the government should do to reduce such costs. This paper has generally emphasized what business management can do in one area to curb such costs—develop and use strategic planning as a means of reducing environmental uncertainty. Some regulatory costs may be avoided by reducing the future need for imposing government regulations. Others may be lessened by providing greater adjustment time for compliance. Reductions may occur in still other ways such as through identifying opportunities to offset the costs by gaining new business, developing new market segments from compliance activities, and the like.

It is recognized that adopting such a posture with respect to the regulatory environment requires a search for ways of overcoming traditional adversary and inherent differences or conflicts between government and business. Yet the potential gains from the proactive approach developed in the paper are sufficiently great that it deserves consideration and application for marketing and corporate strategy development and implementation.

In macro-marketing terms performance of both business and government can be enhanced through such an approach. It requires business to develop and use more accurate and timely information about the external environment and public policies toward business. Moreover, management can develop a stronger and more positive basis for its strategies and decisions. While some of the same procedures discussed can be developed and applied by government, the greater gain is likely to result from shifting some activities towards encouraging programs of the more forward-looking, progressive firms and by developing a planned agenda for prioritizing areas most in need of regulatory controls. This would bring business and government closer in striving for the common goal of long-run societal benefit.

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CONSUMER COMPLAINING AS A PART OF MACROMARKETING COMMUNICATION PROCESS: A REVIEW OF THE LITERATURE

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In this paper consumer dissatisfaction and complaints are viewed as communication. There is little doubt that such responses may represent important feedback to business and governmental authorities. However, this mechanism is hampered by certain deficiencies due to structural properties, causing less reported dissatisfaction and overt complaining for public goods than for private goods. Furthermore, the resources required for using specific complaint channels contribute to inequality among consumers.

Over the last few years, interest in and research on consumer satisfaction/dissatisfaction (CS/D) and complaining behavior have grown rapidly. Symptomatically, a recent review of 73 publications in the field noted that only 12 of them had appeared prior to 1972 (Hunt 1977).

EXIT AND VOICE

The emerging CS/D research tradition views consumer dissatisfaction as a negative discrepancy between performance expectations for a product or service and actual outcomes, or, in the words of Howard and Sheth:

. . . the buyer's cognitive state of being adequately or inadequately rewarded in a buying situation for the sacrifice he has undergone (1969, p. 145).

Conceptually, dissatisfaction is usually positioned as a variable intervening between the seller's marketing activities and consumer reactions. The consumer, assumed to behave in a purposeful way, may react in various ways due to dissatisfaction. As proposed by Hirschman (1970), two types of reactions will be emphasized, *exit* (or desertion) and *voice* (or articulation). The basis for Hirschman's (1970) conceptual scheme is the fact that under any economic, social, or political system, individuals, business firms, and organizations in general are subject to lapses from efficient, rational, law-abiding, or otherwise functional, expected behavior. If the misbehavior is sustained and serious enough, it is important that society marshals from within itself forces persuading (or compelling) the faltering actors to revert to normal behavior. Hence, the smooth functioning of the social system requires effective feedback mechanisms providing timely, relevant, and actionable information about repairable lapses in performance.

Economic theory has emphasized the *exit* option, which is manifested when dissatisfied voters switch to another party, unhappy employees leave the organization, and consumers feeling cheated start buying competing brands. The *voice* mechanism, which so far has received most attention in political science, means that the organization's members or the firm's customers express their dissatisfaction directly to management or to some authority to which management is subordinate (such as the office of the consumer ombudsman), or through general protest addressed to anyone who cares to listen.

From a macro marketing or societal viewpoint, consumer "talking back" represents direct feedback from the market concerning to what extent products and services measure up to expectations. However, as input to managerial decision making, the intensity and content of consumer complaints raise ticklish problems. While a substantial volume of complaints normally would suggest deficiencies in the system, the opposite does not need to be true. A small number of complaints may also follow from too low consumer expectations, apathy, and absence of accessible channels for complaining.

THEORETICAL PERSPECTIVE

The theoretical perspective underlying the present study conceives consumer complaining behavior as a part of a *communication* process. This behavior is believed to be purposeful and instrumental. By complaining the complainer is attempting to accomplish something: to express dissatisfaction, to "get even" with the seller, to obtain redress, or to avoid reoccurrence of the problem.

Complaining as Communication

Viewed as a communication process, the study of consumer complaints may be viewed as addressing the following questions:

- (1) *Who* complains;
- (2) in what *marketing system*;
- (3) to *whom*;
- (4) about what perceived *sources of dissatisfaction*;
- (5) in what *product or services*;
- (6) in what *form*; and
- (7) with what *effect*.

In the following, previous research will be classified in terms of the elements in "accounting scheme" above.

Who complains

Regarding the first element, the complainer, several studies have furnished evidence for what Hempel and Rosenborg (1976) call the "iceberg hypothesis": only a small number of the dissatisfied buyers complain to manufacturers, dealers, or consumer

protection agencies (Diener 1975; Kendall and Russ 1975; Warland et al. 1975; and Day and Landon 1976). It should be noted that a high fraction of the dissatisfied, non-complaining consumers remain also *loyal*, i.e., they do not make use of the exit option (cf. Grønhaug 1977; Warland et al. 1975; Zaltman et al. 1978), although this option; i.e., never to buy the product again, has been observed to be a common reaction (cf. Diener 1975; Day and Landon 1976).

Another finding is that the complainers are not uniformly distributed across the population. Stokes (1974) concluded that complaint letters tended to be heavily weighted by two groups: (1) people with time on their hands and (2) highly educated, articulate people. Though there are some exceptions (Granbois, Summer, and Frazier 1977; and Thorelli and Puri 1977), most studies support Stokes' findings by showing that consumers complaining are atypical demographically (Liefeld, Edgecomb, and Wolfe 1975; Warland et al. 1975; Grønhaug 1977; and Pfaff and Blivice 1977). However, it seems as if consumer complaint letter writers are not distinguishable on the basis of personality (Saichowsky and Liefeld 1977).

Marketing system

It appears that no known research study has addressed the relationship between complaining behavior and the characteristics of social or marketing system in which the complainers participate. This neglect of structural factors may be explained by the "cultural bias" in the CS/D—and complaining research, with the majority of the studies conducted in North-American settings.

Recently, however, Grønhaug and Arndt (1979) contrasted consumer complaints related to private and public goods in Norway. These two classes of goods may be regarded as being distributed through two different economic control systems, the market (for private goods) and bureaucracy (for public goods). The propensity to perceive dissatisfaction and to take action (i.e., complain) was found to be *less* for public (i.e., the bureaucratic system) compared to private goods (i.e., the market system). Important factors attributing to these differences were believed to be differences in structural dimensions like variability in quality and alternatives offered, and perceived difficulties in "talking back." Compared to private goods, public goods are more uniform regarding quality, the number of alternatives and suppliers within a given product group are fewer, and the perceived probability of success by complaining is perceived as lower. American findings concerning utilities similarly reveal low propensities to perceive dissatisfaction as well as evoke complaints (cf. Day and Bodur 1977; Zaltman et al. 1978). Though the utilities partly are controlled by private interests in the U. S., the supply and distribution structures for such goods exhibit several common characteristics in the U. S. and more centralized economies.

Complaint channels

The third element of the accounting scheme—to *whom*—refers both to the *receiver* of the complaint and to the *channel* of complaining. It seems as if most complaints are channeled to the manufacturer or to the dealer. In other cases, dissatisfactions are shared with friends and neighbors. Only a small proportion of complaints ever reach

government or consumer agencies (Warland et al. 1975; Diener 1975; Day and Landon 1976; and Andreasen and Best 1977). Grønhaug (1977) reported that the various channels for complaints were used sequentially as complaints were addressed to public agencies mostly if prior complaints to the seller had been unsuccessful. Privileged persons (high in income and education) were found to be relatively more active in demanding channels, requiring formal, written complaints.

Sources of dissatisfaction

As to *what* consumer complains about, it may be useful to distinguish between dissatisfactions with the marketing system at the macro or societal level and dissatisfactions with individual products and services. There is a plethora of studies at the marketing systems level such as Barksdale and Darden (1972), Hustad and Pessemier (1973), and Arndt, Crane, and Tallhaug (1977). In contrast, few studies at the product level have examined the sources of consumer dissatisfactions. The exceptions include Lunde (1967), Day and Landon (1976), and Andreasen (1977). Future research on complaining behavior would probably appear to benefit much from a theoretically meaningful and operational typology of sources of dissatisfaction.

Products and services

The fifth element of the scheme relates to what products and services are most likely to be singled out for complaining. In general, the relevant studies reveal a substantial "big ticket" bias. The magnitude of the potential loss seems to be a strong determinant of complaining behavior. Consumers are more likely to complain about infrequently purchased, expensive durables (also a service such as car repairs turns out to be a recurring cause of irritation) than about low cost, nondurable goods (Day and Landon 1976; Andreasen and Best 1977; and Kraft 1977). With the exception of the Grønhaug and Arndt (1979) study, previous studies on CS/D and complaining behavior have been confined to the private sector.

Complaint form

The *form* of the complaint (the sixth element) has received little research attention. Grønhaug (1977) noted that initial complaints reaching a consumer agency tended to be personal or oral rather than being in written form. For further follow-up by the agency, however, regulations required that complaints had to be written.

Complaining effects

The last element of the accounting scheme is concerned with to what extent complaints are successful. Since the perceived probability of success is believed to influence the likelihood of complaining, there is a feedback effect involved. Therefore, the relatively high success rates reported, from 50 per cent and up (Lunde 1967; Kendall

and Russ 1975; Thomas and Shuptrine 1975; Grønhaug 1977; and Andreasen and Best 1977), are surprising in view of the low incidence of complaining earlier pointed out. An explanation is that consumers tend to complain only when they are fairly confident of obtaining redress. Another explanation is that complaints are discouraged by the frequent failure of companies to organize the complaints handling function efficiently (Kendall and Russ 1975). It should be noted, however, that somewhat lower proportions for successful complaints were found for public compared to private goods (Grønhaug and Arndt 1979), indicating that structural factors may also influence the outcome of the complaints.

DISCUSSION

Consumer complaining behavior has here been interpreted in the perspective of communication. As feedback, the previous discussion reveals several deficiencies:

- One of the weaknesses to be noted is the fact that only few dissatisfied consumers takes overt action, and that many of the dissatisfied, non-complaining consumers remain "loyal," and do thus make use neither of the exit nor the voice option. Hence, *no* relevant feedback at all takes place in many cases.
- It was concluded that resolving never again to buy the product—the exit option—appears to be a more frequent reaction of dissatisfied consumers than voice. However, as a feedback mechanism, exit leaves much to be desired. First, as Hirschman (1970) points out, feelings of loyalty to the organization in question may make consumers or users refrain from using this option. The monopoly situation (in the case of health) or compulsory consumption situation (education, defense, etc.) further limits the use of the exit mechanism for public goods. Second, in competitive markets, exiting dissatisfied consumers may be replaced by new buyers, hereby offsetting the initial loss in sales. A third problem is that non-purchase is an equivocal signal. It does not tell with *what aspect* of the product or service the consumer is dissatisfied.
- Structural elements influence the quantity and quality of feedback: First, the structure of the more demanding channels contributes to low usage and inequality among the users. Second, the structural characteristics of the bureaucratic delivery system for public goods may make for less responsiveness to consumer or user needs because of lack of incentives for a "client orientation" resulting in inaccessibility, inefficiency, and inhumanity (Danet 1978). While this situation makes for a high *potential* of dissatisfaction and irritation, it does not necessarily result in more voiced complaints. In Hirschman's scheme, the probability of voice depends on the advantage to be gained from a favorable outcome multiplied by the subjective probability of a successful outcome (Hirschman 1970, p. 39). For public goods, the subjective probability of success may be an important restrictive factor. If the bureaucracy is viewed as unresponsive, the effort of complaining may not be regarded as worthwhile.
- Earlier research has pointed to the "new silent majority," the dissatisfied consumers who refrain from complaining (Resnik, Gnauck, and Aldrich 1977). The

findings reported here suggest that for public goods, this silent majority may be in double jeopardy. First, because of too low expectations (caused by the low variability in the services offered), they are not likely to perceive dissatisfaction. Second, even when dissatisfied, they fail to take action. Cut off from the exit option, the silent majority does not use the voice alternative either. Therefore, there seems to be a lack of functioning recuperative mechanism in the public sector. This sector then is in a strong need for a control system similar to the market for private goods. An obvious first step is to develop effective channels and routines for complaints handling.

These findings also bear on the methodological issue of subjective versus objective indicators of consumer welfare. While Olander (1977) has seriously questioned the meaningfulness of CS/D measures, Day (1977) holds, with several reservations, that such data may be adequate. The findings reported suggest that subjective measures (CS/D and reported complaining measures) at best may be meaningful for cross-temporal and cross-product comparisons within a marketing or delivery system (such as the public or the private systems). Comparisons across systems, however, may lead to incorrect conclusions.

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VALUES, VALUE CHANGES AND ECOLOGICAL MARKETING

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To do good is noble; to instruct others in doing good is just as noble and much easier.

Mark Twain

INTRODUCTION

To serve the common good, regulatory agencies try to manage more rationally key negative externalities of the society. Such management is usually done through sanction controls—as in the case of environmental pollution. As public antipathy to regulations of all kinds increases (Pauly 1978) agencies like the U.S. Environmental Protection Agency may see their traditional roles as sanction controllers diminish and their roles as educators and marketers increase. Perhaps what the American humorist said applies in this case, too. Instructing others will still be noble and, maybe, even easier.

Actually, government and business need to strike a better balance in the division of responsibility for the management of social externalities. The two institutions should become more equal partners in this task. The spirit of such a partnership is embodied in a policy that places less emphasis on the regulation of business and consumer by the public sector and more emphasis on the enterprise function of the private sector. This is the same spirit that guides ecological marketing, a social marketing subdiscipline that addresses externalities associated with the problems of environmental pollution and resource wastage (Henion 1976). As much macro- as micro-marketing, ecological marketing illustrates the dual nature of marketing activity that macro-marketing theorists have underscored (Heslop and Simmie 1979; White and Emery 1978).

Under the rubric of ecological marketing, for example, the EPA is asked to devote substantial resources to marketing a social product like ecologically responsible consumption. Today that agency has little or no understanding of marketing, let alone of social marketing (Kotler and Zaltman 1971). The Department of Energy, at least in one respect, provides a welcomed contrast. Not long ago it hired marketing MBAs, and today they are actively marketing energy conservation in test markets. Under the same rubric, the other partner—business—is asked to segment its markets into ecologically concerned and unconcerned consumers; and then to market to the concerned segment products that are ecologically benign. For example, the powdered detergent “Trend” not only is ecologically benign (contains no phosphates) but is the *most* economical brand of powdered detergent on the market judged by cost per washload (Henion, Clee and Haley 1979). The next least expensive brand is “Purex” and, not far behind, “Arm & Hammer,” both phosphate-free. These brands have the twin appeals of being inexpensive and ecologically benign.

Companies that market such products (EN-products, for short) serve their own short-run interest of profit-making. But, in addition, their ecological marketing serves an interest of theirs that is longrun, broad and equally important. And that is seeing to it that social externalities like pollution are managed through greater reliance on market mechanisms and less on regulation. While today the nation appears to be preoccupied with inflation and energy issues—and willing to go slow on enforcing anti-pollution laws—such preoccupation will not last indefinitely. Meanwhile, problems of pollution and resource wastage are likely to worsen if unattended by the partnership suggested above. Such neglect will lead eventually to an aroused public which, predictably, will turn once again toward government and direct regulatory solutions.

A Crucial Question

Suppose government were to release some of its regulatory brakes and business were to step on the enterprise pedal along the lines suggested. Even so, a necessary condition for more rapid growth in ecological marketing will be greater cooperation from consumer citizens. Can their voluntary cooperation be relied on? This is a crucial question. Basing his case on the concept of the inevitability of the tragedy of the commons, over a decade ago Hardin (1968) answered the question strongly in the negative. Three years ago I answered it positively:

. . . there appears to be a substantial number of consumers whose life styles and cultural orientations are undergoing important changes. Under the influence of such changes, many of these consumers are altering some of their basic values and, in the process, some of their traditionally held views about consumption. This flux in values provides ecological marketing with a favorable psychological milieu in which to operate. In such an atmosphere, an attempt to change consumer preferences and tastes, in a direction more favorable toward improving environmental quality, is now more likely to succeed (Henion 1976, p. 242).

A MATTER OF VALUES

Many will argue that a positive answer to the previous question is less tenable today given the mood of consumers. This mood will be examined in the remaining sections of the paper, together with the difficulties—and opportunities—expected to occur along the road marked ecological marketing. The examination will be organized around a discussion of current projected values and attitudes of consumer citizens. The terms “consumer” and “citizen” are linked. Consumers have an implicit obligation to buy in an ecologically constructive way, as does business to produce and market EN-products, both exercising, thereby, sound citizenship on behalf of the common good.

Mood and Difficulties

How will government or business persuade consumers to buy ecologically when today consumers hold both institutions in such low repute? In a sense, this difficulty is more apparent than real. Clark (1969) has persuasively stated, however dreary institutions are, you cannot run a society without them. There is nowhere else to turn.

Insofar as a policy of ecological marketing is concerned, there is a positive force at work in public opinion. Clearly, the public has lost faith in the government's ability to solve problems, but it still expects lots of benefits, e.g.'s, national health insurance and environmental clean-up (Otten 1978). This residual expectation is the inevitable legacy of welfare liberalism, the political ideology into which capitalism has evolved. Since the Viet Nam War, a lack of public confidence in American political leaders has been evident, partly as a result of an increasing erosion in the self-confidence of the leaders themselves and in the liberal establishment to which many of them belong. As one writer put it recently, "The Federal government's grip on everything, including its citizens, is becoming as limp as asparagus" (Carter 1979, p. 13). This state of affairs is conducive to shifting more responsibility for managing social externalities to the institutions of the private sector.

A Psychological Detour

Before a significant shift occurs and, hence, a much higher level of voluntary cooperation from the consumer is secured, today's consumer citizen will first need to finish making a psychological detour. The detour represents a temporal passage in Sheehy's well-known sense (1976). In 1978 public-opinion analysts were interviewed and what they saw was troubled Americans. "Outraged. Apprehensive. Resigned. Angry. Frustrated. Turned off. Cynical. Bitter" (Otten 1978, p. 1). Who is sanguine enough to deny that even stronger adjectives would be more appropriate today? Given the violence of motorists and truckers during the gasoline and diesel fuel shortages of the spring and summer of 1979, the metaphor used by Pollster Tully Plessner a year earlier seems prophetic. He said that Americans resembled an unstable herd of cattle: "They're milling around, swinging in different directions, not really focused yet. Maybe they'll quiet down, but maybe they'll stampede" (Otten 1978, p. 1).

Much of this mood has to do with tangible, immediate and vexing problems like inflation, taxes and the energy shortage. "People are much more concerned with inflation," says Pollster Burns Roper, and ". . . it has driven down concern for almost every other issue" (Otten 1978, p. 1). Another opinion analyst, Robert Teeter, concludes that "People have to make economies, change their life styles and they don't like it" (Otten 1978, p. 1). Coping with these problems requires a different set of values.

A Narcissistic Culture

What do social critics have to say about prevailing American values?

Social historian Lasch, looking at individual and social behavior, is one who gloomily points to what he calls the decadence of American individualism. Its hallmark,

he says, is "the pursuit of happiness to the dead-end of a narcissistic preoccupation with the self" (Lasch 1978, p. xv). If true, then such a culture is alien to a milieu that would foster voluntary cooperation in pursuit of common goals, e.g., buyer behavior that is ecologically responsible.

The evidence of a prevailing narcissistic culture, according to Lasch, is all about us. For example, he sees this condition in the concern of governments and corporations with winning images over reality, in the advertising of a mass-consumption economy, in the principles of the human potential movement and, especially, in the public passion to know everything about celebrities. He writes: "The [mass] media intensify narcissistic dreams of fame and glory, encourage the common man to identify himself with the stars . . ." (Lasch 1978, p. 21).

Such identification is reflected in the run on the memoirs of the stars by the "people" society of the '70s (Clemons 1979). Moving on a parallel track is the fantasy impulse of a large number of people to become pseudo-stars, not just to identify with authentic ones. The phenomenal success of disco records and discotheques—almost \$10 billion sales annually—could easily be interpreted as the result of narcissistic yearnings of consumer citizens in today's pop culture.

Confirmation by a Marketer

Marketers, too, apparently have been persuaded by the premise on which the "me decade" of the '70s is supposed to rest: ". . . that great numbers of people are disdain[ing] society to pursue existence as narcissistic massage buffs, om-sayers, encounter groupies and peacocks" (Trippett 1978, p. 84).

Of interest are the remarks made at a conference last year by the head of a leading advertising agency (*Marketing News* 1978). Bruce Crawford sees lots of evidence of the "Age of me" or self-interest rather than of self-sacrifice—to which, incidentally, the U.S. President in 1977 had hoped to appeal in his unsuccessful call for the moral equivalent of war in a nationally televised speech on energy conservation. Crawford pointed out that not only were *Looking Out for Number One* (Ringer 1977) and *The Gamesman* (MacCoby 1978) among the top 15 books on a 1978 best-seller list but also seven other books promising readers "What's in it for me?" He said the "People are more concerned with perceptions of themselves than society . . . less about how others will be affected," adding that in the me-decade one finds the abandonment of common goals. These attitudes translate into preoccupation with appearance (the body, especially), status, personal success and convenience. One implication for marketing is that it is more important than ever that a brand's image be consistent with the buyer's self-perception; in turn, this leads to an explosion in styles and variety.

The Family and Narcissism

Students of narcissism in modern society—the actual title of a 1977 conference at the University of Michigan—usually end up looking at the family for reasons behind the disorder (Kohut 1977).

So it is not surprising that Lasch (1977) wrote *A Haven in a Heartless World: The Family Besieged* the year before bringing out his book on narcissistic culture. In the earlier work, he convincingly links the narcissistic effects of the enfeebled nuclear family with similar effects of a progressively collective society. The latter has socially invaded the family, he says, through the instruments of collectivized production, mass media and the agencies of socialized parenthood. Examples of the invaders are doctors, teachers and child-guidance experts. The invasion is consistent with welfare liberalism presently besetting capitalism. The New Narcissism, according to many social scientists besides Lasch, accounts for the growing lack of interest in politics, social activism and raising children, let alone having them.

Thus Morrow (1979) writes that the "much labored and quite real self-absorption of the '70s implies, by definition, a corollary lack of interest in children" (p. 42). He reports that 70% of 50,000 survey respondents told advice columnist Ann Landers that, given the choice again, they would not have children. Morrow goes on to say that "it can be profoundly disturbing, in a narcissistic time, to have about us, yapping and demanding and growing relentlessly, the generation that is going to push us off the planet."

Ironically, childishness is a credible description of the way many adults tried to cope, as motorists and truckers, with the shortage of gasoline and diesel fuel during the spring and summer of 1979. Shoot-outs and stabbings in long gasoline lines. Snipers firing at truckers refusing to join in strikes of independent truckers. A nexus of childishness and narcissism perhaps. The same conjunction was evident, it might be argued, in the response of the public to the aforementioned Presidential speech on energy conservation. "After all," wrote one essayist, "the American people until now have treated the energy crisis as though it were the moral equivalent of ants at a picnic" (Trippett 1977, p. 95).

While that essayist explained away the response by appeal to a perennial optimism Americans traditionally have shown toward national problems, yet another interpretation is plausible. The response can be seen as the reaction of a narcissistic culture, itself an outgrowth of the welfare state. Lasch has stressed that welfare liberalism is a paternalistic system without formal moral code; it tends to withdraw from citizens their self-confidence and initiative (Lloyd 1979). Yet the essayist just quoted, writing on a different subject, takes deadly aim at the relevant question of whether there really can be a risk-free society. His admonition is that "The modern welfare state is a monument to man's flight from risk" (Trippett 1978, p. 76). Confidence. Initiative. Risk-taking. Responsibility. They are inseparable; diminish one and the others are diminished.

SEEDS AND SIGNS OF VALUE CHANGES

Social critics like Wolfe (1976) and Lasch are saying what they believe exists, and they make strong cases for their viewpoints. The values of the society they see today, generally, are antithetical to concepts underpinning ecological marketing. However, no society is frozen in psychological place—least of all the American one. On the horizon are signs of incipient change. They threaten to undermine the narcissistic culture of the day. They are precursors of tomorrow's culture that will be more compatible,

despite the inevitable twists and turns, with the consumer's—and society's—journey along the road of ecological marketing. The present cultural detour, while representing a turbulent passage, may be shorter than most think. In the “Me” society are the seeds of a “We” society.

Again the Family

One of these seeds was identified by anthropologist Margaret Mead just before her death. She said “the most urgent thing facing us is the need to restore communities in this country—multi-generational, multi-ethnic and multi-occupational communities where you can take care of children, the old and the sick so that you don't have to segregate people by age and income into neighborhoods and institutions” (Woodward 1978, p. 73).

In recent years the difficult transition that the American family has undergone is central to an understanding of Mead's call for community. As previously stated, this institution has been so beset by secularizing forces—whether TV, schools, workplace, peer pressure or family experts—that a White House Conference on Families was planned for 1979. The cry has been to save the family.

A felt and recognized need is usually a precondition for change. And there are signs of change. The U.S. divorce rate, the highest in the civilized world, “increased only 2% in 1976, compared with an annual average increase of 11.5% over the past several years” (Woodward 1978, p. 67). Observes psychologist Skolnick: “. . . more and more we are seeing a new commitment to child rearing and family control no matter what sort of family structure evolves” (Woodward 1978, p. 67).

Concern over the family is linked to concern over a narcissistic culture. Narcissism is bred at home, according to most students of the subject. The parent's sin, Lasch argues, is not permissiveness but emotional absence. Offspring thus retreat, infantile-like, into a protective shallowness, constantly demanding admiration and attention. Widespread concern over this social disorder is itself a seed that could sprout into new theories of narcissism—and lead to reattaching “importance to the role of parents and support those who are struggling to give their children an internal set of values as well as a sense of moral and social responsibility” (Woodward and Mark 1978, p. 72).

Voluntarism

More a shrub than a seed, although one in need of watering, voluntarism has been a striking feature of American society long before Tocqueville wrote in 1835:

If in a local community, a citizen becomes aware of a human need which is not being met, he thereupon discusses the situation with his neighbor. Suddenly a committee comes into existence. The committee thereupon begins to operate on behalf of the need and a new community function is established. It's like a miracle because these citizens perform the act without a single reference to any bureaucracy, or any official agency (Tocqueville 1945).

During the present decade, volunteer recycling and clean-up activities of citizens concerned over environmental deterioration and litter are dramatic evidence of voluntarism. Gardner (1978) reminds us that the volunteer spirit has released unbelievable human energy and commitment on behalf of community round the country. One way the government could help reinvigorate voluntarism, he says, is to amend the tax code. Allow all taxpayers to deduct charitable gifts whether they itemize deductions (less than 25% do) or not.

As in the past, encouraging Americans to donate, for some public or community purpose, to all kinds of activities in the not-for-profit sector will bring less government into their lives. For less funds will be available for appropriation by that institution for the purpose of distribution to that sector—in the usual inefficient manner of bureaucracies. On the heels of Proposition 13, amendments of tax codes favoring taxpayers are one of the signs of the times. In voluntarism lies considerable potential for undermining narcissistic culture and reviving, as Lasch puts it, “traditions of localism, self-help and community action.”

If revolt describes the '60s and self-preoccupation the '70s, the '80s may turn out to be the civic decade—perhaps even the civil decade. That possibility bodes well for ecological marketing.

Musical Heralds

Harbingers of such a future are in the seeds of change discernible even in the music and dance craze of the late '70s. Today's disco mainstream is well represented by the music composed and performed by the Bee Gees for the film “Sergeant Pepper's Lonely Hearts Club Band.” One writer has aptly termed that score as the Easy Riding Sound of Music (Ansen 1978). It is the merger, he says, of the antithetical movies of the '60s, “Easy Rider” and “The Sound of Music.” What are the hit movies of 1978, “Saturday Night Fever”—with its thematic disco music played by the Bee Gees—and “Grease,” he writes, other than Dionysian celebrations of middle-class values?

In his hit album “52nd Street,” pop singer Billy Joel gets his listener's attention with square words like honesty, sincerity and truthfulness (Kroll 1978).

Neo-Conservatism

Undeniably square—and conservative—are middle-class values. Moreover, conservatism is increasingly the orientation of the blue-collar segment of the society, whose size when added to that of the middle class segment easily accounts for over 80% of the population of the United States. “More and more people are calling themselves conservatives” (Gelman 1977, p. 34).

In the late '70s there has been a noteworthy parallel between the merger of music idioms and the merging of liberal and conservative political views into a new synthesis. In intellectual circles the synthesis is being articulated by neo-conservatives in such fields as political science (e.g., Seymour Lipset), social criticism (e.g., Irving Kristol) and sociology (e.g., Nathaniel Glazer). In his prophetic essay “The Limits of Social Policy,”

Glazer (1971) struck notes similar to Lasch's. Almost a decade ago, he criticized welfare programs of the government for increasing social dependency on that institution through usurption of functions traditionally carried out by neighborhood organizations, church, school and the family. Unsurprisingly, neo-conservatives advocate that social problems be solved by relying less on government agencies and more on market mechanisms. Thus, they counsel, don't build public housing, issue housing vouchers; don't distribute welfare through a bureaucracy, enact a negative income tax law (Gelman 1977).

The signs of a growing conservative mood are not peculiar to the United States. In 1979 conservative politicians were elected to head the governments of Great Britain and Canada. "Reflecting a general trend toward conservatism in Western Europe, an assortment of centrist and right-wing parties emerged with a clear majority in the Common Market's Parliament" (*Newsweek* 1979, p. 60).

"Students' [attitudes, which] are often a leading indicator of national mood, also seem to reflect a return to traditional values" (Gelman 1977, p. 35). In a recent nationwide study of 200,000 college freshmen in the U.S., 57.8% said that politically they were "middle-of-the-road." Eleven points of this percentage were at the expense of "far-left" and "liberal" classifications since 1970. In the same study, conducted jointly by UCLA and the American Council of Education, only 15.9% thought college grades should be abolished. The overall tone of the study's results pointed to a strong, emerging trend of back-to-basics (*Newsweek* 1979).

New Manners

While Lasch (1978) has been recording, with considerable accuracy, how warlike and barbarous much social life has become and how personal relations take on the character of combat, another seed of change has begun sprouting. It is manners. As a magazine cover story on the subject pointed out not long ago (*Time* 1978), manners were not the message of Ringer's best seller, *Looking Out for No. 1* (1977). Yet the story quotes *Washington Post* columnist Judith Martin: "We're coming out of a psychologically self-oriented era. I think there's a craving for tradition, form, orderliness—and there's also a desire to be protected from everybody else's expression of self." The story goes on to quote the manager of the Los Angeles Tuxedo Center: "There is definitely a return of the '30s look—chic, elegant tuxedos." The large traditional wedding is returning. And books on etiquette are flourishing. For example, Amy Vanderbilt's famous guide to manners was successfully revised recently (Baldrige 1977).

OUTLOOK FAVORABLE . . . IF

Completion of the passage from today's narcissistic culture to one in which concepts of ecological marketing are likely to take hold may occur sooner than later. Sooner, because of the appearance of key signs of change, some of which have been identified in this paper. One particularly promising sign is the build-up of a new base of public attitudes that should eventually crystalize into intentions and behaviors congenial with ecological marketing.

New Attitude Base

Testifying before a Senate sub-committee on inter-governmental relations in April 1978, pollster Lou Harris made the following statements based on polls taken that year:

Basically, our people are far more concerned with the quality of life and far less with the unlimited acquisition of more physical goods and services. These are radical findings by any measure, because they mean that the age of materialism as we have known it is going to be radically altered . . . Over two in every three people admit they are highly wasteful and a much higher 92 percent think we are going to have to cut back on the amount of things we consume and waste. A substantial 71 percent think such a cutback will mean a cut in the U.S. standard of living (*Austin American Statesman* 1978).

Harris said that support for individual sacrifices cuts across age groups, with the old as well as the young favoring the changes.

The marketer quoted earlier on the Age of Me also observed: "We-ness and me-ness exist as values in all mature, industrial societies . . . After a time people become disillusioned with the standard of the good life according to the prevailing values. Another generation imposes new values" (*Marketing News* 1978, p. 3).

The new foundation in public attitudes presages an impending end to the detour of the me-decade. This movement away from narcissism and that other movement away from increasing reliance on government represent two key changes that are taking place in the prevailing values of the American society. These two value changes are capable of promoting more rapid growth in ecological marketing.

A Period of Grace

The second change—away from governmental reliance—gives business, in effect, a period of grace (5 years?) to put its house in order.

Will business—will marketing—take a chance and begin to play a larger role in managing negative social externalities? Will it steer a course toward ecological marketing? Or will government be forced to take the helm alone? Today business has a golden opportunity, for Americans are seeking barriers to government excess, as Professor Wilson (1979) has written.

The danger is that business will fail to seize such an opportunity to forge a more equal and activist partnership with government—an opportunity being provided by widespread anti-government feeling and skepticism about regulation. Business is flush with pride over recently won victories at turning back proposed legislation in areas like labor reform and over the growing clout of its political action committees (Merry 1978). It takes great delight in signs of the gradual erosion of influence wielded by regulatory agencies, now increasingly under attack from all sides, including the Congress (*Wall*

Street Journal 1979). Pride goes before a fall. In 1966, according to pollster Lou Harris, 55% of the public expressed confidence in big business; twelve years later only 21% did (*Austin American Statesman* 1978). The business community is undoubtedly mindful of the fact that our polity has entrusted to it the management of the resource wealth of the society. If sufficiently dissatisfied with its stewardship—just as in the case of the King's patents awarded to certain persons or institutions—the polity can revoke or greatly circumscribe the trust. To have this point driven home, one need only dwell on the serious call, in some quarters today, for the nationalization of the oil industry as penalty for what some judge to be the mismanagement of that energy resource by the big oil companies. Should events take us in that direction, the dubious result, as Wriston (1979) has underscored, is that economic resources will be allocated by force, namely, through agency of the government.

Moral Compass

Present conditions are ripe for business to make a moral commitment to its assumption of an activist role in externality management. Appropriate to the present exposition are the views of a neo-conservative on business ethics. After pointing out that the bureaucratization of ethics by lofty regulatory agencies represents an abuse of power, he writes:

—but power will, in the end, always rush in to fill any available moral vacuum. It is that vacuum which is at the root of the problem. The business community should itself get interested, in a serious way, an intellectually thoughtful way, in the issue of “business ethics” . . . Once again modern business is paying the price for conceiving of itself as representing an abstract species of “economic man,” rather than as men and women engaged in a fully human activity (Kristol 1979, p. 20).

Particularly relevant is the attention that Dixon (1979) has drawn to the macro-marketing concepts developed by the great medieval scholastics. Their writings on business matters, he says, reflected great concern that marketing activities make a social contribution. He points out that their teachings greatly influenced later writings prepared for the instruction of marketers. For example, the young man entering the clothing business in 1635 AD was advised to behave so that “Hee [sic] hinder not the good of the Commonwealth, but further it.”

And then there is the no small matter of all species and the ecology. Although environmentalists are on the defensive today, the issue of environmental pollution, the most famous negative externality of the day, will not go away. This paper closes with the aerial perspective of a hero we knew as the Lone Eagle.

Preserving the environment is inseparable from maintaining our heredity itself. Where our environment declines, both human and animal decline with it. I am amazed at how little this is generally understood. Governments, philanthropies, and individuals still pour tremendous attention, thought and funds into social welfare education, art, science, technology and super highways without realizing that none of these activities will have much value if the quality of individuals breaks down . . . (Lindberg 1978, pp. 32-33).

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CONSUMER AWARENESS AND RESPONSE TO INFORMATION ON POTENTIAL PRODUCT HARM

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The study indicates that awareness of potential food dangers by food decision makers is limited, yet the provision of information caused a decline in reported consumption. The dissemination of information on suspected product harm as an alternative to the current practices of unrestricted marketing of such products or the banning of such products is explored.

BACKGROUND

The importance of research on consumer awareness of and response to information on potential product harm is imbedded in the suggestion that such information might provide an alternative to the outright banning of products on the one hand or the uninformed use of them on the other hand. Thus, theoretically, the consumer could judge the risk-benefit ratio by his or her own calculus. The consumer would thereby be able to shoulder more of the responsibility for protection and by doing so strengthen the ability of the market to provide needed satisfaction. This does seem to be a more moderate solution than the banning of all suspected harmful products as some consumers would wish. It also has the advantage of allowing some weight to be given to the middleground of products suspected but not proven harmful. If consumers were allowed to be party to these suspicions, then risk avoiders could avoid the product, while risk takers could have its benefits.

Of course there are problems here as well. How is broad consumer awareness of complex technical data to be achieved? Who should disseminate such information? What sources are credible? How complete must the dissemination be to adequately protect those least easily reached—the illiterate, busy, infirmed, disadvantaged, etc.? And finally, does awareness of risks lead to individual change in consumption patterns?

Fear Appeals

Since the 1953 study of fear appeals by Janis and Feshbach there has been controversy over the effectiveness of fear appeals in fostering both attitude and behavioral change (Ray and Wilkie 1970). Further studies have shown that warnings in advertising (Williams 1976) and the provision of ecologically relevant information (Henion 1972) can affect attitudes and sales of products involved. However, there is no evidence as to the effect of negative information in the areas of commonly used foods where public awareness of potential harm is low. Areas where there is some evidence (smoking, seat-belts, dental hygiene and the like) tend to be areas where there is already public awareness of risk.

Purpose of the Study

Before a reasonable policy can evolve in this sensitive area, many of the questions regarding consumer awareness and behavior must be resolved. Thus, it is the purpose of this research to investigate two of the central unknowns about which there are many assumptions but little data.

1. It was hypothesized that food decision makers generally are not aware of the possible or suspected risks of harm associated with some commonly used products.
2. It was hypothesized that if food decision makers are given information or suggestions that there is demonstrated or suspected harm associated with specific products that they will change their consumption behavior.

RESEARCH DESIGN

Subjects of Study

The research focused on food items for several reasons. First, many food items are served in a majority of households and repeatedly in the same household which facilitates the collection of consumption data. Second, for the food decision maker, number of times (or meals) a food was served in the past two weeks is fairly easily recalled. Third, some common food products do have suspicions of harm associated with them. Finally, the suspected harm would be considered serious by the food decision makers if it were to happen to them or a member of their family.

Four such foods were chosen for the purposes of this study—hot dogs, bacon, peanut butter and saccharin. At the outset, it is useful to briefly describe the suspected or potential harm associated with each.

Hot dogs. Among the principal preservatives and conditioners used in hot dogs are nitrates and nitrites which have poisoned children (Consumers Union 1972).

Bacon. Along with hot dogs, almost all bacon produced in the United States includes sodium nitrite as a preservative and color fixer. In an interview October 19, 1975 with Dr. Donald Houston, Assistant Deputy Administrator of the U.S. Department of Agriculture, Meat and Poultry Inspection Division, the following statement was made (New York Times 1975).

We will probably require certain action by the industry within a specified period to remove nitrosamines from bacon or take some action so that the product as we now know it will not be available.

The USDA's proposed regulations on the admissible level of nitrates and nitrites in processed meats were published in the *Federal Register* on November 11, 1975 and would allow only enough nitrite preservatives to prevent Botulism in bacon, a fraction of what was generally being used.

Peanut Butter. Aflatoxin is a poisonous by-product of mold which forms on peanuts during storage in improper temperature and moisture conditions. It is considered as one of the most powerful carcinogens ever tested on animals although its effect can only be inferred in humans (Consumers Union 1973). Consumers Union has found that in 20% of samples of commercial peanut butter, Aflatoxin was present (Consumers Union 1972).

Saccharin. With regard to saccharin, Jacqueline Verrett, a research chemist with the Food and Drug Administration has concluded from her experiments that saccharin caused kidney lesions in rats, interfered with metabolism of chickens and was carcinogenic (Verrett and Carper 1974).

Method

This study employed the "before and after with control group" experimental design. Two simple random samples of 400 Rhode Island telephone numbers were chosen from all possible 1975-76 directory listed phone numbers in the state. See Table 1 for response rates.

Table 1

RESPONSE RATES

	Experimental		Control	
	#	%	#	%
Sample of noninstitutional working telephone numbers	381	100%	372	100%
Not at home/refusal	63	17%	65	17%
Interviewed first wave	318	83%	307	83%
Not at home/refusal one month later	18	6%*	27	9%*
Interviewed second wave	300	94%*	280	91%*

*Percentage of first wave interviewed.

Henceforth, we shall simply refer to these groups as the experimental and control groups. Food decision makers in both groups were asked in phone interviews for consumption data on four food products. A food decision maker was defined as that individual who predominantly made the food purchase decisions in the household or unit called. The experimental group was then asked to indicate awareness of potential or suspected harm associated with the four products, while the control group was not. These four questions which suggested potential harm also provided the informational treatment for the experimental group in a low key, non-threatening manner. (See findings for exact wording of awareness questions.) One month later each group was recontacted and again asked for consumption data. Two pretests were conducted, first on 30 graduate students and

after substantial revisions on 40 Rhode Island residents. The first set of phone interviews of the sample was conducted during the period of February 11 to 20, 1976 with some callbacks stretching beyond that period. A total of six callbacks were made when necessary. The second interview for each respondent was taken four weeks from the date of the first interview or as closely thereafter as the respondent could be reached.

Limitations

As has been noted, this research is designed to be suggestive rather than conclusive. It falls short of the mark of conclusiveness in a number of ways. The most serious of these ways is the lack of specific measurement of consumption behavior. The validity of the results depends on the accurate reporting of the respondent of consumption of food products during the previous two weeks to the interview.

Another possible limitation inherent in this experimental design relates to the effect of the pretest interacting with the treatment in the experimental group but not in the control group. Evidence reported in the Findings section would seem to minimize this bias.

In terms of field limitations the population of listed phone numbers in Rhode Island causes the under representation of the least affluent and most affluent. In addition, even with six callbacks, not all of the sample was interviewed and there was also a small attrition between the first and second interview.

FINDINGS

The results will be presented in two sections according to the hypothesis under study. Each general hypothesis will be redefined as a null hypothesis for the purposes of making statistical inferences from the sample data collected.

Awareness of Risk

The null hypothesis to be tested can be stated as follows:

The majority of food decision makers are aware of possible health risks associated with hot dogs, bacon, peanut butter, and saccharin respectively ($H_0: p \geq 50\%$ for each individually)

A question concerning awareness was asked for each of the four products to each respondent in the experimental group as follows: (answer choices were not read to respondents and the "Somewhat" category was checked when the respondent seemed to have a vague awareness).

Although little information on the harmful aspects of these products has been made available to consumers like yourself, it is important for our research to find out the extent of customer awareness.

Are you aware that the high level of nitrite preservatives in hot dogs has been positively linked with the death of children?

- 1. Yes
- 2. Somewhat
- 3. No

Are you aware that because of a positive link with cancer, the U.S. Department of Agriculture later this year plans to order the nitrite preservatives content of bacon drastically reduced?

- 1. Yes
- 2. Somewhat
- 3. No

Are you aware that peanut butter can contain aflatoxin, a contaminant which is suspected of causing liver cancer in humans and has done so in animals?

- 1. Yes
- 2. Somewhat
- 3. No

Are you aware that saccharin is considered by some prominent scientists as likely to cause cancer?

- 1. Yes
- 2. Somewhat
- 3. No

The results are presented in Table 2.

If aware and somewhat aware answers are considered as awareness, then the null hypothesis can be rejected ($\alpha < .05$) for hot dogs, bacon, and peanut butter but not for saccharin. Actually, the "Somewhat" category probably represents respondent unawareness but unwillingness to admit it. Therefore if only "Aware" answers are considered versus somewhat aware and unaware then the null hypothesis for saccharin can be rejected as well ($\alpha < .05$). Hence, it can be concluded that the majority seem unaware of the potential harm of these products.

The use of saccharin is limited in the population, thus rendering small proportions of respondents as users. In fact, less than one in five respondents used saccharin making conclusions tenuous at best. Therefore saccharin will be ignored in the remaining analysis.

Table 2

FOOD DECISION MAKER AWARENESS TO PRODUCE RISK
(300 Observations)

	<u>Hot Dogs*</u>	<u>Bacon*</u>	<u>Peanut Butter*</u>	<u>Saccharin**</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Aware	15.7	30.3	3.0	41.7
Somewhat Aware	5.0	6.7	1.7	6.6
Unaware	<u>79.3</u>	<u>63.0</u>	<u>95.3</u>	<u>51.7</u>
Total	100.0	100.0	100.0	100.0

*In comparison with the null hypothesis, using a one-tailed test if the "Somewhat Aware" category is grouped with the "Aware" category $\alpha < .05$.

**If the "Somewhat" category is not grouped with the "Aware" category $\alpha < .05$.

Consumption Changes Related to Information

Two types of analysis provide some insight into the relationship of information of harmful aspects of products and subsequent changes in consumption. The first analysis relates the user status of the respondents in the experimental group to awareness of potential harm. The second analysis relates change in reported consumption over a month-period to information provided at the beginning of the period.

Use or Non-Use by Awareness. If some proportion of the population is aware already of possible risks in the consumption of certain foods before this experiment, then it could be hypothesized that product users would less frequently be aware of potential hazards than non-users. If this hypothesis is true then one can infer that information in the public domain may cause the awareness which reduced the likelihood of consumption. To test these hypothesis, users and non-users can be compared for awareness of potential product harm for each product in question. The null hypothesis is as follows:

Among non-users of each product, the proportion aware of potential harm (p_{nu}) is equal to or less than the proportion of aware products users (p_u). ($N_0: p_{nu} \leq p_u$)

To obtain unbiased data for this comparison, respondents were asked in the first interview their consumption for the products in the past two weeks and then their awareness. Those reporting no consumption were defined as non-users while those with one or more times served in the past two weeks were defined as users. The consumption questions are as follows:

How many times in the last two weeks have hot dogs been served in your household?

For bacon and peanut butter, the questions were identical to the above question with only the product name changed. For the awareness questions (noted earlier) a "Yes" response was considered awareness, while a "Somewhat" response was grouped with the "No" response as unawareness. This grouping was based on the possible bias of the respondent of not wanting to seem uninformed and thereby using a vague response when in fact they were unaware.

Tables 3 and 4 show that non-users of hot dogs and bacon tend to be aware of the potential hazards in greater proportions than users with a significance beyond the .05 level.

In the case of peanut butter we cannot reject the null hypothesis based on the fact that only nine respondents indicated awareness. However, the data point to the same conclusion as with bacon and hot dogs.

Although it cannot be determined what caused awareness, there seems to be little question that non-users tend to be aware of hazards in hot dogs and bacon in greater proportions than users. This evidence lends support to the conclusions drawn from the remainder of this research.

Reported Consumption Change Due to Information. The second set of null hypothesis to be tested with regard to the impact of information on reported consumption change are as follows:

For product users, the mean difference (\bar{x}_d) in reported consumption of the control group (c) is numerically greater than or equal to the mean difference in the experimental group (e).

$$(H_0: \bar{x}_{dc} \geq \bar{x}_{de} \text{ for each food})$$

Further,

That for product users, the proportion reporting consumption decreases in the control group is equal to or greater than in the experimental group.
($H_0: p_c \geq p_e$ for each food)

To generate the data necessary to test these hypothesis for a one-month period, each respondent in both groups was first asked to report number of times in the last two weeks that they served each food in the household or unit. The experimental group was then given the treatment in the form of the suggestions imbedded in the awareness

Table 3

USE AND NON-USE OF HOT DOGS ON AWARENESS
OF POTENTIAL HARM IN PERCENTS

	Non-user		User	
	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
Aware	21	44.7	59	23.3
Not Aware	<u>26</u>	<u>55.3</u>	<u>194</u>	<u>76.7</u>
Total	47	100.0	253	100.0

Difference of proportions, one-tailed test, $\alpha < 0.05$.

Table 4

USE AND NON-USE OF BACON BASED ON AWARENESS
OF POTENTIAL HARM IN PERCENTS

	Non-user		User	
	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
Aware	48	52.7	78	37.3
Not Aware	<u>43</u>	<u>47.3</u>	<u>131</u>	<u>62.7</u>
Total	91	100.0	209	100.0

Difference of proportions, one-tailed test, $\alpha < 0.05$.

questions noted earlier. One month later the same questions on volume were asked again. The mean difference then is the mean of the pre (x) and post test (y) difference for each subject. n

$$\Sigma (x_i - y_i)$$

$$c = 1$$

Those not reporting consumption at either time were considered non-users and thus removed from this analysis.

Table 5 presents the number of users and the mean differences for each product and each group.

Table 5

NUMBER OF USERS AND REPORTED CONSUMPTION CHANGE
FOR EACH PRODUCT

	Hot Dogs		Bacon		Peanut Butter	
	<u>Exp.</u>	<u>Cont.</u>	<u>Exp.</u>	<u>Cont.</u>	<u>Exp.</u>	<u>Cont.</u>
Observations	300	280	300	280	300	280
No. Users	220	213	174	192	231	222
% Users	73.3	76.1	58.0	68.6	77.0	79.3
Mean Diff.*	-0.391	-0.155	-1.006	-0.057	-1.861	-0.099

*The mean difference is the mean of changes in reported consumption from first wave to the second wave one month later. Difference of means (Experimental vs. Control) one-tailed test $\alpha < 0.05$ in all cases.

There was a slight but significant (at the .05 level) decrease in average reported consumption of hot dogs in the experimental group as compared to the control group. However, for bacon and peanut butter, there were substantial comparative reductions of reported use in the experimental groups versus the respective control groups (significant beyond the .05 level). The null hypothesis can be rejected in each case. The mean differences in Table 5 take on greater meaning when it is realized that the vast majority of the respondents reported serving bacon and hot dogs less than three times in two weeks and the vast majority of peanut butter users reported frequencies of seven or less times served per week. Mean reductions of one serving per two-week period represent substantial reductions in reported use.

Table 6 shows the users of each product divided into categories depending on whether they increased or decreased or did not change consumption for the experimental and control groups.

Table 6
PERCENT OF USERS WHO INCREASED,
DECREASED, OR DID NOT CHANGE CONSUMPTION

	Hot Dogs				Bacon				Peanut Butter			
	Exp.		Cont.		Exp.		Cont.		Exp.		Cont.	
	#	%	#	%	#	%	#	%	#	%	#	%
Increased	46	20.9	66	31.0	37	21.3	62	32.3	50	21.7	82	36.9
Unchanged	64	29.1	67	31.4	34	19.5	54	28.1	43	18.6	56	25.2
Decreased*	<u>110</u>	<u>50.0</u>	<u>80</u>	<u>37.6</u>	<u>103</u>	<u>59.2</u>	<u>76</u>	<u>39.6</u>	<u>138</u>	<u>59.7</u>	<u>84</u>	<u>37.9</u>
	220	100.0	213	100.0	174	100.0	192	100.0	231	100.0	222	100.0

*Difference of proportions in decreases reported, Experimental vs. Control, one-tailed test, $\alpha < 0.05$ in all cases.

Thus the null hypothesis can be rejected in each case and the conclusion can be drawn that the treatment reduced reported consumption in greater proportions in the experimental group than was the case for those not given the treatment.

To better understand the impact of the treatment questions, a set of follow-up questions were included on the second questionnaire one month later to determine *believability* of the treatment. Directly after the consumption behavior questions four such questions were included, one of each product. These questions all started with "do you believe that . . ." and continued with a similar statement to the treatment question. For example, for hot dogs the follow-up question was as follows: "Do you believe that the nitrite preservatives in hot dogs represents a health risk?" If the treatment has had an effect it would be expected that the experimental subject would more frequently believe the harm statements than the control subjects.

The null hypothesis to be tested is as follows:

The proportion reporting belief in the harm in the control group (c) is equal to or greater than that in the experimental group (e).

$$(H_0: p_c \geq p_e \text{ for each food})$$

Table 7

BELIEVABILITY OF TREATMENT BY USERS OF PRODUCTS IN PERCENTS

	Hot Dogs				Bacon				Peanut Butter			
	Exp.		Cont.		Exp.		Cont.		Exp.		Cont.	
	#	%	#	%	#	%	#	%	#	%	#	%
Believe*	122	40.7	73	26.1	121	40.3	74	26.4	68	22.7	23	8.2
Somewhat	55	18.3	32	11.4	53	17.7	29	10.4	43	14.3	12	4.3
Don't Believe	35	11.7	52	18.6	39	13.0	58	20.7	59	19.7	67	23.9
Don't Know	<u>88</u>	<u>29.3</u>	<u>123</u>	<u>43.9</u>	<u>87</u>	<u>29.0</u>	<u>119</u>	<u>42.5</u>	<u>130</u>	<u>43.3</u>	<u>178</u>	<u>63.6</u>
Total	300	100.0	280	100.0	300	100.0	280	100.0	300	100.0	280	100.0

Difference of proportions, as to belief in harm, Experimental vs. Control, one-tailed test, $\alpha < 0.05$ in all cases.

Table 7 demonstrates that those given the treatment report believe in harm in greater proportions than those in the control group, yet, the statements were far from completely convincing as evidenced by the large "Somewhat" and "Don't Know" categories.

The null hypotheses in each case can be rejected beyond the .05 level of significance. Thus, the suggestion of potential harm increased the percentage of respondents who believed in the statements.

DISCUSSION

The purpose of this research has been to assess whether consumers are generally aware of the controversies over potential harm in their food supply and whether if their attention is focused on such information, they will reduce their consumption of the product. Hot dogs, bacon, and peanut butter were used as cases in point.

It is interesting to note that at the time of the interviewing, the controversy over nitrates and nitrites had been in the general news media for some time. Furthermore, the U.S. Department of Agriculture had just announced its tentative intention to reduce these substances in bacon. Thus, it is not surprising that where 15.7% of the respondents were aware of the problem in hot dogs, 30.3% were aware of the problem in bacon. On the other hand, the issue of Aflatoxin had not had much press despite several mentions in *Consumer Reports* (1972, 1973), thus it is not surprising that only 3.0% of the respondents reported awareness of the problem.

Even with the press coverage, the vast majority of respondents were unaware of the controversies. This fact leads to the conclusion that if information is viewed as a possible solution to the difficult dilemmas surrounding products suspected of harmful effects on consumers, then much more is necessary in the way of meaningful dissemination than is currently the case.

The value of information, however, is a more difficult as well as basic issue. Is awareness linked to belief in the information and subsequently to changes in consumption behavior?

First, those indicating awareness of harm for hot dogs and bacon tended to less frequently be users of the product versus those unaware. It should be noted that this conclusion is derived from data gathered on the first interview and thus is not subjected to the possible bias of the information collected in the second interview (see Limitations). Furthermore, the consumption data was obtained for products before the awareness data was asked for. This procedure would seem to have less bias than the reverse.

Second, this experiment indicates that consumers will report reduced consumption over a month's period when given information on potential harm associated with specific products. Not only did mean reported consumption drop for those given the information versus the control group, but the proportion decreasing consumption was significantly higher as well. In the control group the increases almost balanced decreases in reported consumption. In the experimental group decreases were more than double the increases for each of the three products.

In terms of belief in the potential hazard, the experimental group far surpassed the control group. For hot dogs, 40.7% of the experimental group stated belief in the statements whereas only 26.1% of the control group did. Correspondingly the figures for bacon were experimental 40.3% vs. 26.4% and for peanut butter 22.7% vs. 8.2% for the experimental group and control group respectively.

The evidence presented here demonstrates that in three limited situations, information can have an effect on reported purchase behavior over a monthly period. These conditions hardly present the reality in which information would be transmitted as part of an informational solution to the dilemma surrounding harmful or potentially harmful products.

Therefore, this research can be viewed as but a start in a direction where much more is needed, more in terms of the context in which information is provided, more in terms of the context in which information is provided, more in terms of the message conveyed, and more in terms of source credibility. The method of research needs to be expanded as well to monitor actual consumption rather than reported consumption. Further, the delay of the effect of information on consumption should be investigated. What would be the impact of information several months later or a year later? Questions of frequency of message and reach need to be examined. Finally, what products and types of potential or suspected harm are amenable to such an informational strategy needs to be defined.

It is a long way to implementable public policy, but a start has been suggested by this research.

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THE STUDY OF MARKET SYSTEMS

Each of the preceding macromarketing seminars has devoted attention to the question of how marketing systems can be conceptualized and studied. The fourth macromarketing seminar was similar to the preceding three in the sense that the study of market systems represented a major theme of the seminar. The seven papers presented in this section can be organized around three distinct themes. The first deals with the study of market systems in developing countries. The second group of papers focuses on the level of economic performance and degree of innovativeness associated with vertical marketing systems. The third set of papers deal with issues that serve as background material for a range of macromarketing issues including the operation of market systems. These papers focus on the influence of dominant lay psychological models on marketing decision makers and a discussion of consumer decision processes involved in the purchase of nondurables. Consideration of these and other background issues has a role to play in the efforts aimed at expanding understanding of macromarketing.

The first group of papers begins with the argument by Cundiff and Hilger that one of the contributions which marketing can make to the economic development of developing countries is tied to the creation of internal consumer demand and the expansion or creation of local manufacturing capacity to satisfy it. This view is a substantial departure from the production thesis which focuses on large scale capital investments which are frequently designed to increase exports in an effort to deal with balance of payments problems. In the framework presented by Cundiff and Hilger, economic development is seen as being demand driven which is a theme echoed elsewhere in this and previous seminars.

The second paper in this section by El-Sherbini takes a somewhat different approach to economic development efforts. El-Sherbini argues that one of the major issues associated with economic development is tied to the adjustments which marketing systems must make if economic development is to proceed. El-Sherbini's views differ substantially from those of Cundiff and Hilger but focus on the key issue of the role marketing systems play in economic development.

In a somewhat different approach, Emery, Dahringer and Jenkins provide a detailed discussion of the rationale which underlies the use of simulation to study aspects of market systems. The component of the market system modeled can vary but food has been a major topic in this context. The work reported by these authors represents a more complete discussion of the work begun by Slater. The model is demand driven and therefore is tied to the approach advocated by Cundiff and Hilger.

Each of these papers has focused attention as the development and functioning of the market systems in the context of developing countries. As market systems in these countries move toward higher levels of development, the issues of economic performance and innovativeness in vertical marketing systems are clearly relevant. However, consideration of these issues is not limited to developing countries. Those concerned with both micro and macromarketing issues need to be concerned with these issues as market systems evolve over time.

The paper by Grønhaug and Reve examines the question of economic performance and vertical marketing systems. The economic performance of marketing systems in general and vertical marketing systems in particular has both micro and macro implications. The evaluation of economic performance is a worthy, although difficult, undertaking whether in a highly developed or developing economy. The authors attempt to test the hypothesis that "institutional structures characterized by a high degree of vertical coordination is positively associated with high economic performances of the channel." While the results indicate that the hypothesis was only partially supported, continued examination of this question is of major concern to individuals interested in macromarketing.

Arndt and Reve focus on another important aspect of the study of market systems, specifically the innovativeness of vertical marketing systems. The authors identify both micro and macro implications which are associated with the degree of innovativeness in vertical marketing systems. As economies expand and change, there appears to be a marked movement toward the vertical integration of marketing systems. The authors argue that "highly integrated systems are often seen to lack the innovative capacity of many less integrated marketing channels." The degree of innovativeness has important implications for macromarketing as well as micromarketing managers. The authors hypothesize a U-shaped relationship between innovativeness and degree of vertical integration "suggesting that intermediate levels of vertical integration may be most congenial to innovativeness and adaptability."

The final two papers in this section deal with background issues which are worthwhile to consider in the context of macromarketing. Mittelstaedt and Madden provide a rationale which deals with the fundamental question of the way market systems evolve. The authors argue that "society's influence on the marketing system comes through marketing manager's acceptance of the dominant psychological model of the time." Various models of lay psychology are examined and the societal consequences of these models are explored. Implications for public policy and cross-cultural research on market systems are examined.

Gardner, Cox and Wong focus on the need to understand consumer behavior as a part of macromarketing. The authors argue, "consumers are obviously important because they are either the object of macromarketing studies or are either directly or indirectly affected by macromarketing activities." In this context a model of consumer behavior that is specifically adapted to the purchase of large-ticket items, activities and practices is developed. Non-repetitive consumer decisions are of interest to those studying macromarketing problems and will receive increasing attention in the future as researchers devote more attention to the study of market systems.

The papers presented in this section have focused on various aspects of market systems. The study of market systems represents a topic of continuing interest to those involved in macromarketing.

MARKETING AND THE PRODUCTION-CONSUMPTION

THESIS IN ECONOMIC DEVELOPMENT

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A basic problem in dealing with the subject of economic development is a failure upon the part of theorists to define economic development and underdevelopment in terms of measurable components. Each author uses his own measure or measures of development. However, many of these measures represent attempts to assess levels of production and/or consumption in the economies studied. Thus, it would seem that the achievement of higher levels of production and consumption is a common goal of economic development theorists. Certainly, the production-consumption thesis is an accepted tenet in economic development planning. Unfortunately, most of the production-consumption theorists and planners have focussed their attention entirely on developing the productive capacity end of the equation, under the assumption that increases in consumption will automatically follow increase in production.

It is easy to understand why economists have focussed their attention on the production facet. First, economic theory assumes that whatever is produced will be consumed at some price and that the price mechanism will insure that only goods for which there is a demand will be produced. Second, it is much easier to obtain concrete data on production than on consumption in underdeveloped countries. Third, a common assumption of recent developmentalists is that investments should be directed to industries that will stimulate forward and backward linkages. Unfortunately, these linkages are not synonymous with increased consumption, nor have such investments generated anticipated savings for the domestic expansion of consumption.

There is also a group of *marketing* theorists who seem to believe that increases in consumption will automatically follow increases in production. The determinists believe that marketing evolves and develops as a result of development of the economy—in other words, economic development levels determine marketing development (Arndt 1972, Douglas 1971, Reynolds 1970). The determinists, who have tended to dominate marketing and economic development literature, have based their hypotheses primarily upon the study of marketing channel structures. This is understandable, since channel infrastructure is the marketing factor on which the best usable comparative data are available for hypothesis testing. However, even when the determinists are working with hard data on marketing channels, their studies only seem to indicate that channel structures reflect the stage of economic development in a country—that is, that the variables change together, not that one is clearly a result of the other. In many of these instances, the activists could argue from the same data that the development of more sophisticated marketing channels caused the increase in economic development.

Marketing as a Positive Tool in Economic Development

Marketing theory posits an active and necessary role for marketing in the achievement of consumption in many situations, and the marketing activists have carried this thinking over to the field of economic development. The activists believe that infusions of marketing technology in an underdeveloped national market can be a multiplier of growth in other sectors—in other words, that marketing can create economic development (Drucker 1958, Bartels 1977, Cundiff 1965, Glade and Udell 1968). It is our thesis that at certain levels of development marketing is not just helpful, but is essential to economic development. While this concept may not be totally new, it is worthwhile to refocus thought on the particular role marketing has in expanding consumption.

Marketing as a separately identifiable management activity is not necessary in the most underdeveloped societies and is only marginally necessary during early stages of growth and development. The lowest level of economic development, the subsistence economy, has no need for formally organized marketing. Excess production is sold to or exchanged with neighbors and in informal village markets. The first evidence of economic development above the subsistence level is the development of specialization at a handicraft level, which increases the efficiency of the individual's output. Formal marketing is still not needed at this level. The shoemaker or tailor or baker deals directly with his customers on his "factory" premises. He knows what his customers want and adapts his products accordingly. He communicates information about his product directly to customers on a person to person basis, and he sets his prices on the basis of direct negotiation. He is not only a producer; he is a marketer in every sense of the word.

It is when the handicraft producer in underdeveloped economies takes the great step to mass production that he loses contact with markets and ceases to be a marketer. The early mass producer in an underdeveloped economy operates mostly in a sellers market. Efficiencies of mass production bring his prices below those of custommade competitive products, so that in his early period of expansion he is able to sell everything he produces. He concentrates all his efforts on increasing the efficiency of his production processes. The greater his success in production, the more completely he becomes divorced from his markets and marketing. As his productive capacity increases, he must sell over a broader geographic area so that he no longer has direct contact with and automatic feedback from the market. He can no longer service most customers from the factory premises but must rely on middlemen in each new market to establish contact with prospective buyers. As he moves into new markets he can no longer rely on his established good reputation to attract customers; he must find means of communicating with these potential new customers through salesmen, advertising and promotion. His pricing decisions no longer reflect reactions and feedback from the market but are likely to be based solely on production costs. Even in a sellers market, without the necessary marketing infrastructure (wholesale and retail institutions, promotional media, physical distributors, credit agencies, and marketing information sources) the new mass producer cannot expand successfully beyond his own community. If we study the economic history of the world's highly developed societies, we find that the marketing infrastructure developed simultaneously with and alongside the new production capacity.

Several marketing authors have identified the need for specialized marketing in a developing economy, as well as the separation of production and marketing functions (Moyer 1964, Riley 1970a, Slater 1969a, Slater 1969b). However, their emphasis has

been on how marketing has facilitated production expansion rather than consumption. Certainly provision of marketing infrastructure *has* facilitated the capacity to produce, but its significant effect is in making mass consumption feasible.

If the consumption side of the production-consumption thesis is to be achieved in a developing country, as much attention must be paid to marketing infrastructure as is paid to new production capacity. It is precisely in this area that attempts at stimulating economic development have failed. The United Nations Economic Mission to Egypt in 1959-1960 concentrated its efforts on the identification of opportunities for the development of new industries without addressing also the marketing of such products. The impact of the mission was minimal. The Ford Foundation-financed Economic Mission to Indonesia in 1961-1962 took the same approach in identifying exploitable material resources. For example, plans were developed for the production of asphalt from available raw deposits, but since no plan was made for marketing the final product, the idea came to nothing. Glade and Udell report on a government-owned fertilizer plant in Peru which was closed due to the inability to distribute the product (Glade and Udell 1968).

It is important not only to recognize that marketing has a role in economic development but also to define that role as clearly as possible. The role of marketing is not as a facilitator of production as most economists and the marketing determinists believe, but as a necessary catalyst to achieve consumption. Charles Slater expressed this viewpoint well when he stated, "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" (Slater 1977).

Marketing Planning for Development

How can marketing development planners provide the necessary marketing inputs to achieve an increase in consumption? There are three important actions to be taken: the development of a minimum necessary marketing infrastructure, the channeling of productive capacity investment into appropriate consumer goods industries, and securing the acceptance of certain generally accepted marketing principles by the local businessmen.

To achieve consumption of the products of new industries in developing countries, the marketing infrastructure must provide service and facilities in five important areas: distribution channels, promotion service organizations, physical distribution facilities, marketing information services, and credit facilities. First, the distribution infrastructure composed of middlemen, both wholesale and retail, provides the channels for making the products of new industries conveniently available to prospective customers. Second, promotion provides the medium for communicating information about the product to prospective new customers and it requires an infrastructure which includes communication media available for commercial communication, mail service, advertising agencies, and other promotional service organizations. Third, physical distribution which allows the producer to get his product through time and space to a broadening group of customers requires a transportation network adequate to reach all markets,

terminal and processing facilities, and storage facilities. Fourth, marketing information systems, which allow the producer to learn about market needs and customer reaction to his products, require an adequate level of availability of statistical information and the services of marketing research, intelligence, and forecasting experts. Finally, consumer credit facilities for purchase of high value items must be available from existing financial institutions, or the producer must assume the difficult and expensive task of providing credit himself. Most of the services provided by the marketing infrastructure can be provided by the producer himself if there is no alternative. However, the cost in time, personnel, and money is high, and producers in developing economies are usually short of all three.

Although it is necessary to develop a marketing infrastructure to achieve increased levels of consumption, it is also necessary to channel investment in production facilities into the right industries. It is the widespread distribution or dissemination of the products of industry that really increase the level of consumption of an economy. It is for this reason that raw material exploitation has had so little effect on the economic well-being of underdeveloped economies. The beneficiaries are solely the owners or managers of the extractive industries, the limited number of nationals who are employed by the industries, and the small number of service businesses that provide their needs. To a large extent these needs are serviced with imported goods and very little benefit accrues to the local economy. The remainder of the population continues to live at the basic agrarian level at which they have always lived. The oil producing Arab nations are a particularly good example of this. These countries, among the wealthiest per capita in the world, have remained at least until very recently from the viewpoint of most of their residents, as underdeveloped nations.

During the 1960's and 1970's emphasis in development planning has been on "import and substitution" and "export generating" industries. Instead of generating domestic markets, these developments have diverted savings, capital and production into production for international markets. Many underdeveloped countries have high international debts and are short of foreign exchange. Development of industries with high export capacity may address a country's foreign earnings needs, but does not necessarily expand domestic consumption. Economists feel such policies have fallen short of original goals for various reasons—import-substitution industries were overprotected and not competitive in world markets, and inflation and energy costs dissipated the earnings generated by export-oriented industries. We would argue that they are failures because they again ignored the consumption side of the production consumption equation for economic development. If export earnings are not reinvested in consumption expansion industries, they have the effect of reinforcing underdevelopment vis a vis other world markets.

Walter Rostow's theory of economic development evolved to a large degree from an historical study of the economic development of Great Britain, and he described the British textile industry as a major contributor to the economic development of the nation (Rostow 1973). In its early years the fledgling British textile industry primarily served local British markets, stimulating local consumption. Subsequently, it grew into a very large industry serving international markets. This may explain why economic development planners encourage the construction of basic heavy industries that are more likely to provide export business than local consumption. They want to provide the

developing economies with an industry equivalent to the textile industry of Great Britain at its peak, rather than the early industry that contributed so much to economic development. Thus, economic planners have built an oil refinery in Costa Rica whose capacity is too large to serve the local market and a steel mill in India that can only serve other industries, to a large extent not yet existing.

The industries that will most directly aid economic development are small consumer goods industries designed to serve the local market, but with the potential to grow ultimately to serve export markets as well. Food, clothing, and household goods industries are the best industries to promote increased consumption. These could be followed by small appliances and other more technical goods as the market could support them. The aim should not be to make a splash in international markets, but to serve local markets more efficiently than importers or cottage industries.

The third necessary marketing ingredient in economic development is securing the acceptance of certain generally accepted marketing principles. As Walt Rostow concluded, the most important factor for further economic growth is the development of a national market system (Rostow 1973). This involves the generation of a body of experts within the business community who are aware of current knowledge and thinking about marketing in the more highly developed nations. This knowledge should include an understanding of current knowledge about consumer behavior, an understanding of the elements in the marketing mix, and conversance with operating philosophies such as the marketing concept. Such a pool of marketing managerial talent provides the available expertise at the company level to insure that consumption will increase hand in hand with production.

Case Examples of Consumption Expansion and Development

To achieve real, broad-based improvements in economic development, nations must develop consumer goods industries that will serve their own markets. One of the most dramatic illustrations of this thesis has been the Sears, Roebuck and Company experience in Latin America. When Sears attempted to introduce the concept of mass retailing in Latin American countries in the 1950's, the direct impact on the retailing infrastructure was dramatic. Sears introduced efficient modern retailing practices that were foreign to these markets. As their competitors were forced to adopt similar operating practices, the level of efficiency was increased markedly during the subsequent twenty-five years, providing consumers with more goods for their money. But, perhaps even more important was Sears' impact on the production sector of these economies. Sears learned that high import duties made it impossible for them to offer the wide range of goods they were accustomed to selling in their stores in the United States, since high tariffs and currency and import restrictions made it impossible to import some goods or priced them out of the market. Domestically, Sears has for a number of years followed a policy of developing merchandise sources with small producers who are frequently under contract to sell their entire output to Sears. It did not, therefore, require a broad change in policy for Sears to seek small local sources in Latin America. The main difference was that Sears frequently had to provide the initial financing and the managerial and production knowhow to the founders of these fledgling industries. The effect has been to provide a number of strong new consumer goods industries in the countries involved.

The State of Israel presents another excellent example of the contribution of consumption expansion to economic development. When Israel was founded it was a clearly underdeveloped nation with a marginal agrarian economic base and almost no industry. The large numbers of new immigrants from more highly developed areas brought with them production and marketing skills and consumption demand far in excess of what the country was able to produce. The result was the rapid development of a broad range of consumer good industries, ranging from agriculture to zippers. Simultaneously a marketing infrastructure evolved capable of distributing these goods to local consumers. The original goals of most of these businesses was to serve local markets more cheaply than imports could do, but in the long run a number of these firms were also able to enter world markets and provide needed foreign exchange. The increase in the level of economic development in the past thirty years has been dramatic. And, were it not for the enormous military financial drain, the Israel economy would be fiscally sound and healthy.

Public Policy Implications

Radical changes in economic development thinking are required if emphasis on consumption expansion is to be implemented. First, public planners must reorient their thinking away from the belief that a large positive balance of trade is a major contributor to economic development. They must understand the negative effect on local consumption of a production-for-export policy and the hazards of a propensity-to-spend-export-income-on-imports due to unavailable local products. The generated foreign exchange earnings are either used up on imports or are too narrowly held to stimulate broad domestic consumption growth.

Secondly, planners need to reevaluate the criteria used for investment in marketing infrastructure. Currently, marketing channel institutions are designed so as to facilitate distribution of products. In order to maximize consumption potential, marketing facilities and information must be consumer-oriented. Storage facilities, public markets, transportation systems, and market-needs information must be based on consumer preferences and behaviors.

Not only is investment in channel infrastructure required, but another target for investment should be other marketing functions . . . such as promotion, consumer credit, marketing research. Identification of consumer needs, tastes, habits, and trends is a critical input for consumption-expansion production. Adequate communication systems (mail service and mass media) should be high priority investments that serve consumer education and market information functions. As the underdeveloped nations urbanize, resources used to provide agricultural credit in the past must be redirected toward consumer lending institutions.

Fourth, modern marketing and business technology must be transferred to developing countries. Training and educational programs in business, logistics, and marketing management are necessary ingredients for a consumer-orientation and consumption expansion. Programs in business administration are poorly-funded and curricula are obsolete in many LDC's; this must be changed. International educational-support programs, such as Fulbright-Hays and AID grants, need to support transferrals of marketing technology. For example, the current announcement of Fulbright-Hays

opportunities for U.S. scholars abroad, only six of the 77 awards for the American republics are in business related fields. National educational administrators must commit more resources to business education and skills training in vocational and purely academic institutions.

Last, policy makers need to identify and target for support industries that will have the greatest impact on local consumption. This involves a knowledge of local resources, local needs, and local comparative advantages. Care must be taken to tailor other policies to help stimulate consumption. This would affect the kinds of taxes levied, the kinds of controls on financing and credit, and so forth. It requires a reversal of current planning processes and some sacrifices as well. Planning must begin with an evaluation of the basic needs of the residents of the country that can be served by small new industries. At the same time steps must be taken to insure that the marketing infrastructure evolves at a pace to keep up with the needs of new industry. Finally, care must be taken to insure that the management of the new businesses have access to marketing as well as production expertise. The real threat to effective economic development programs is the pride and ego of local politicians and economic planners that lead them to the conclusion that big is beautiful—that economic development means the construction of huge showcase facilities and competition in world markets.

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BEHAVIORAL ADJUSTMENTS AS MARKETING CONSTRAINTS ON ECONOMIC DEVELOPMENT

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Since the fifties development planning has occupied a central role in the thinking of economists and other social scientists. This is not only a manifestation of academic interest; it reflects a growing concern about world peace and economic stability. In a relatively short span of 30 years, the real gross world product has increased fourfold. Yet, the gap between the world's rich and poor is now wider than ever.

More than one billion people in the developing countries have an average *per capita* GNP of less than \$150 a year. Both the absolute and the relative gap between the world's rich and poor remain hopelessly wide. The absolute gap between average GNP per capita of the OECD and the developing countries, which stood at about \$2,200 in 1950, surpassed \$4,800 in 1975. The relative gap showed no improvement, since per capita income in developing countries grew at a lower rate than the developed nations during 1950-75 (Morawetz 1977).

Widening income gaps and rampaging populations in developing countries constitute a threat to international security. Indeed, the concept of security is no longer entirely a "military" one. It has recently been hypothesized that the relation between defense expenditure and the degree of protection acquired is not linear. In the initial stages, the curve arches upward and security expands with expenditure. But as the spending grows larger and larger, the curve inevitably begins to flatten out (McNamara 1977). The moral significance is that successful development is a strong stimulus to international peace and security, and vice versa.

THE ROLE OF MARKETING

The role of marketing in economic development may be usefully considered in two different contexts. The first is in relation to development projects and the second concerns the distribution of the gains from development. These two roles are reviewed briefly in order to gain a more comprehensive understanding of the interaction between marketing and economic development.

Marketing and Development Projects

In essence, economic development requires the undertaking of a series of projects designed to produce favorable effects on the flow of income. They may be undertaken

in a variety of fields such as education, health, agriculture, industry, transportation, and power. They may be "old-style" projects like an industrial plant, a road, or railroad equipment. Such projects involve "enclave" operations, in the sense that they could be implemented and often operated independently from local institutions and people. Alternatively, development may include "new-style" projects specifically designed to reach groups of people in a predetermined way, and to be implemented as much as possible by local institutions.

Marketing has specific relevance to certain phases of the project cycle which includes project identification, preparation, appraisal, and implementation. Marketing is important in the identification of development projects. For instance, many of the "new style" projects financed by the World Bank and International Fund for Agricultural Development (IFAD) focus on *target groups* to ensure that they are the primary beneficiaries from these projects. The identification of these target groups poses many problems to lending agencies. Marketing research could be an important tool in this respect. However, the role of marketing is usually considered in the context of project implementation. There is growing evidence that the failure of many development projects has been caused by management problems in general, and in given instances by marketing problems in particular. How marketing may have adverse effects on project implementation is the central issue of this paper.

Marketing and the Gains from Development

The New Economic Order advocated by the United Nations Social Council has signaled the fact that economic development of heretofore has not led to significant improvement in the distribution of income within developing countries. The new theories of growth focus much more attention on the distribution of the gains from development than on the behavior of aggregate growth parameters *per se*. Thus, in many developing countries, while GNP has grown at satisfactory rates the distribution of income has ironically worsened. This has often triggered serious socio-economic ramifications as evidenced by the recent turbulent events in Iran.

But there is no clear indication as to the role of marketing in the distribution of the gains from development. However, there is definite evidence that the role of marketing is not neutral in this respect. Furthermore, there are few case studies of limited scope which postulate that marketing systems tend to accentuate income disparities by influencing the distributions of the gains from development in favor of the rich, thereby making the rich richer and the poor poorer. But this is largely an unexplored area and much empirical research is needed to support these hypotheses. It is also a field which has *not* been considered as yet in the literature which focuses on the relation of marketing to economic development.

MARKETING THEORY AND ECONOMIC DEVELOPMENT

Unlike other disciplines in the social and physical sciences, marketing has made very limited contributions to development planning. Economists and sociologists have made positive attempts to adapt their theories to the conditions of developing countries.

Furthermore, their interest and research in these countries have had a significant impact on the development of theory in their respective disciplines. There are specialized journals in the United States and Western Europe exclusively devoted to the problems of developing nations and the university curricula give considerable attention to these subjects at both the undergraduate and graduate levels.

It is indeed difficult to find an explanation for this ethnocentricity. The issue at stake is without doubt extremely crucial. The market size is very large with an estimated five billion dollars having been spent on official development assistance to the agricultural sector of developing countries in 1978. Most of the expertise deployed in bilateral and multilateral assistance involved engineers, economist, technicians, with very little marketing expertise. Hitherto, marketing academicians and practitioners have missed an important world-wide market potential.

A bird's eye review of existing marketing literature reveals three approaches in relating marketing to problems of economic development. The first is institutional, the second managerial, and the third behavioral.

The Institutional Approach

The proponents of this approach focus on the institutional weaknesses of the marketing system in developing countries. The success of development projects is linked to the development of marketing infrastructures, modern institutions and facilities, and the establishment of effective information and media networks. Much of the very early literature has focused on these aspects (Bartels 1963). Also, much of the bilateral and multilateral technical assistance has been directed to the modernization of marketing facilities. Often enough, the results have been very saddening. For instance, in one Near Eastern country the establishment of modern wholesale markets for fruit and vegetables contributed immensely to the enrichment of wholesalers and commission agents, and multiplied the number of landless farmers in that country. A similar situation occurred in an African country as a result of the construction of a modern abattoire and export marketing facility.

The Managerial Approach

This approach focuses on the transfer of marketing know-how from the West to the developing countries. Drucker's (1958) article in the *Journal of Marketing* and Emlen's (1958) article in the *Harvard Business Review* are examples of proponents of this approach.

The main weakness of the managerial approach concerns the *appropriateness* of Western marketing know-how. The latter has been essentially linked to *product innovation* in search for attractive market opportunities. Therefore, it has put special emphasis on product development, advertising and promotion, as well as pricing in competitive markets. The notion of market share has assumed a central position in this connection.

In contrast, development projects in developing countries are essentially manifestations of *process innovation* which focus on the modernization of production techniques with the objective of shifting the supply functions of given key commodities. Accordingly, marketing know-how would be essentially concerned with the increase in aggregate output, and to a much lesser extent with issues relating to market share. Problems of physical distribution occupy the central role in this context.

The Behavioral Approach

According to this approach, the major impediment to economic development rests in the inter-organizational conflicts within the marketing system brought about by the development process. The approach was stressed by El-Sherbini (1964, 1965a, 1968) in several articles around the mid-sixties. Since the publication of this material, more evidence has been obtained to substantiate the validity and importance of this approach. In essence, the present paper represents a "revisiting" of the issues discussed in the mid-sixties with specific consideration given to behavioral adjustments related to import substitution on the one hand and to process innovation on the other.

THE CASE OF IMPORT SUBSTITUTION

Development planners have for a number of reasons put special emphasis on industrial ventures of the import-substituting type. Questions of nationalism, pride, and economic self-sufficiency provide partial explanation for this tendency. At times the desire to conserve or "save" foreign exchange is also presented as a supporting argument. But import-oriented marketing mechanisms are generally *not* tuned to the needs of domestic manufacturing.

The Patterned Flow of Output

Imports condition the pattern of flow of goods and the mechanisms which sustain and regulate this flow. The patterned flow has certain distinctive characteristics. First, an accumulation of stock occurs in major seaports or sometimes in a primary city, usually the capital. Several importers may engage in the building of inventories; frequently each drawing on a distinct source of supply. The "customs" offer an ideal bonded warehouse where the concentration of imports is achieved at relatively low cost. Typically, a commercial bank would furnish the importer with the necessary documentary credit, but would retain title to the goods in storage. Certain amounts of the goods may be released corresponding to payments made by the importer to the bank.

The building of inventories is a cornerstone in the strategy of the importer. The crux of this strategy is to starve the market and then begin to feed it little by little as the situation becomes increasingly advantageous to the importer. Thus, the second feature of the patterned flow of goods is their tendency to enter the marketing system in the form of numerous trickles rather than in a few big torrents.

All too frequently, these numerous trickles are funneled through a large number of transactions before they reach the ultimate consumer. Thus, a marked circuitry provides another characteristic of this patterned flow. Often enough, goods sold by a wholesaler to a semi-wholesaler or retailer may be totally or partially retrieved for resale to another trade intermediary.

Finally, the flow of goods is also patterned geographically. Generally speaking, there are very few additional breaking and bulking operations. For instance, some city wholesalers may request the importer to make direct shipments to their customers in smaller towns. Furthermore, the scope of the distribution is generally limited to urban centers where sales are easier and less costly.

Resistance to Marketing Adjustment

The resistance to marketing adjustment in response to domestic manufacturing stems basically from the struggle over channel control (Bucklin 1973, El-Ansary and Robicheaux 1974). This struggle is motivated by inter-distributor conflicts on the one hand, and by manufacturer-distributor conflicts on the other.

In an import-oriented marketing system, these conflicts are minimal since each importer usually draws on a distinct foreign source of supply. Domestic manufacturing changes this picture and raises the problem of the mutual dependence of several large distributors on one limited resource. Thus domestic manufacturing promotes inter-distributor conflict which, in turn, triggers a desire on the part of each distributor to control his environment, i.e., the domestic manufacturer.

The introduction of domestic manufacturing brings about a significantly greater interdependence of activities between supplier and distributor, and subsequently, enlarges the area of conflict between the two. Scheduling presents a good example of such interdependence, since obviously production scheduling cannot be divorced completely from the distributor's rate of sale. One result of this conflict is the tendency of the distributor to attempt to control his environment and particularly the timing of activities that impinge on his operation.

Differences in goals represent another important source of manufacturer-distributor conflict. Basically, the new manufacturer is interested in maximizing average return on investment over an extended period of time. This is usually achieved by means of a policy of a relatively small per unit margin coupled with a high sales turnover. Such a policy runs opposite to that of maximum profit per transaction.

THE CASE OF PROCESS INNOVATION

Economic development often involves the replacement of existing technologies by more advanced production processes. A frequent example is the introduction of "continuous" production systems as a substitute for "batch" production processes. This is considered a process innovation *par excellence* in developing countries. In fruit and

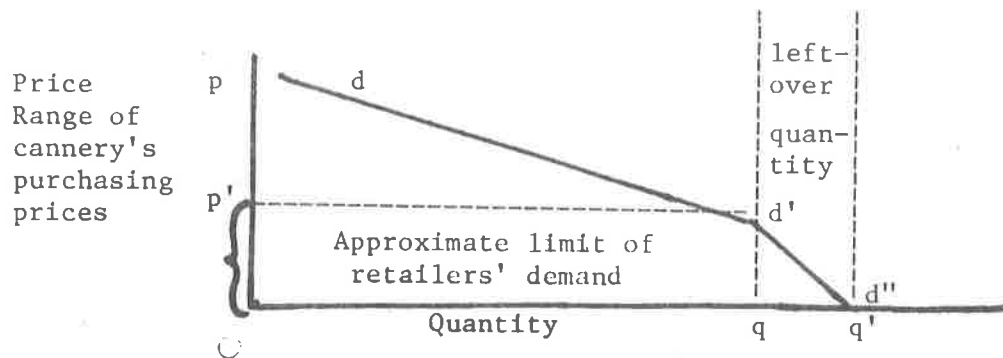
vegetable processing the size of the "batch" (the production run) is dictated by several factors such as the cost of fuel, availability of labour, and the perishability of stocked fresh produce. Sometimes this is expressed in terms of the volume of raw material inputs (say 300 tons of fresh tomatoes); at others it may be indicated in terms of a certain span of time (say 5 days).

The Patterned Flow of Input

The procurement of raw material inputs is patterned to "batch" production (El-Sherbini 1970). It is *not* tuned to the requirements of "continuous" production systems. Typically, procurement takes place at fresh produce wholesale markets. In essence, the purchases involve surplus supply of fresh produce, i.e., quantities left over after the demand requirements of city retailers have been satisfied. This surplus supply can normally be disposed of only at relatively much lower prices than those paid by city retailers. A "kink" in the demand curve is said to exist beyond the quantity oq as shown in Figure 1.

Figure 1

A Hypothetical Kinky Demand Curve for Fresh Produce at a Terminal Wholesale Market



Generally speaking, dd' represents the demand curve of city retailers whereas dd'' depicts the demand curve of the processing firm. Quantities offered for sale which are larger than oq will only be purchased at a relatively much lower price. Thus, qq' essentially represents surplus quantity.

Surplus purchasing at wholesale markets has no stable patterns, although it is subject to some limiting factors. Obviously, one factor is price. As the cannery operates a given "profit spread," purchasing is not effected until prices drop to the level which makes that profit spread possible. Another limiting factor is the surplus quantity available at that price; it should not be less than a minimum volume (say 10 tons of fresh tomatoes) which would constitute a significant addition to a stock earmarked for "batch" processing.

Resistance to Procurement Adjustment

In contrast to "batch" processing, the main feature of a "continuous" production system is the inducement of special raw product supplies. It calls for a conscious effort to create and establish dependable supply sources, primarily through the practice of contract farming. The shift in supply sources triggers a struggle for the control of fresh produce between the processor on the one hand, and the middlemen operating in the fresh market on the other hand. A peaceful coexistence prevails under a "batch" system, but the situation alters significantly under a "continuous" system, again in view of the emerging *mutual dependence* of processor and middlemen upon on-farm supply sources.

Often enough, the processor is at a disadvantage in the battle for the control over raw material supply sources. Historically, middlemen and commission agents succeed in developing strong tie-in arrangements with supply sources based on credit, transport, and selling facilities. Sometimes the bonds have ethnic and social features. Forward buying is not unusual. Therefore, the processor is often confronted with "captive" supply sources. Contract farming becomes exceedingly difficult, since "one of the characteristic features of a captive supplier is his disinclination to seek new alternatives through active search" (March and Simon 1958).

Even the development of alternative supply sources is met with difficulties. The cannery and the new suppliers may have choices that are not mutually consistent. Rival middlemen may infuse differences in goals or in perceptions or both, which tend to trigger and foster conflict. For example, they may force a price rise on the fresh produce market with the purpose of adversely affecting the perceptions of producers who have contracted to supply a cannery with its raw product requirements.

Faced with this dilemma, some canneries in developing countries resort to backward integration. Huge investments are sunk into farm activities. The capital structure is seriously burdened. Business gets increasingly complicated. Responsibility is diffused and control is often lost. Failure follows and the process of economic development is impaired.

POSSIBLE APPROACHES

The problems of behavioral marketing adjustment are specifically critical for development projects having a short gestation period. Marketing difficulties unfold rather soon after the projects have been started; hence, attempts to rescue them are often short-lived and they are often pronounced failures and abandoned. In projects with

longer gestation periods and more permanent structures (e.g., steel mills, irrigation projects, etc.), similar difficulties tend to appear much later, and far more serious efforts are made to overcome them, using "pseudo-comprehensive-programme" techniques (Hirschman 1967, p. 22).

For the short-gestation projects, economists often propose a "pseudo-imitation" technique which makes projects appear less difficulty-ridden than they really are. "It permits the so-called prerequisite to come into existence *after* the event to which it is supposed to be the prerequisite" (Hirschman 1967, p. 26). Put briefly, such techniques of development planning presume that marketing adjustment would be automatically forthcoming, or that development would force in a process of marketing adjustment. It treats marketing adjustment as a completely dependent variable and overlooks the role of marketing management in the process of economic development.

The intricacies of marketing adjustment stem not so much from its *technical* nature, but essentially from its *behavioral* aspects. Lack of roads, storage and warehousing facilities, mass media, and infrastructures are all technical constraints on marketing adjustment. But they are in a sense "engineering" problems which can be overcome given the availability of capital resources and a national commitment for development and growth. But the problem is different with behavioral issues; hence, there is a need to stress the crucial role of marketing management.

The central behavioral problem in behavioral adjustment brought about by economic development is closely linked to the twin issues of resource allocation and scheduling. Development increases the mutual dependency on a limited resource. It also evokes a greater interdependence of timing of activities. Such interdependencies are closely linked to process innovation whether manifested in import substitution or technology replacement. The interdependencies generate pressures on the part of all participants to control the allocation of resources and the timing of activities.

The approach toward a resolution of this type of conflict rests on joint decision-making. It calls for *participation* in the relevant marketing decisions. Thus, the pertinent marketing strategy associated with development planning should focus essentially on enlisting the participation of marketing channels and institutions in the formulation and implementation of the marketing plan (El-Sherbini 1965). This is not an easy task and it needs as much ingenuity as required from marketing managers in developed countries.

Ironically, the experiences of many developing countries exhibit totally different strategies which focus on the elimination of existing middlemen and the development of new marketing channels. This leads to inevitable confrontations and sometimes to outright warfare. It reflects a lack of understanding of the essence of the development process. Although marketing structures and institutions may not be tuned to process innovation, the real issue concerns adaptation rather than elimination. And the process of adaptation is often more demanding than the process of creation.

SUMMARY AND CONCLUSIONS

There is growing evidence that marketing has been an important factor in the growth of many developing countries. The role of marketing can be generally perceived

in two major contexts. The first is in relation to the identification and implementation of development projects. The second concerns the distribution of gains from development. Most of the existing literature has focused on the first context, whereas the second has been generally unexplored. However, most of the available evidence points out that marketing has been a negative factor in the development process. But the evidence is largely undocumented due to the lack of marketing theory in relation to economic development.

The existing marketing literature is sporadic and scattered. It lacks a coherent framework relating marketing concepts to the process of economic development. Nevertheless, three approaches can be identified: one is institutional, the second is managerial, and the third is behavioral. There has been an over emphasis on the first two approaches, but without any significant impact on the development process. The institutional approach has stressed modernization of marketing facilities, but with little regard to the effects on the distribution of the gains from development. The ultimate results have often been to make the rich richer and the poor poorer. The managerial approach has put the emphasis on the transfer of marketing know-how from the industrialized to the developing countries. But the know-how has been generally inappropriate for the conditions of developing countries. It is invariably oriented to product innovation and *not* to process innovation. The latter is the predominant force in developing economies.

The behavioral approach offers powerful tools for understanding the interplay of marketing forces in economic development. Behavioral adjustments constitute important marketing constraints on the process of economic development as illustrated by the behavioral adjustments associated with import substitution and process innovation. The overriding behavioral problem relates to changes in the degree of mutual dependence on supply sources for marketable output or for raw material input. The increase in the degree of interdependence of manufacturer-distributor activities is another important aspect of behavioral adjustments. The inter-distributor conflicts and the supply source-distributor conflicts often trigger frictions which are very detrimental to the development process. Outright warfare is not uncommon under these circumstances and they often lead to the collapse of development projects during the implementation phase or soon thereafter. In this respect, organization theory shows great promise in relating marketing to the process of economic development.

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THE FOUNDATIONS FOR A POSITIVE THEORY OF MACROMARKETING

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Interest in macromarketing has expanded rapidly during the past several years. This is evidenced not only by a well attended fourth annual seminar focusing on macromarketing issues, but also by the increase in macromarketing papers presented at various international, national, and regional meetings, as well as published research in professional journals. Much of the discussion has focused on conceptual issues and a concern for theory development. While several contributions have focused upon what macromarketing is or is not, there does not seem to be a concensus as to its scope or its role in relation to "micromarketing" concerns. Given this lack of concensus about what macromarketing "is," it is not surprising that we have not accepted a "theory" of macromarketing. This paper is a first effort to present a positive theory of macromarketing.

It is our view that "macromarketing" theory undertakes to explain the functioning of the composite marketing mechanism, both as a result of and as a determinant of the economic and social environments. The position taken in this paper is that the foundations for a positive theory of macromarketing were laid by Professor Charles Slater in his "theory of market processes" (1977e, 1978) and the development and application of dynamic input-output simulation models (DIOSIM), (1977d, Slater and Walsham 1975; Slater and Jenkins et al. 1979).

The purpose of this paper is to put forth a synthesis of these concepts and to suggest areas for further development and application.

WHAT MIGHT A POSITIVE THEORY OF MACROMARKETING LOOK LIKE?

There seems to be no generally accepted theory of macromarketing against which to position this offering. However, there is some agreement that a "theory" should explain and/or predict. More specifically, a theory should provide a comprehensive system for understanding the relationships of system components, express these relationships in systematic quantifiable form, and allow for empirical testing and the generation of lawlike generalizations (Hunt 1976). In order to provide some direction and order to the development of the theory presented here, the micro-macro/positive-normative paradigm presented by Shawver and French (1978) will be used (Figure 1).

	Micro-Marketing	Macro-Marketing
Positive		
Normative		

Figure 1. Marketing Theory Categories

(Shawver and French 1978)

BACKGROUND AND DEVELOPMENT

The Market Process Concept

The market process concept evolved from several converging concerns for cultural change and the transfer of technology from more advanced to less advanced societies. Earlier influences on the concept of market processes derive from efforts to link marketing and distribution problems of developing societies with historical perspectives on cultural change (Rostow 1964, 1971; Galbraith and Holton 1955; Rogers and Shoemaker 1971). Taking what is essentially a "Transvection" approach (Alderson 1965), the concept takes a "vertical" slice of a distribution system, focusing on one life support sector at a time.

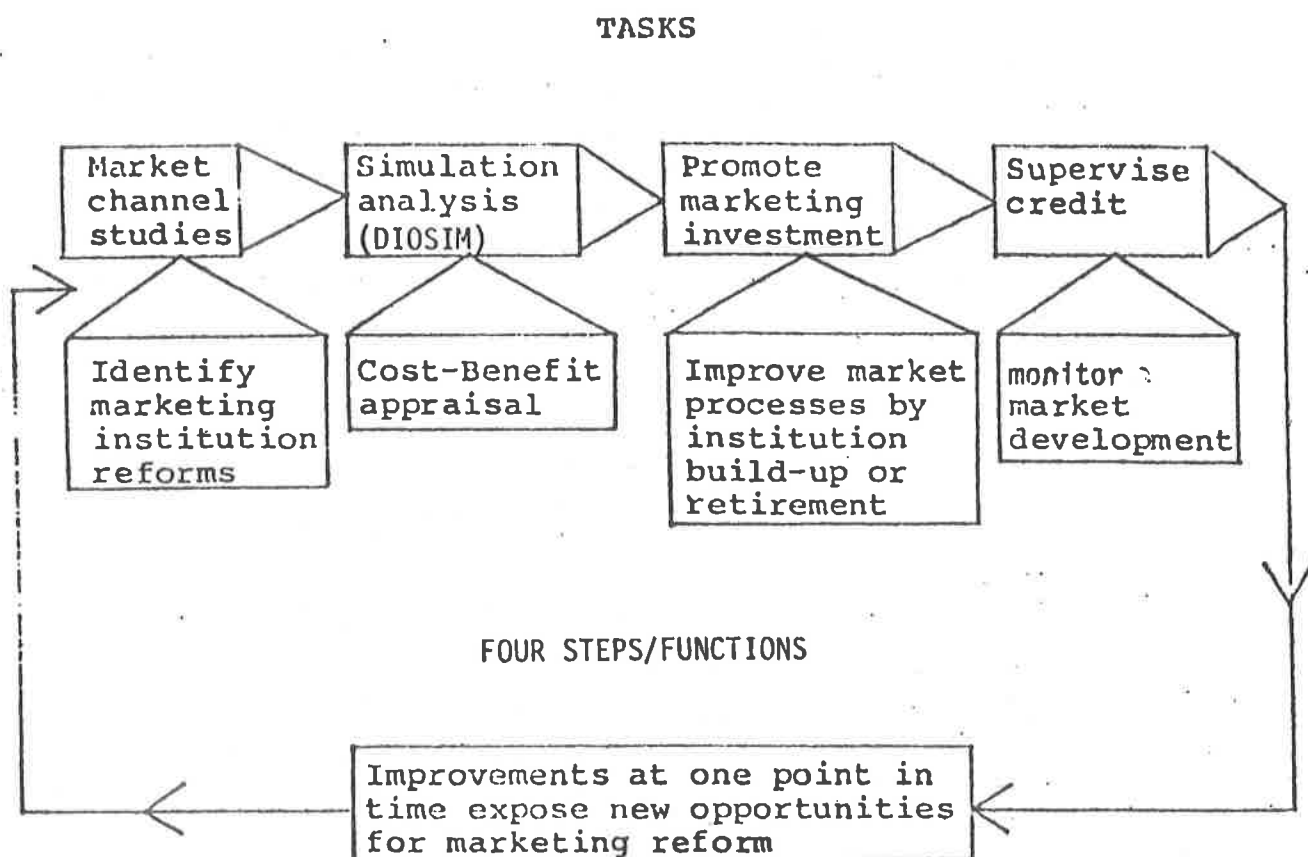
Slater (1978) summarized four generally accepted marketing principles that underpin the market process concept:

- 1) The "marketing concept" (optimally serve the consumer).
- 2) The "marketing mix" concept (product, price, promotion, place).
- 3) Consumer behavior which is reasonably predictable and malleable with limits.
- 4) Operators who work to minimize risk and uncertainty as well as expand net revenues.

Others studying marketing and its potential role in social goal achievement have made similar observations. Bucklin and Stasch have noted the necessity to evaluate a market system "in the light of its contribution to society" (1970, p. 3). Currie has taken the position that marketing channels are a social system for the society (1968). It seems only reasonable to ask, "Are the market process systems optimally delivering satisfaction to members of society?"

In the early 60's a series of studies were undertaken on the role of marketing processes in development by Charles Slater, Harold Riley, and others at Michigan State's Latin American Studies Center (Slater and Riley 1969, Slater and Henley 1969a, Riley and Slater 1970, Riley and Harrison 1970a). Believing that the food system of developing countries is basic to life support and development, these studies focused upon a country's internal market processes related to the delivery of food to consumers, seeking to find "barriers" to improved market performance (Slater 1968, p. 50). For example, "barriers" to the food delivery system might include: lack of channel member or consumer credit, uncoordinated market channels, poor and undefined infrastructure, bottlenecks in the flow of goods, etc. The early conceptual framework for research into market processes is summarized in Figure 2 (Slater, 1968).

Figure 2. Organization for continuing market development effort.



The several studies varied in details, each study building upon the experience gained from previous studies and adapting to the specific needs of the study at hand. However, the general conclusion was that the research program should take four steps as outlined in Figure 2 (Slater 1968).

These market channel studies (also known as “channel mapping”) sought to “identify market development needs or opportunities by sustained research into marketing channels and the risks and bottlenecks seen by operators” (Slater 1968, p. 55). Using relatively conventional marketing and consumer behavior research techniques, the investigations began with the perspective of the consumer and traced the flow of food backwards through the distribution channel. This perspective views food as an input to a consumer’s well being rather than the more traditional developmental approach of viewing food as agricultural output or costly imports (Emery 1977). The investigation includes the types, quantities, and prices of food as ingested by consumers, consumer attitudes about food and the food system, demographic data, and a “backwards” tracing of the flow of the food delivery system (consumer, retailers and wholesalers structure, processors, assemblers, producers and primary input suppliers). It is important to note that it is not just intermediaries that are included, but also producers, processors, and input suppliers. The results of such a study provide a positive/descriptive map of the food system for a country or region (Dahringer 1978, 1979). There is, of course, no reason why this methodology should be limited to a food system. Similar studies could be conducted for other basic human needs and the systems for fulfilling them, i.e., water, housing, clothing, health and medical services, education, legal and justice systems, transportation (Slater, Jenkins, et al, 1979). For example, see Figure 3.

PRIORITIES

LIFE-SUPPORT SYSTEMS

Security	Military, Police, and Justive Systems
Nutrition and Water	Food and Beverage Systems
Shelter	Housing
Warmth and Cover	Clothing
Health and Sanitation	Medical Sciences
Education	Schools and Training Programs
Mobility	Transportation
Aesthetics	Art and Environmental Preservation Systems

Figure Number 3.

The methodological development of "Channel Mapping" is not complete. Channel mapping, especially in less economically developed societies, can be greatly improved by developments in primary data gathering and measurement techniques. Applications into areas other than food are needed before generalizable methods are available. Even within the area of food and nutrition, additional development is warranted. For example, channel maps of food flows could be further analyzed to capture the nutritive conversion and transfer at each stage in the flow. The nutritional components of food may be altered at various points in the channel; for example, vitamins may be added or subtracted at various points in assembly and processing. It would be useful to isolate these changes if nutritional enhancement of a target population is a normative goal.

In summary, the primary function of any market process (channel mapping) investigation is to understand a "Life Support" system and to identify potential intervention points that will improve the performance of the system or meet other objective criteria.

DIOSIM MODELING

In the channel mapping projects in Brazil and Puerto Rico, partial equilibrium models were developed that focused on the food system. It was recognized that these models lacked detail and therefore could not provide the level of analysis necessary to understand the total impact of intervention strategies. From this beginning, a system of equations was developed during 1973 and 1974 in Kenya by Charles Slater and Geoffrey Walsham (Slater, Walsham and Shah 1977). The basic model was called DIOSIM, or dynamic input/output simulation model. Since the KENSIM project, there have been three major applications of the DIOSIM concept: (1) ZIMSIM, which modeled the economy of Rhodesia in order to assess the probable impacts of the transition to majority rule (Slater 1977b), (2) USSIM, which modeled the United States economy and was used to provide sensitivity and reliability testing for the class of models (Pook 1979), and (3) COLOSIM which modeled the economy of the state of Colorado in order to evaluate the 1977-78 drought and possible policies to ameliorate its impact (Slater, 1977a). The details of the model have been presented elsewhere (Slater, Jenkins, et al, 1979) and therefore here we will only discuss several essential features.

Figure 4 presents a schematic diagram of the DIOSIM model. It depicts five major activity centers: (1) the input/output table, (2) the sales component, (3) the household sector, (4) the government component, and (5) the capital formation sector. Each of these are discussed briefly below.

The input/output transactions table operates in the traditional manner of Leontief models, quantifying the input/output relationships between the processing sectors. Generally, transaction tables are disaggregated to the fullest extent possible. The DIOSIM model is unusual in this regard in that it has only ten processing sectors. Disaggregation has been concentrated in the household component. In this way, cross elasticities of demand are minimized and data requirements are simplified.

The sales component is a unique feature of the DIOSIM model. This market sector provides a more realistic flow of goods from the production sector through the

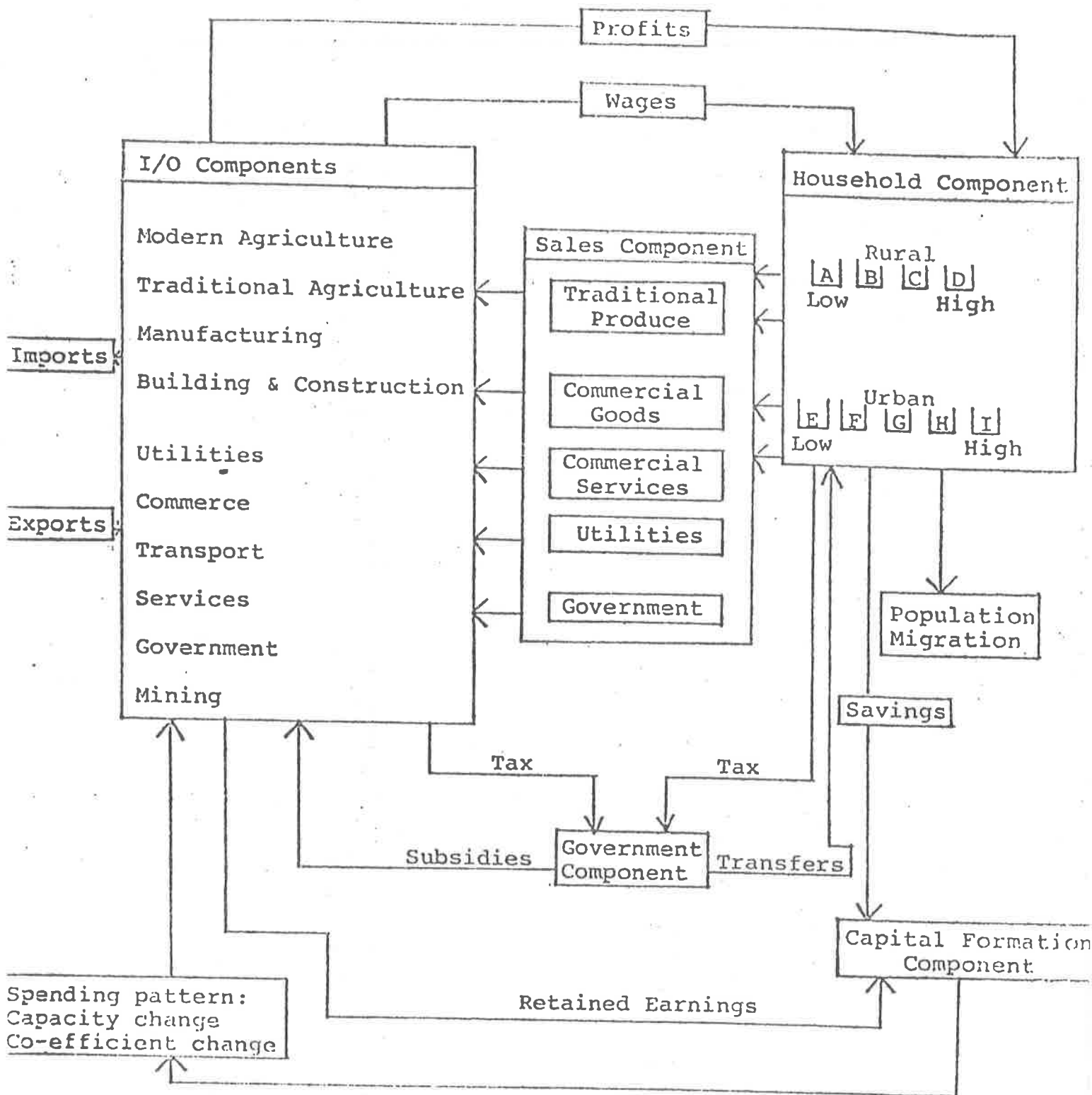


Figure 4. Schematic Diagram of DIOSIM
 (Arrows indicate direction of money flows.)
 (Slater, Jenkins, et al, 1979, p.44)

distribution sector to the consumption sector. It is through the operation of this sector that DIOSIM really becomes a marketing model.

As mentioned earlier, DIOSIM's household sector is unusual in that it is disaggregated into several income classes. There are nine classes, divided along income levels as well as the urban/rural distinction. This disaggregation begins to approach some of the income distribution issues that El-Sherbini raises in his paper (El-Sherbini 1979). Income distribution is a critical issue in economic policy and intervention. The DIOSIM household sector is an attempt to investigate the issue, but as will be suggested later, this representation is not wholly adequate.

The government component collects taxes and provides subsidies to households and processing sectors. Through manipulation of this sector, public policy can be simulated and assessed. A series of annual inputs to the model allows government policy to change in response to varying circumstances.

In the capital formation sector, household savings, retained earnings and depreciation, government investment, and foreign capital investment are combined to generate capital formation for each sector. Investment demands construction, increases the capacity of the sector, and alters the technical co-efficients of the sector to which it is applied.

In addition to the design of these activity centers, there are several other unusual features of the DIOSIM model. DIOSIM is demand driven. For any year of model operation, income generates demand, demand activates the life support distribution systems, the distribution systems in turn activate production, and finally the production and distribution systems distribute income to households (as well as to government and investment). This income then generates demand for the next period of model operation. The demand driven emphasis of the DIOSIM model derives directly from the channel mapping work where the focus was on the consumer and how well the channel performs in meeting his needs. This orientation puts the emphasis on consumption and thus avoids a production-capacity focus. In this way, as well as through the design of the market sector, the DIOSIM model responds to the need for an activist role for marketing in development as described by Cundiff and Hilger (1979).

Another unique feature of the DIOSIM model is that the data requirements are relatively simple and the needed data is frequently available in published statistics.

It should be emphasized that DIOSIM is not a forecasting model. A base case is designed that tracks historic data for a period of several years, and then projects data into the future at a slow but steady growth rate. This base case is not a forecast of the future, but rather is used as a benchmark against which scenarios of change can be compared. In this way, DIOSIM provides trade-off analysis that is essentially comparative in nature and emphasizes trends of change rather than specific quantities of variation.

DIOSIM has been applied with success in several situations, but more research is needed. The household component has several areas that need investigation. The income distribution aspects of the model were designed because it was recognized that this is a critical issue. However, a careful evaluation of this feature and how it related to the demand generated is needed. Initial consideration of this relationship indicates

that there may be some inconsistencies in the design. In addition, jobs per household as they affect income levels is an area that needs research. In the Kenyan application of DIOSIM, this question seemed relatively simple: rarely did one household have more than one job. However, in more developed economies multi-job families are becoming more common, and frequently jobs within one household are not at the same income level. The quantification of this relationship is important to the operation of the household sector and the demand generated. Finally, more research is needed in the household sector on elasticities of demand and consumer preferences.

Another activity center that needs further development is the capital formation sector. In the original design, the effects of capital formation (for example, increased capacity) occurred in the same year as investment. In the COLOSIM application, some experimentation was undertaken to lag the effects and thus make this relationship more realistic. Further work in this direction is needed.

Another area for DIOSIM development is application of the model to regional analysis. Regional analysis, using DIOSIM models would provide a common base for communication and comparison, and thus clearly show the similarities and differences between the nations involved. In this way, the value of cooperation could be investigated.

One final area for development of the DIOSIM model is the design of interactive components to facilitate the model's use in planning. Work in this area has been started under the direction of professor Robert Taylor, in the Business Research Division at the University of Colorado. Graphics have been designed which depict the model inputs and outputs in time series form and thus highlight trends of change. Work has also been undertaken to simplify the model's data stream. Currently DIOSIM is available only in batch mode: access from an interactive terminal needs to be developed.

INTEGRATION OF CHANNEL MAPPING AND DIOSIM

Channel mapping and DIOSIM modeling are complementary techniques and their integration will have synergistic effects (discussed in Slater, Jenkins, et al, 1979). Professor Slater was convinced that this integration could provide the base for the integration of social process study.

Figure 5 presents an outline for the integrated application of channel mapping and DIOSIM modeling. It is obvious from the diagram that the essential elements of the integration are cooperation, coordination, and communication. The DIOSIM project should be centered in the central planning unit of the government and the channel mapping efforts should be in the relevant ministries. The two projects should proceed simultaneously, but be carefully coordinated. The integration is an iterative process whereby both channel mapping and DIOSIM modeling interact to enhance the ways in which development plans are designed, presented and evaluated comparatively.

Although both research efforts should follow their own steps to completion, as indicated by the horizontal arrows on the diagram, the paths of interaction (as indicated by the vertical arrows) are numerous. The initial interaction develops a specification of research needs. Information flows in both directions to determine the

Channel Mapping Research
in
various life support
sectors

DIOSIM MODELING
research program

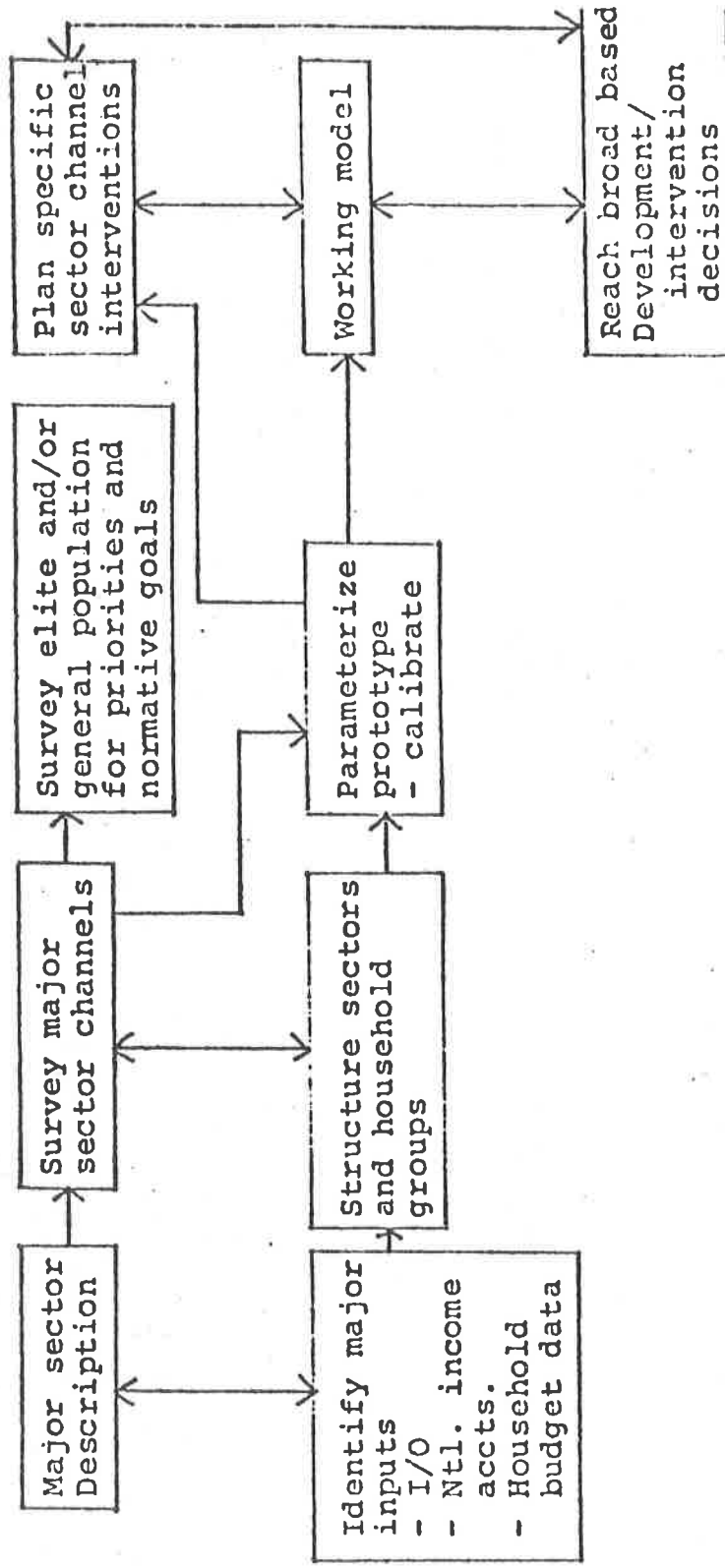


Figure 5. Method for integrating channel mapping & DIOSIM Modeling
(Horizontal arrows indicate work flow; vertical arrows indicate
feedback and interaction between research programs)

(Slater, Jenkins, et al 1979, p.73)

parameterization needs of DIOSIM and which channels should be mapped. The next interaction in the diagram indicates the flow of preliminary data. Data flows in both directions and enables both teams to derive exacting definitions of data needs and availabilities. Along the third path of interaction, specific data is provided for DIOSIM parameterization based on channel mapping research. It is here that channel mapping makes its most direct contribution to the modeling effort. Data is provided for parameterization and calibration.

The final crucial interaction is the use of the DIOSIM model to evaluate and help re-design intervention strategies that have been derived from the channel mapping studies. It is in this iterative process that the trade-off assessment capabilities of DIOSIM are utilized. The cooperation and communication that have been established throughout the entire integration process will be immensely important at this stage of evaluation.

In summary, DIOSIM modeling and channel mapping can be integrated to provide a basis for better policy decisions. Channel mapping can help define and parameterize the DIOSIM model. In turn, the DIOSIM model can evaluate the intervention strategies derived from channel mapping. The two techniques are complementary and the synergistic effects of their integration will be an invaluable aid to making rational policy decisions.

TOWARD A POSITIVE THEORY OF MACROMARKETING

In a theoretical perspective, the integration of channel mapping and DIOSIM provides us with the basis for a positive theory of macromarketing. The result is a macromarketing model of a country, region or sector that provides a comprehensive system for understanding the relationships of system components, expresses these relationships in systematic quantifiable form, and allows for empirical testing and the generation of law-like generalizations, thus meeting the basic requirements for theory development (Hunt 1976). It is "positive" in that it is descriptive of actual "life support" systems. It is "micro" in that it is concerned with the practices and "transvections" of each firm or individual in a channel delivery system. It is "macro" in its concern with society and the market system as a whole. Finally, the theory becomes "normative" when applied to normative policy options in a trade-off analysis. Thus positive theory facilitates normative decisions. The integration of channel mapping and DIOSIM clearly forms the foundations for a positive theory of macromarketing.

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ECONOMIC PERFORMANCE IN VERTICAL MARKETING SYSTEMS

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The hypothesis that the existence of contractual vertical arrangements in marketing channels would be positively related to channel economic performance, was only partially supported by aggregate, secondary data. From the nature and quality of the data, however, only effects of small magnitudes were to be expected. The study illustrates the inherent weaknesses in using secondary official statistics for hypothesis testing.

INTRODUCTION

Research on marketing channels critically depends on a close linkage between institutional channel structure and channel performance. The institutional structure of a marketing channel here refers to ways of organizing the vertical transactions which take place in a channel. The structural arrangements range from perfect markets linking adjacent vertical levels in marketing channel to tightly controlled, vertically integrated systems.

Channel performance refers to the system output or effectiveness, as seen from a micro (firm or channel) perspective or from a macro (societal) perspective. The linkage between institutional structure and performance has theoretical, managerial and public policy importance. Theoretically, the linkage is crucial in evaluating under what conditions the various transactional modes are the more effective. Managerially, the linkage represents a key criterion for channel design. And from a public policy point of view the linkage is essential in determining welfare implications of various distributive systems. On this background, it is paradoxically to find so little empirical testing of the above relationship. Usually, the institutional channel structure—channel performance relationship is based on assumptions and theoretical arguments with little or no reporting of empirical evidence (c.f. Mattsson 1969).

HYPOTHESIS

The linkage between institutional structure and channel performance can be stated in terms of a general hypothesis (GH):

Institutional channel structures characterized by a high degree of vertical coordination are positively associated with high economic performances of the channel.

Several arguments support this hypothesis: Assuming a profit maximizing firm, any moves toward vertical integration are motivated by the economic gains involved, either by obtaining additional profit margins from adjacent stages in the distribution process, or by avoiding certain costs of using intermediate markets. Following this line of reasoning, the pure existence and growth of centrally coordinated vertical marketing systems can be taken as evidence for their inherent advantages which allow them to improve their internal economic performance and possibly also reduce the costs of distribution to the consumers (Davidson 1970, McCammon 1965, 1970). The argument is consistent with a natural selection model for an ecology of organizations (Nelson and Winter 1973; Aldrich and Pfeffer 1976; Hannan and Freeman 1977; Aldrich 1979), in this case the various types of distribution networks. Without high barriers to entry and exit the environment is likely to select the distribution systems with the relatively highest macro performance, that is, high service and low costs to the consumers. The incentives for a channel to provide such qualities are likely to be the micro economic gains involved. Thus, the best survivors are also the best performers; a proposition which is taken as common wisdom in most market economies. The natural selection argument is an indirect theoretical explanation which may be difficult to measure empirically due to the developmental nature of selection processes and the existence of market imperfections.

A more direct rationale for the general hypothesis advanced above is based on the potential cost advantages inherent in increased coordination and programming of distribution activities within the marketing channel. Potential cost advantages may be achieved by joint decision making curbing economic suboptimization within the channel and exploiting scale economies (c.f., Davis and Whinston 1962; Akerlof 1970; Tuite 1972). Additional cost advantages may be realized through increased programming of distribution activities, e.g., through the use of computer based ordering and inventory control systems.

Another and very powerful rationale supporting the general hypothesis of economic performance benefits of coordinated vertical marketing systems is provided by economists studying market failure (e.g., Williamson 1975; Arrow 1974; Coase 1937). In many cases, they argue, transactions within an organization are less costly than transactions through a market. The use of intermediary markets within a distribution system incurs substantial transaction costs in terms of information search, communication, bargaining and control given the complexity and uncertainty inherent in most transactions. Coordinated systems (or hierarchies) provide transactional benefits over markets by reducing opportunistic behavior and information distortions (Williamson 1975). The result is lower transaction costs and increased economic performance. The same reasoning is thought to hold for coordinated vertical marketing systems as compared to fragmented, uncoordinated marketing channels (Stern, Reve and Phillips 1979).

METHODOLOGY

Design

Secondary data was used in order to test the general hypothesis (GH) stated above. There are several reasons for this choice of design. First, it is a pragmatic research

strategy to start out with available secondary data. Such data are inexpensive and often readily available. Second, such a strategy may serve as a pilot phase to improve the quality of future primary research. Third, from a macromarketing and public policy perspective, insights into macromarketing systems as part of the total economy are often wanted, requiring resources which are out of the reach of most researchers.

Data

The present study relies on secondary data previously gathered and reported by the Central Bureau of Statistics of Norway. Several sources of such data have been employed:

- (1) data from the Census of establishments conducted among all retail establishments in 1974 (NOS 1977),
- (2) a survey based on a stratified sample of the wholesale establishments, estimated to represent 65-70 percent of the total wholesale trade (SA 1978).

Comparable data at the wholesale and retail levels were available in the following industries: Consumer food products, clothing, and furniture and appliances at the three digit level as measured by the SIC-standard. Furthermore, additional data reported by the National Institute of Productivity have been employed (NPI 1976).

Measurement

In order to test the general hypotheses (GH) stated above, measurements of (1) degree of vertical coordination and (2) channel performance were needed.

- (1) *Vertical coordination*: When gathering the census data for the retail level (by mail questionnaires), the following question was asked:

“. . . Do the retail firms cooperate with other firms?” The following fixed response alternatives were offered:

- (a) Voluntary chain operated by wholesalers;
- (b) wholesale establishment owned by retailers;
- (c) other types of purchase co-operation;²
- (d) unspecified, here interpreted as no contractual vertical arrangements.

In the present study, the indicators of vertical arrangement was treated as a “dummy”-variable, i.e. (1) if some type of vertical cooperative arrangement existed, and (0) if no vertical cooperative arrangements were reported.

- (2) *Channel performance*: In order to test the hypothesis stated above some fairly reliable *indicators of channel performance* were needed. As noted in the channel literature, however, the performance concept is in no way unproblematic (for overview, cf. Stern and El-Ansary 1977, ch. 6). When considering vertical arrangements in the distribution channel, it is obvious that more than one party may

contribute to the total performance of the system. Even if we are willing to assume that the consumers' and producers' involvement in the distribution activities are the same whatever type of distribution system they are attached to (which definitely do not need to be true), still the contributions of the various intermediaries need to be taken into account when evaluating the performance of various vertical arrangements. Bucklin and Carman (1974), in their discussion of performance of various vertical marketing systems, distinguish between three dimensions of performance: (1) *outputs of the system* (i.e., volume delivered, accessibility, product assortment), (2) *system costs and efficiency* (proportion of final product cost attributed to the middleman in the system, and various indicators of productivity), and (3) *progressiveness* (channel innovativeness and adaptability). Here the following indicators of channel economic performance were applied:

At the *retail level*:

- (1) gross profits as percentage of goods sold (%);
- (2) salaries, wages and social expenses relative to total sales (%);
- (3) total sales/number of persons employed;
- (4) persons employed/number of establishments;
- (5) salaries, wages and social expenses as percentage of gross profits.

At the *wholesale level* only the first criterion was computed, due to lack of adequate data.

All of the indicators used here have been applied in previous studies (cf. Bucklin and Carman 1974). Some of the performance indicators need some further comments: Gross profits (cf. 1) are directly related to the prime goal of business firms and should be a very relevant performance criterion; Salaries, wages and social expenses (cf. 2, 3, and 5) represent an important fraction of the total distribution costs. The way manpower is used in various vertical arrangements will affect costs and profits and may thus be directly related to system performance. The fourth indicator is obviously related to size and sales. If there exists some type of economies of scale, this indicator may in turn be related to performance.

RESULTS

Vertical marketing systems have to a large extent replaced conventional modes of distribution in many industries. McCammon (1970) estimated that vertical marketing systems, in 1970, for U. S. consumer goods, accounted for about 2/3 of the total market, and that proportion has probably been growing. Some recent data for Norway show the following pattern of growth in vertical marketing systems for consumer good products, clothing, furniture and appliances.³

As seen from Figure 1 the market share for vertical marketing systems has been rapidly growing. This growth tendency per se may be taken as an indicator of higher efficiency in vertical marketing systems as compared to conventional marketing systems, which is consistent with the argument of a natural selection model for an ecology of organizations launched above.

Performance measures related to the retail level and the wholesale level are reported in Tables 1 and 3, respectively. When looking at the various economic performance indicators in Table 1, the following "pattern" emerges:

The results for the gross profits measures do not discriminate between the two types of distribution systems. When comparing the "total," with the "no contractual arrangements" column, one result (furniture and appliances) is actually in the opposite direction of the hypothesis.

When comparing the gross profits for the various vertical arrangements with the "no contractual arrangements" column across the various industries, three results in the expected and six results in the opposite direction of the hypothesis are observed.⁴

Restricting ourselves to compare the "total" and the "no contractual arrangement" columns for the performance indicators, the results are observed in Table 2. As seen from Table 2, all the results for the output-related measure (total sales/persons engaged) and the size-related measure (number of persons per firm), are in the expected direction. The results for the other performance indicators are mixed.

At the *wholesale level*, the results, as presented in Table 3, emerge. When comparing the "total" column with wholesalers without any type of vertical arrangement, higher gross profits are observed in the furniture industry, no difference is found in the food industry, and lower gross profits are observed in the clothing industry. As seen from Table 3, the gross profits for the various types of vertical arrangements vary within each of the industries.

DISCUSSION

As reported above, no unique support for the stated hypothesis was found. Several factors may, however, attribute to these mixed findings.

The measures employed in the present study obviously represent one important source of bias. The measures used did not take into account the degree (or intensity) of cooperation between the various intermediaries. The fixed response alternatives used for various types of vertical coordination represented very crude categories. Factors such as lack of clarity and understanding, difficulties in choosing an alternative, etc. have probably contributed to an underreporting of various types of vertical arrangement.⁵

It should also be noted that the various performance indicators used in this study did not explicitly take into account market prices. Higher profits due to increased productivity may of course be redistributed to the consumers, and will thus increase the viability of the system. The indicators employed here will not reflect such tendencies.

Market Share :
Vertical
Marketing
Systems

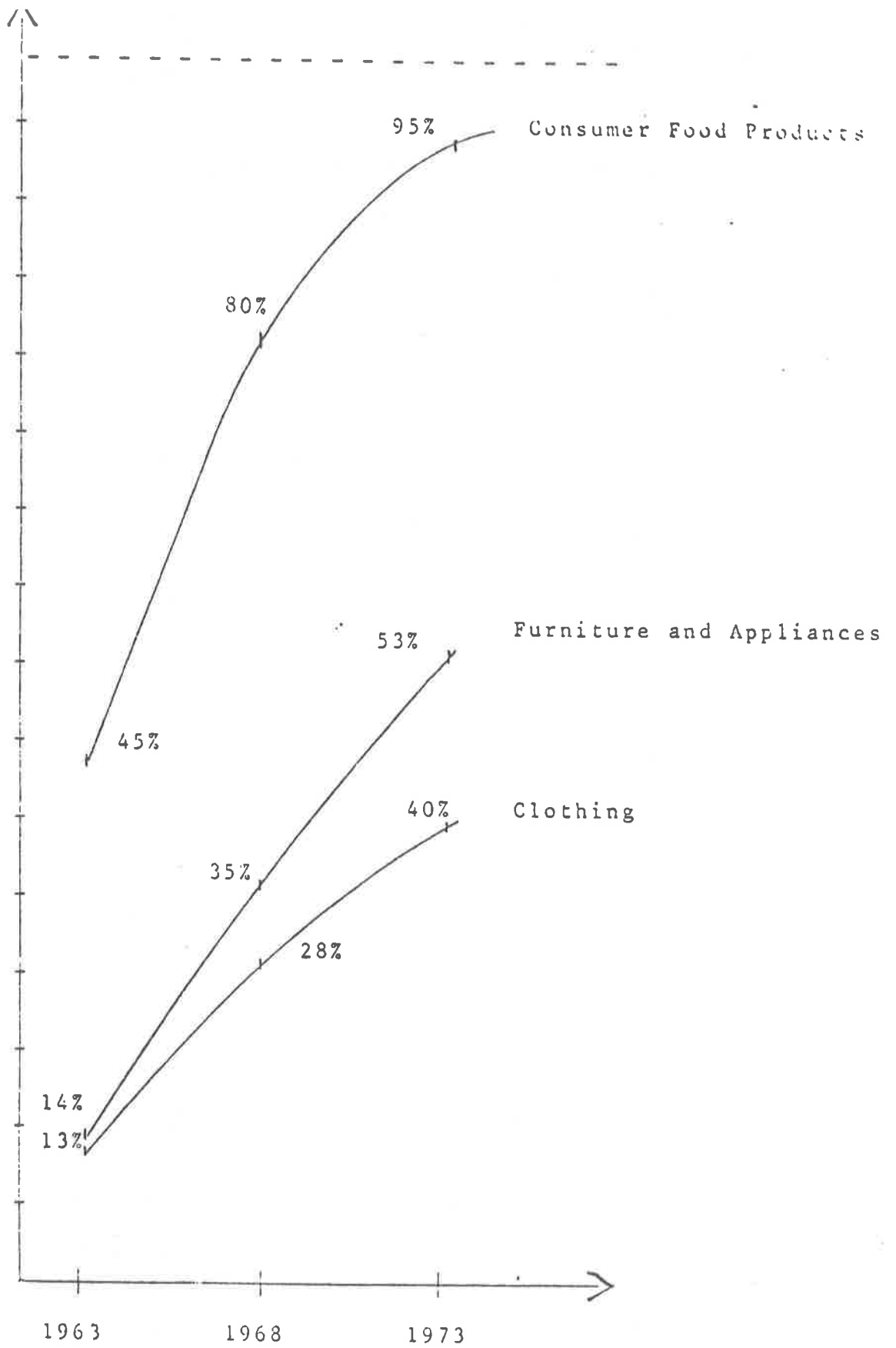


FIGURE 1: Prevalence and growth of vertical cooperative arrangements in the distribution of consumer products, Norway, 1963-1973.

Table 1. Performance in Various Distribution System - Retail Level

Industry	Performance indicators	Voluntary chain operated by wholesalers	Wholesale establishment owned by retailers	Other type of purchase co-operation	No contractual arrangements	Total
<u>Consumer food products</u>						
	1) Gross profits as percentage of goods sold (%)	26	23	27	24	24
	2) Salaries .../total sales (%)	7,01	9,22	7,51	6,16	8,37
	3) Total sales/persons engaged (\$ 1000)	60	70	54	54	59
	4) No. of persons per establishment	4,45	4,79	6,12	2,99	3,47
	5) Salaries ... as percentage of gross profit (%)	37	50	42	41	43
	(n/% =)	(969/5,98%)	(3020/18,64%)	(273/1,63%)	(1194/73,70%)	(16203/100%)
<u>Clothing</u>						
	1) Gross profits as percentage of goods sold (%)	43	41	48	47	47
	2) Salaries .../total sales (%)	14,33	14,13	15,83	15,37	15,37
	3) Total sales/persons engaged (\$ 1000)	45	50	45	38	39
	4) No. of persons per establishment	6,29	5,30	7,93	4,35	4,73
	5) Salaries ... as percentage of gross profit (%)	48	48	48	49	48
	(n/% =)	(153/3,19%)	(61/1,27%)	(403/8,41%)	(4178/87,13%)	(4795/100%)
<u>Furniture & appliances</u>						
	1) Gross profits as percentage of goods sold (%)	32	30	32	35	34
	2) Salaries .../total sales (%)	10,63	10,21	11,61	11,81	11,62
	3) Total sales/persons engaged (\$ 1000)	74	78	69	62	64
	4) No. of persons per establishment	4,99	5,44	5,43	3,75	4,01
	5) Salaries ... as percentage of gross profit (%)	44	44	48	45	46
	(n/% =)	(594/5,67%)	(435/4,15%)	(1298/12,20%)	(8144/77,78%)	(10471/100%)

Table 2. Performance in Contractual and Conventional Distribution Systems Compared - Retail Level

Performance indicators:	Industry: Consumer food products	Clothing	Furniture & appliances
(1) Gross profit as percentage of goods sold	no diff.	no diff.	lower
(2) Salaries/tot. sales	higher	no diff.	lower
(3) Tot. sales/persons emp.	higher	higher	higher
(4) No. of persons per establishment	higher	higher	higher
(5) Salaries ... as percentage of gross profits	higher	lower	higher

Table 3. Gross profits (%) in Various Distribution Systems - Wholesale level

Gross profits / Industry	No contrac- tual arrange- ment	Enterprises in connection with domestic owned concerns	Voluntary chain	Other arrange- ment	Total
a) Consumer food prod. (n =)	16 (37)	23 (24)	12 (15)	--- (30)	16 (106)
b) Clothing (n =)	24 (21)	20 (4)	--- (3)	--- (1)	22 (29)
c) Furniture and appl. (n =)	21 (16)	27 (4)	--- (1)	--- (7)	(24) (28)

Another source of bias is due to the fact that the distribution systems have only been partially measured. First, variations in consumers' and producers' efforts in the distribution activities—if any—have not been taken into account. Even more serious is the fact that we have no guarantee that all the relevant intermediaries have been included. Furthermore, the census at the retail level and the sample data at the wholesale level are not easily aggregated (due to no direct linkages between the levels).

It can be argued that vertical contractual arrangements are most likely to take place when firms are facing internal economic problems or external threats. In other words, such arrangements may be seen as devices to overcome economic problems in order to survive. The true differences in performance for the various systems operating at a given time—as mapped here—is consequently expected to be small. Thus, existing performance differences are expected to be difficult to trace. In addition, the economic margins in wholesaling and retailing are small, which narrows the range of the variables observed.

The present study illustrates some of the inherent weaknesses in relying on official statistics and other secondary data. Several of the weaknesses and defects may be explained in terms of “rush to the data” with too little emphasis on the problem to be studied. The shortcomings partly originate in limited consultations between the bureaus collecting secondary data and the research community on questions of design and measurement. Partly, it is a question of multiple and often conflicting usages of secondary data, but frequently, the research problems to be addressed are only vaguely known. Given the need for secondary data in macromarketing research researchers should become more articulate in specifying their data needs and requirements. Data bureau people, on the other hand, should become less number oriented and more application oriented. Otherwise, extreme care is needed whenever secondary data are used to avoid the GIGO-trap (garbage in-garbage out).

SUMMARY

The present study relying on secondary official statistics provides weak support for the hypothesis that vertical coordination positively affects marketing channel performance. The hypothesis advanced has strong theoretical underpinnings. The growth of vertical marketing systems in many sectors of the economy provides indirect support for the hypothesis. Mixed results, however, were obtained when testing the above hypothesis using aggregate secondary data for retailers and wholesalers. The mixed findings might be due to measurement noise and crude operationalization of constructs. Thus, a search for secondary data better adapted to the hypothesis testing in question should be undertaken preceding primary data collection. In further analyses of the relationship between vertical coordination and economic performance of marketing channels mediating variables, such as channel sentiments and behavior, as well as differing environmental conditions, need to be taken explicitly into account (Stern, Reve and Phillips 1979). The first set of mediating variables probably requires primary data while environmental variables, e. g., market structure, can be assessed largely using secondary data.

FOOTNOTES

¹Names are listed alphabetically. Each author contributed equally.

²The first two response alternatives obviously represent contractual vertical arrangements. The third alternative may include both horizontal and vertical arrangements, but the objective in all three cases seems to be increased vertical coordination of distributive flows.

³The data for the three years compared are taken from: 1973—a comprehensive survey of vertical marketing systems conducted by the National Institute of Productivity (NPI 1976); 1968—research on national retailing conducted by Arndt (1972); 1963—census of wholesale and retail establishments (NOS 1964). Vertical marketing systems here include (1) wholesaler sponsored voluntary chains, (2) retailer cooperative voluntary chains, (3) consumer cooperatives, (4) retailing businesses with five or more subsidiaries.

⁴The differences in performance between the various distribution systems may also be due to differences in firm size. As seen from Table 1, however, the size differences are relatively small.

⁵This can also be seen when comparing the frequencies of vertical coordination (as reported in Table 1) with the data in Figure 1. This discrepancy can not be totally explained by differences in definitions.

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INNOVATIVENESS IN VERTICAL MARKETING SYSTEMS

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This paper examines empirical and theoretical evidence on the relationship between innovativeness and degree of vertical integration in marketing systems. It is suggested that this relationship is U-shaped. Furthermore, it is argued that a higher degree of innovativeness may be achieved through dual organizational structures, organizational learning, participatory management of interorganizational relations, and use of organizational development.

INTRODUCTION

The purpose of this paper is to discuss the relationship between innovativeness and degree and kind of vertical integration in marketing systems. The study does not report new data. Instead, existing evidence is reviewed, and a rudimentary conceptual framework is developed.

The last decades have seen an impressive growth in the importance of vertically integrated marketing systems, which are replacing intermediate competitive markets in many distributive sectors throughout the Western world. For example, in the Scandinavian countries, three to five vertical marketing systems handle more than three-quarters of the grocery goods volume.

Such vertical integration offers opportunities of high internal efficiency by reducing uncertainties, increasing control, and by replacing time-consuming market transactions and negotiations with administrative procedures. Hence, to some extent, the impressive gains of vertical marketing systems may be explained by their higher efficiency. At the same time, there are many indications that big size and a high degree of central control do not guarantee successful adaptation to the changing environment, exemplified by the problems of once successful vertical market systems such as A & P, W. T. Grant, and the Swedish EPA variety chain store organization.

It may be that a cost of a well-structured and internally-administered vertical marketing system is less pressure for innovation in products offered and in organization. Handy and Padberg (1971) who reviewed data from American food retailing, concluded that the big retail systems tended to emphasize price-competitive strategies and were less likely to stress new products.

In Scandinavia, the purchasing committees of the vertical marketing systems function as gatekeepers which the manufacturers have to pass in order to get access to the market. The passage is increasingly impeded by policies of reducing the number of

items carried and of replacing manufacturers' brands with private label or generic brands (being more often than not imitations of successful manufacturers' brands). In this way, a high degree of vertical integration may freeze existing structures, stifle innovation and in the long run be dysfunctional.

The aim of this paper is to examine the empirical and theoretical evidence on the relationship between innovativeness and vertical integration, as seen from a number of theoretical veins. Both micro (vertical marketing systems level) and macro (level of the whole economy) dimensions of the issue will be addressed. First, a few comments on the core concepts to be used would appear to be in order.

KEY CONCEPTS

This section presents definitions of the central concepts of the paper: vertical marketing systems, channel innovations, and channel innovativeness.

Vertical marketing systems can be described as "professionally managed and centrally programmed networks, pre-engineered to achieve operating economies and maximum marketing impact" (McCammon 1970, p. 43). As seen from an organizational structure point of view, vertical marketing systems are rationalized and centralized distribution networks designed to achieve economies through increased vertical coordination of marketing flows.

Innovation may be defined as the generation, acceptance, and implementation of new ideas, processes, products, or services (Thompson 1965). Hence, *channel innovations* can be defined as practices that are new to the organization(s) adopting them (Zaltman, Duncan, Holbek 1973; Aldrich 1979). Channel innovations may be of two types: (1) technical innovations, e.g., new logistical techniques or new computerized ordering or invoicing systems, and (2) managerial innovations, e.g., new forms of inter-organizational cooperation or new boundary roles within the organizations.

Channel innovativeness refers to a consistent ability of early adoption of technical and managerial innovations relative to other distribution channels within an industry.

PREVIOUS WORK AND RELEVANT LITERATURE

In reviewing previous work and relevant theories bearing on the issue of innovativeness in vertical marketing systems, the obvious starting point is the revitalized research tradition in marketing on channels of distribution. We will first review the evidence in this tradition on the relationship between innovativeness and vertical integration. Next, we will scan the evidence in related fields in a search for possible analogies and transferrable findings.

Vertical Marketing Systems

Research on marketing channels is probably as old as the discipline of marketing itself. Most past channel research has, however, mainly been limited to two major perspectives: a so-called *economic* approach and a *behavioral* approach.

The economic approach to channel research has mainly used microeconomic theory of the firm and industrial organization analysis focusing on costs and economic outputs of distribution systems, for the study of distribution systems. Prominent examples are Cox, Goodman and Fichandler (1965), Bucklin (1966, 1970, 1972), Baligh and Richartz (1967), and Bucklin and Carman (1974).

The behavioral approach to channel research has primarily drawn on social-psychological theories and concepts and have focused on channel internal variables such as control, power, conflict, and conflict resolution mechanisms, see Alderson (1957), Stern (1969), Stern and El-Ansary (1977), and Robicheaux and El-Ansary (1977). For our purposes, a shortcoming of both approaches is the emphasis on the internal structure and functioning within channels or vertical marketing systems. Although other outputs and performance dimensions are alluded to, only short-term economic outputs are made an explicit part of the objective function.

Our purposes, however, call for a third perspective, which here will be referred to as the *ecological* approach. This approach represents an open system or holistic orientation to channel research also including the relationships between a marketing channel and the environment in which the channel operates. Such a perspective calls for research attention to the sociological and socio-political aspects of channel behavior and performance. An ecological approach would make it necessary to examine performance dimensions or outputs other than economic ones. By this perspective all outputs affecting external interest groups would be of interest. Hence, such a scope enables inclusion of innovativeness as a legitimate output.

Given the dominance of the economic and behavioral (social-psychological) approaches, it is perhaps no wonder that innovative capacities of channels have mostly been ignored. In fact, with the exception of Etgar (1977), Mattsson (1978), and Stern, Reve, and Phillips (1979), few, if any, studies have dealt explicitly with the relationship between marketing channels and their environment. An exception is the review article by Bucklin and Carman (1974) who discussed "progressiveness" (used synonymously with innovativeness) as a criterion of channel performance. They concluded that the evidence on the relationship between the degree of integration in a distribution system and the level of innovation was mixed (Bucklin and Carman 1974, p. 19). On the one hand, behavioral norms and perceived opportunity costs make well-entrenched systems resist change. Hence, major innovations tend to be introduced through the entry of new types of organizations, not from change within the existing sets of firms. At the same time, larger distributive organizations have interest in and resources for continuous organizational innovation leading to productivity improvements. For instance, vertical integration makes it possible to more easily transfer functions among levels (Bucklin and Carman 1974, p. 20).

As the evidence in the channels of distribution literature seems to be limited and inconclusive, it is necessary to search adjacent research traditions for clues to the relationship between vertical integration and innovativeness.

Other Research Traditions

The following areas appear to be of potential relevance for the subject matter (they are arranged here by level of aggregation of unit analysis):

- Creativity
- Diffusion of innovations
- Organization behavior
- Industrial organization

Creativity

Creativity research is an academic research tradition explicitly dedicated to studying the processes of how new knowledge and ideas are created. Because of the complexity and elusiveness of the issue, behavioral researchers tended for a long time to neglect factors making for high creativity. Though impressive gains have been made since 1950, it is fair to say that most of this research has been concerned with creativity at the *individual* level, for instance with identifying the profile of the creative person (Steiner 1965, Nystrom 1979). Hence, most of the results are only marginally relevant for the present discussion.

However, there are findings of some relevance. For instance, creative individuals have been found to spend more time on the initial stages of problem formulation and in broad scanning of alternatives (Steiner 1965, p. 10).

Diffusion of Innovations

Another possibly relevant area is the multidisciplinary research tradition on the diffusion of innovations, concerned with the spreading of innovations through various channels over time among members of social systems. This area appears to be one of the most active fields in current communications research. Some years ago, a comprehensive review by Rogers and Shoemaker (1971) included some 1,500 publications in the areas of anthropology, rural sociology, medical sociology, education, and others. In these studies the emphasis tends to be on individual adopters and their profile. Unfortunately for our purposes, the innovativeness of organizations as the unit of adoption has not received much research attention. Of some interest is the finding that early adopters have more social participation and are more cosmopolite than are late adopters (Rogers and Shoemaker 1971, pp. 188-9), suggesting that innovativeness is related to extensiveness and complexity of communication networks.

Common to the creativity and diffusion traditions are the problems of intervening variables between innovativeness (a personality trait) and adoption of an innovation (observable behavior). Thus, considerable measurement problems remain (Midgley and Dowling 1978).

Organization Behavior

The relevance of the organization behavior findings to the innovativeness of vertical marketing systems is obvious as marketing channels become more and more administratively coordinated, thus resembling organizations (Reve and Stern 1979).

In contrast to the two first research traditions, studies of organizational innovativeness have played an important role within organization theory. The now classical

study by Burns and Stalker (1961) found non-bureaucratic or organic organizations to be more innovative than those with more rigid bureaucratic structures. Thompson (1965) has elaborated on some of the reasons why a bureaucratic form of organization is often characterized by high productive efficiency but low innovative capacity. The argument is that bureaucratic organization tends to emphasize a drive for productivity and control, conditions which hardly stimulate creativity. On the other hand, factors such as increased professionalization, a looser and more untidy structure, decentralization of decision making, freer and more lateral communication flows, and a greater reliance on groups and task forces, are likely to improve the innovative potential of an organization. Aiken and Hage (1971) tested some of the above hypotheses on a sample of health and welfare organizations located in a midwest metropolis. The results showed that the number of occupational specialities, the intensity of scheduled and unscheduled communication, and the decentralization of decision-making, were all positively related to extent of organizational innovativeness, as measured by the number of successful new programs or services. In a prior study, joint programs with other organizations were found to be associated with organizational innovativeness (Aiken and Hage 1968). Slack resources (Cyert and March 1963), however, were not found to be significantly related to organizational innovativeness (Aiken and Hage 1971).

Hage and Dewar (1973) using the same sample of organizations as the above, confirmed the structural explanations of organizational innovativeness, i.e., a positive association between program innovation and the structural variables of complexity (number of different occupational specialities and professional activity) and decentralization (participation in decision making). The values of the leader and organizational elites, and thus the entire climate toward innovative activity in the organization, were found to have particular high predictive power. These results may be related to Mohr's findings (1969) in which the motivation to innovate, the lack of obstacles to innovation, and the availability of resources were among the prime determinants of innovation in organizations. More specifically, organizational innovativeness was seen as a direct function of motivation to innovate and resources available, motivation being a function of the benefit/costs ratio and a discounting factor (Downs and Mohr 1979).

Industrial Organization

A final body of research to be reviewed addressing the innovative ability of organizations, is industrial organization economics. In industrial organization, innovations have been studied as a function of market structure and organizational size, (e.g., Schere 1970, Koch 1974, Needham 1978).

It appears that industrial organization economists have advanced two competing hypotheses as to the innovative capacity of small versus large firms, and of competitive versus concentrated market structures:

- (1) Large firms have the highest innovative capacity due to scale economies, diversification of risks, and capital requirements.
- (2) Large firms with considerable market power have no stimulus to engage in potentially risky innovative activities.

Aggregate data usually show large firms to expend more resources on industrial research and development. But the intensity of the R & D efforts relative to sales is usually not greater in larger firms (Worley 1961, Hamberg 1964, Comanor 1967). With patenting as a criterion, Scherer (1965) found diminishing returns with respect to firm size. For most significant inventions, a majority of the inventions was found to have been made outside the large organizations (Jewkes, Sawers, and Stillerman 1959, Mueller 1962). Although many inventions and early innovations seem to take place in smaller firms, larger firms tend to participate heavily in the often costly development phase of technical innovations. Although the empirical evidence is somewhat mixed, it is tempting to conclude with Mansfield (1968a, 1968b) and Scherer (1970) that small firms are often more efficient vehicles for technological innovation than are large firms.

The relevance of the industrial organization findings to marketing channel innovativeness relates to the differences in size and market structure of vertical marketing systems versus conventional channels of distribution. Vertical marketing systems tend to contain larger organizations than conventional channels, and vertical marketing systems usually operate within more concentrated markets.

A FRAMEWORK FOR ANALYZING INNOVATIVENESS IN VERTICAL MARKETING SYSTEMS

A conceptual framework for analyzing innovativeness in vertical marketing systems will here be developed. The framework which is based on the diversified theoretical body reviewed, allows for an analysis of micro implications of vertical integration in marketing systems, that is, channel internal consequences which relate to innovativeness. Equally important, however, is the emphasis on the relationship between the marketing channel and its environment. Finally, some macro implications in which the marketing channel is placed in the broader context of the politico-economic system, will be spelled out.

In understanding the organization and functioning of vertical systems it is crucial to conceptualize marketing channels in terms of varying degrees of vertical integration (Mattson 1969; Stern, Reve, and Phillips 1979). Important dimensions of the structure of marketing channels are degrees of centralization and degrees of formalization and other organization structure variables (cf. Hall 1975). Centralization refers to the locus of power in making channel inclusive decisions. Formalization concerns the utilization of rules and routines in performing the distributive functions or flows.

A high degree of vertical integration usually means relatively high centralization of decision making and relatively high formalization of operating procedures. Modern logistical systems in physical distribution and computer-based information and control systems are among the factors which have made this development possible, and substantial economic gains appear to have been obtained.² A low degree of vertical integration means relatively low centralization and formalization, and thus, corresponds to more conventional modes of distribution.

From an organizational point of view, a critical issue is the degree of bureaucratization of the marketing channel. Extending the Burns and Stalker tradition (1961)

and subsequent studies by Aiken and Hage (1971) and others, a high degree of vertical integration results in a hampering of organizational innovativeness. A low degree of vertical integration usually corresponds to a more organic structuring, and the innovative capacity remains high. The same hypothesis emerges from industrial organization studies addressing the effects of size on innovativeness in organizations. Working within a relatively competitive market may have a positive effect on innovativeness, although the evidence here is mixed.

An explanation of the relationship between the organizational structure of a marketing channel and the innovativeness of the vertical marketing system may be sought in organizational processes and behavior as alluded to earlier, such as poor communication, authoritarian decision making, and an organizational climate detrimental to creativity and innovations. This may be intensified by selective organizational recruitment and the influence of socialization processes. Changes in practices and unconventional ways of solving distributive tasks often take place in outsider firms characterized by entrepreneurial management, flexibility, and close linkages to the ultimate marketplace.

In conclusion, on the one hand, there are the large, highly programmed vertical marketing systems operating with high economic efficiency, but with many constraints on generating new ideas and on adapting to environmental change. On the other hand, there are small, organically structured distributive institutions which may not operate in the most economical manner, but which are able to do things differently and to adapt quickly to signals of external change. Now the obvious question arises: Are there any possibilities of combining the best features of the two distribution systems so as to preserve economic efficiencies without losing the innovative capacity?

Organization design and business policy researchers have come up with a solution of designing dual organizational structures (Zaltman, Duncan, and Holbek 1973; Duncan 1976). The basic idea is to retain the hierarchical structure for the programable tasks, but to establish task forces, venture groups, planning committees, etc. for idea generation and innovative tasks, drawing upon a mixture of professional personnel and boundary persons with a variety of external linkages. Alternatively, the organization, in this case, the marketing channel, may restructure itself from mechanic to organic and vice versa according to stage in the innovative process.³

A second, and related, solution is to create a climate of organizational learning which better attunes the marketing system to the environmental requirements. Organizations are imperfect learning systems when confronted with uncertainty (March and Olsen 1976), but many structural obstacles to organizational adaptability are removable (Duncan and Weiss 1979). This is facilitated by unlearning yesterday and "erecting tents rather than palaces" in inventing tomorrow (Hedberg, Nystrom, and Starbuck 1976), and by questioning many of the organizational myths and "truths" prevailing (Argyris 1978).

A third possible solution is to introduce educational strategies such as organizational development in the management of the vertical marketing system as a super-organization. Zikmund and Catanello (1976) have coined the term "channel development" to denote the implementation of OD programs to resolve problems within

the channel of distribution. As in other OD activities, such programs would often seem to require the use of external change agents (consultants) to develop the channel's long-run problem-solving capabilities and to increase the capabilities of channel members to deal effectively with changes in their environment.

A fourth possible solution to the dilemma presented is to start experimenting with new ways of managing marketing channels. So far, the literature on marketing channels has stressed channel control strategies and the use of power to obtain compliance. Conflicts are normally seen as dysfunctional processes which need to be managed or resolved. The model is fairly authoritarian in nature and seems to be a product of past decades of Anglo-American management thinking and practices. An alternative management model is to introduce participatory management and more democratic decision making. This has been tried with some success in many industrial firms, especially in Scandinavia and other European countries. A diffusion into marketing channels settings is more than likely. A participatory and democratic management system, at least in its ideal form, may lead to freer communication, less resistance to change, a value climate supportive of innovations, and a higher degree of adaptability to changing market conditions. The concept may even be extended to include consumers or end users in the decision making structure of the marketing system along with representatives for the distributive institutions and their line personnel.

Ultimately, vertical marketing systems may establish dual structures in the sense that the physical flow of goods is separated from the management and planning functions. The flow of goods and its supportive functions are the prime source of operating efficiencies. Hence, the various interest groups involved are likely to agree that such flows should be highly programmed. When it comes to other management functions, the various parties will probably prefer to fight it out through the democratic procedures established. The innovative element then enters through two channels: (1) democratic decision making procedures usually containing the organic elements necessary for innovativeness, and (2) democratic procedures which tend to produce conflicts having a positive influence on idea generation, mobilization of energy, and willingness to change (e.g., Coser 1956; Litterer 1966).

Organizational design and climate notions such as democratization, organizational development, and dual structures may sound unfamiliar to many marketing scholars. And admittedly, the discussion here is speculative, and the conclusions tentative. Obviously, an explicit comprehensive research effort is needed to provide firmer empirical foundations for the hypotheses developed. In empirical studies, factors such as dual structures and degree of participatory management may be treated as variables intervening between degree of vertical integration and innovativeness (and other performance measures). In turn, these constructs could be related to channel external factors as suggested in the political economy framework developed by Stern, Reve, and Phillips (1979).

To give some substance to the ecological approach suggested in the introduction, it is here appropriate to explore some of the macro implications of vertical integration in marketing system relating to innovativeness. The discussion which once again is conjectural, is included in the hope of stimulating some fresh thought in macromarketing research, in particular for the study of vertical marketing systems.

MACRO IMPLICATIONS OF VERTICAL INTEGRATION IN MARKETING SYSTEMS

Even though most *individual* vertical marketing systems may not be innovative or adaptive, the politico-economic system at the *macro* level may undergo change through processes of natural selection. The natural selection model (Campbell 1969) argues that environmental forces select and retain the organizational forms which happen to offer the best fit to the environmental requirements (Hannan and Freeman 1977; Aldrich 1979).⁴ By these processes, new institutions displace existing non-adaptive organizations. The most famous natural selection theory in marketing is McNair's (1958) notion of "the wheel of retailing" postulating that new retailers take advantages of competitive weaknesses (too high prices) in established institutions. In this way, the micro and macro levels are connected.

Before we accept the generality of this social Darwinism,⁵ a few words on the value of an institutional approach to marketing seems in order. In general an institution can be defined as a set of terms and rules for exchange. Hence, an institution constitutes a "rationality context" through constraining behavior by including or excluding alternatives, by increasing or decreasing uncertainty, and by assigning goals for individual behavior (Hernes 1977, p. 129). By this definition an institutional approach would seem to have many parallels to a political economy approach to the study of organizations (Carson 1978; Stern, Reve, and Phillips 1979). But in spite of its importance in Alderson's (1957) writings, it appears that the institutional approach never gathered real momentum and has never become part of the mainstream of marketing thinking. In related fields such as political science and economics, however, there has recently been a revival of institutionalism, represented by the works of Williamson (1975), Lindbeck (1977), and Lindblom (1977).

The essence of an institutional or political economy approach is an emphasis on the interactions between the political and economic processes in society. Of central concern are the control or incentive mechanisms applied. In his brilliant analysis, Lindblom (1977) distinguished between four such mechanisms: exchange (market relations), authority (bureaucracy), persuasion, and moral codes. Political economists have given much research attention to the issues of whether markets should replace bureaucracy, or whether bureaucracy should replace markets. It is perhaps no wonder that leading institutionalists differ on these issues. Williamson (1975) maintains that bureaucracy is more efficient than market relations and argues that intermediate markets should be drastically reduced to curtail uncertainties, opportunism, and unnecessary transaction costs. Lindbeck (1977), on the other hand, concludes that there are insufficient informational bases for a centralized hierarchical system. Lindblom (1977) finds serious flaws both with bureaucracies and markets and expresses concern about the possibly abused privileged position of business in politics.

In our view, this gives support to the notion that bureaucracy tends to be superior in implementing innovations. Markets, on the other hand, bring more pressure to bear on firms to innovate and also facilitate conception of new ideas. Large organizations and tightly organized vertical market systems may hence be expected to emphasize marginal improvements and small-scale innovations. At the other extreme, an economy made up by atomized market systems or myriads of small actors may be static

as the individual actors lack incentives and resources to break out of the status quo (Bucklin and Carman 1974, p. 15).

Another reason for low innovativeness in highly integrated economies is that dominant vertical market systems may use their power and resources to guarantee survival by seeking support from the political system. In a way, the political clout of vertical marketing systems depends on their political resources but also on the economic consequences on society at large of business failure. For these reasons, economies dominated by highly integrated systems may be "frozen" as big size and resources guarantee survival by requiring subsidies from the political system or sheltering from competition.

It might also be argued that uncertainty in channel environments may have a positive influence on innovativeness in the marketing system. The rationale is that a complex and changing environment, that is, high environmental uncertainty (Duncan 1972), requires innovativeness and adaptability on the part of the marketing system in order to survive (Duncan 1972). A certain environment on the other hand, does not require the same amount of flexibility and change, and highly programmed systems tend to function fairly well. It can be argued that environmental certainty is highest in the case of large size, highly integrated vertical marketing systems, partly due to their ability to buffer environmental turbulence, partly due to their ability to obtain political sheltering and support, and partly due to the concentrated market structure in which such systems tend to operate. Similarly, marketing systems with a very low degree of vertical integration may also operate under relatively high environmental certainty. The reasons are found in the atomized markets in which many conventional marketing channels tend to operate. New trading partners can easily be found, and the attention is mostly on cost factors and price margins which tend to be at some equilibrium level throughout the market.

The highest amount of environmental uncertainty is then most likely to be found in the intermediate cases of partly integrated marketing systems. Such systems face an environment where sudden and unexpected actions from competitors are common, and where fluctuations in supply and demand are frequent. In order to survive and prosper under such environmental conditions, marketing systems have to innovate. Hence, they will use their innovativeness to obtain competitive advantages.

The reasoning above supports the idea of a U-shaped relationship both at the micro (channel) and macro (whole economy) levels between vertical integration and marketing system innovativeness, with maximum innovativeness for medium integration levels. The hypothesis, however, begs for systematic empirical data.

Obviously, a comparative marketing tradition is needed before definitive answers to these vital macromarketing issues may emerge. However, it should be clear by now that a dominant problem is how to create incentives to innovate in bureaucratic systems. Hence, marketing theorists will have to join hands with organizational behaviorists in harnessing one of the most difficult problems in human organization.

SUMMARY

This paper has discussed the relationship between the degree of vertical integration and the innovativeness in marketing systems. Although vertically integrated marketing systems have been growing in importance and showing high economic efficiencies, highly integrated systems are often seen to lack the innovative capacity of many less integrated marketing channels. Theoretical evidence from diverse fields which bears on the relationship between innovativeness and vertical integration, was reviewed. The contours of a conceptual framework for analyzing innovativeness in vertical marketing systems were developed.

Intra-channel (micro) explanations of the relation between vertical integration and innovativeness can be sought in organization structure variables and in their impact on organizational behavior. Likewise, it is possible to find channel external (macro) explanations which relate to the nature of the channel's environment. Changes in and the structuring of marketing systems and management mechanisms may enhance the innovativeness of such systems without necessarily destroying the efficiency gains obtained in the programming of distributive flows. Finally, a U-shaped relationship between innovativeness and vertical integration was hypothesized, suggesting that intermediate levels of vertical integration may be the most congenial to innovativeness and adaptability.

FOOTNOTES

¹Names are listed alphabetically. Each author contributed equally.

²The question of who benefits the most of the economic gains obtained will not be discussed here, nor is the question of how joint gains are distributed among the channel members. It should also be noted that the question of ownership integration is merely a legal matter which does not necessarily influence vertical integration in the sense discussed above.

³The rationale is that the initiation stages of the innovative process require an organic organizational structure, while the implementation stages call for a more mechanic structure.

⁴Under changing environmental conditions, variations in organizational forms are needed in order for some organizations to survive. Since the selection criteria are poorly understood by the decision-makers, there is only a weak linkage between managerial and organizational actions and the organizational characteristics actually selected and retained by the environment. Under complex and dynamic environmental conditions, experimenting organizations are likely to survive, but the risks of failure remain high. On the other hand, non-innovating organizations are selected against as well, finding themselves in deteriorating market positions or under considerable environmental threats. The ability to innovate becomes a high gains-high risks strategy which correlates highly with the chances for survival. The innovation strategy, however, is usually contrary to the managerial and organizational tendencies to favor stability and certainty, a feature which is often inherent in the organization structure and roles patterns developed.

⁵For a discussion of some of the paradigms in recent evolutionary theories of natural selection, see Quadagno (1979).

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LAY PSYCHOLOGY, MARKETING PRACTICES AND PUBLIC POLICY

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To account for observed differences in marketing practices among various cultures or time periods, one might advance any of several arguments. One line of reasoning would be that certain marketing practices are associated with specific levels of economic development. As a society becomes more affluent its demand grows increasingly diverse and marketers in that society are able to adopt the marketing technology of the developed countries which, itself, is evolving. A second possibility is that any society's marketing system, guided by a sort of "invisible hand" process which weeds out non-adaptive entities, is continuously forced to adjust to its environment. Thus, the observed differences between any two systems must reflect differences in the two environments.

Without commenting on the validity of either of those explanations, this paper presents a third argument. It begins with a conceptualization of the marketing decision maker as an experimenter continuously engaged in the process of design, execution and evaluation. The dependent variable of this ongoing field experiment is the level of sales and the independent variables are those instruments of marketing management which the environment allows the decision maker to manipulate. Any decision involved in planning and implementing marketing strategy, then, "is a conception of a choice situation and action is determined by the conception . . . The conception has been variously referred to as the chooser's 'model' of the choice situation, his frame of reference, or his definition of the situation" (Morris 1963, p. 167). In the case of the marketing manager, the relevant model is one of consumer behavior because decisions made are of the form, "If I take this action (i.e., run this ad, close this outlet, add this ingredient, etc.) I expect consumers to respond by _____" Whether based on experience or formal training, simply stated or elaborately articulated, logically consistent or disorganized, every marketing manager possesses some model of why people behave the way they do and makes decisions accordingly. In any given situation, different models produce different outcomes. Faced with the same objective set of conditions, P. T. Barnum and David Ogilvy would arrive at different solutions, not by chance, but because there are enormous differences in the consequences of the behavioral model stated as, "There's a sucker born every minute," and the one summarized as, "The consumer is not a moron."

This conceptualization of marketing management implies that "the perception of the task environment by the decision maker is more relevant to the functioning of organizations than the task environment per se" (Negandhi and Prasad 1971, p. 24). Although intuitively appealing, it must be admitted that there is scant empirical evidence to support or refute the hypothesis. However, this paper accepts the statement as an assumption and carries it to a more general level. We shall argue that the marketing manager is, in Levy's phrase, a "lay psychologist," (Levy 1978) and that, in a given time and place environment, the dominant behavior model held in that society will also be held by most marketing managers. Thus, within a given society at a given time, there will be a widely shared view of why consumers behave the way they do and, therefore,

some agreement as to the likely efficacy of various marketing actions, resulting in a commonality of observable marketing practices.

The paper begins by describing the four most general psychological models and the marketing actions which each implies. They are discussed in the order in which they appear to have been influential on marketing practices in this country over the past 50 years. Within the framework proposed by Shawver and French (1978), the paper argues that models which guide managerial action (i.e., micro-normative), because they are so widely held during any given era, become descriptive of the system's behavior (i.e., macro-positive).

As a point of departure, the balance of the paper uses Hunt's specification that macro marketing involves both "the impact and consequences of marketing systems on society" and "the impact and consequences of society on marketing systems" (Hunt 1977, p. 56). It is argued that society's influence on the marketing system comes through marketing managers' acceptance of the dominant lay psychological model of the time. The paper's second section traces changes in lay psychology through an examination of the theoretical orientation of the most popular child-rearing books of the past five decades. In turn, the societal consequences of the various models are explored in the third section of the paper which discusses some of the implications of lay psychology on the way public policy issues are defined and discussed. Finally, since it seems likely that the dominant lay psychological models of other societies may differ from ours, the paper's final section suggests some implications of the entire argument for cross-cultural research on marketing systems.

MODELS OF BEHAVIOR AND MARKETING PRACTICES

Although there are a number of ways of classifying psychological models, we shall follow the framework suggested by Mittelstaedt:

The cause of any behavior may be viewed as preceding the event, a *deterministic* position, or following it, in which case the behavior is described as *goal seeking*. Similarly, behavior may be viewed as a *reaction to the environment* or the result of some *internal state* of the organism . . . While either or both of these questions may be settled to the satisfaction of some individuals, it would seem fair to say that most psychologists continue to treat them as unanswered. Because there are two possible answers to each of these two basic questions, there are four viable theoretical positions (Mittelstaedt 1971, p. 11).

These four positions are shown in Figure 1. The remainder of this section describes each of the four positions and the marketing actions which they suggest. Figure 2 summarizes the description. While the discussion will parallel some of the points raised by Alderson (1958) and Kotler (1965), the models are discussed in historical order in which they appear to have exerted the greatest influence on marketing practices in this country.

Because the sequence is historical, it is necessary to begin with a few words about the history of psychology as a field of study. Although one can trace its roots back as

Figure 1

Four Theoretical Positions

<u>Location of Causal Event</u>	<u>Timing of Causal Event</u>	
	<u>Deterministic</u>	<u>Goal Seeking</u>
Reaction to Environment	Behavioristic	Conformity
Internal State	Psychoanalytic	Cognitive

far as one wishes, psychology (in the United States) began as a sub-specialty of philosophy. That it achieved independence is often credited to the writings and personal influence of William James, the Harvard philosopher whose *Principles of Psychology* was the leading (if not the only) text from its appearance in 1890 until, at least, the death of its author in 1910. During the following decade the work of many of the giants of the various schools of thought was underway but it wasn't until the 1920's, when the writings of the Behaviorists, Allport's first text in social psychology and the translated works of Freud, Jung, Koffka, Kohler and Piaget began to appear, that the Jamesian "common sense psychology" lost its major position of influence. (For a personal reflection on this decade of change, see McKinney 1976.)

James' theoretical position might be described as an early cognitive model. Alter Dill Scott's *Theory of Advertising* (1903) was based on Jamesian principles and its chapter titles (Theory of Advertising, Attention, Association of Ideas, Suggestion, The Direct Command, The Psychological Value of the Return Coupon, Psychological Experiments, Perception, Illusions of Perception, Illusions of Apperception, Practical Applications of Mental Imagery, Conclusion) give it a surprisingly contemporary appearance. However, it contains no discussion of repetition effects nor, in fact, anything on sustained campaigns. The practice of the time seems to have mirrored this; most ads of the Teens and early Twenties were attempts to get attention by being different and most famous ads of the period (e.g., the Jordan Motor Car Company's 1923 "Somewhere West of Laramie") ran only once (Rowsome 1959, p. 118). While some of the attention-getting devices of the period may strike modern readers as a bit bizarre, the accepted definition of advertising as "salesmanship in print" dictated that the copy of an ad should always give the customer a reason why the product should be purchased (Gunther 1960, pp. 58-59) and the commercial copy of this era seems quite straightforward.

A shift toward the acceptance of the Behaviorist model began during this period. John B. Watson, the "Father of Behaviorism," joined an advertising agency and the apparent success of his efforts was noted and copied by others.

The Behaviorists position was, and remains, that all behavior is acquired through the process of conditioning and, specifically, operant conditioning. In this view, a response (purchase) made in the presence of a stimulus situation (usually conceptualized as a combination of a drive—an internal state which is experienced—and a cue—the product, advertising, display context) will, if reinforced by the experience of consumption, be likely to recur in the presence of the same stimulus situation. Since the message

of the cue is essentially a promise that the product will satisfy the felt want or need, the view of the product as a reinforcer means that the probability of the recurrence of the behavior is a function of the ability of the product to "deliver"—an essentially instrumental view of a product. Thus, Rosser Reeves, whose implicit model is Behaviorist, stresses that one of "the ultimate laws of reality in advertising" is:

Advertising stimulates the sale of a good product and accelerates the destruction of a bad product. To make a claim which the product does not possess merely increases the frequency with which the consumer observes its absence (Reeves 1961, p. 61).

In the Behaviorist view, purchase behavior is not elicited by the stimulus and, therefore, not directly manipulable but the concept that all behavior is acquired through conditioning implies that any existing behavior can be changed to some new behavior (or "modified" in the current terminology) if only the cues can be changed and the reinforcement delivered in an appropriately effective manner. Thus, while the model explains behavior as persisting from the past, it suggests that it must be maintained through reasonably continuous stimulus presentation and reinforcement. Equally important, because it sees behavior as a response to an environment (with no inner mental activity) the model strongly suggests that behavior is quite plastic and behavior modification a viable strategy.

For marketing managers, the model implies that people can be sold, in the direct sense of that term, and that they must be kept sold. Since the model rejects all such concepts as attitude, evaluative criteria, personality and self-image as unnecessary mentalisms, there is no basis for market segmentation on any basis other than socio-economic characteristics. On almost every ground, the model supports marketing actions which are the antithesis of those implied by the marketing concept. Thus, the Twenties and Thirties were the salad days of aggressive* and repetitive sloganeering, the heavy use of point-of-purchase displays, fence and barn signs, car cards and every form of advertising specialty intended to remind people of a brand name or simple message.

The 1950's were the era of motivational research based on the Psychoanalytic conception of behavior. In this view, people acquire and consume to gratify some inner need state. Two related assumptions make the operation of this basic premise more complex. First, need gratification must be accomplished in light of the internalized rules of acceptable behavior (which Freud called the superego). Second, because the needs which must be gratified are basically biological and unconscious (Freud called this the id), they are seldom satisfied directly but only vicariously. Thus, Ernest Dichter claims that men buy power tools to extend their power (Dichter 1964), p. 145), use razors to assert their masculinity (184) and bowl to knock their enemies down (244). It might be noted that most of the anecdotes related by Vance Packard in *The Hidden*

*The relatively passive slogans of an earlier era (e.g., "Shot from guns," "It floats," "Time to retire") gave way to those like "Reach for a Lucky instead of a sweet," "Lifebuoy stops B.O.," "Even your best friend won't tell you," and "Absorbine Jr. kills athlete's foot fungi on contact" (Wood 1958, Chapter 23).

Persuaders are told by Dichter in his *Handbook of Consumer Motivations*; Packard views with alarm while Dichter points with pride.

While the theory puts heavy emphasis on the role of an internal mechanism (personality), it is overwhelmingly deterministic in its orientation. Personality is developed early in life and, in adults, remains relatively impervious to change. Because of their permanence, personality types or traits become potential bases for segmentation (i.e., psychographics). On the other hand, the model also suggests that specific behaviors are quite changeable through the manipulation of the proper symbols.

If one views products as symbols, concerns about product quality in some physically definable sense become nearly irrelevant. Automobiles become opportunities for affection or aggression, eating is oral gratification and wearing gloves an erotic experience—all products are objects in some inner psychodrama. Promotion's task becomes one of assuaging the possible guilt produced by the superego, calming the anxiety in the subconscious and portraying products as gratifying—all at a symbolic, nearly subliminal, level. The campaigns for Marlboro cigarettes and Miss Clairol are classic examples of the genre (Glatzer 1970, pp. 121-135, 147-155).

By the 1960's, attention had turned to the Social Conformity model in which the behavior of any one person is seen as conforming to the norms of a reference group. Whether the reference group is one with whom the person interacts or is a non-membership group (aspirational or dissociative), the behavior of any one consumer is viewed as the result of an external set of forces; if reference group norms (or the perception of those norms) change, behavioral change will follow. Purchases are still seen as largely symbolic but, rather than being objects in some psychodrama, they become expressions which both identify the buyer/user and ask for reference group approval. As with the psychoanalytic approach, focusing on products' symbolic aspects reduces attention given to the instrumentality of the product.

The model's biggest impact was on advertising copy. From the "Pepsi Generation" campaign to innumerable "candid camera" ads which featured "just plain folks" tasting margarine or describing headaches or comparing newly washed garments, consumers were exposed to ads which showed people like them, or like they would like to be like, using the product. In retrospect, it might be argued that insufficient attention was paid to the concept of the social visibility of products but the model was hot and, in its application, seemed relevant to every situation.

As we moved into this decade, the general presumptions of the Cognitive position became increasingly influential. The view of consumers as solving problems through a decision process, which has been almost heretical in the 1950's, became widely accepted. The model assumes that people buy products to accomplish self-defined goals and engage in a high degree of mental activity (now called information processing), seeking information relevant to these goals (i.e., using evaluative criteria), processing the information and making a choice based on the application of some decision rule (compensatory or non-compensatory). While all of this bears a fundamental similarity to the common sense psychology of William James, it is also considerably more complex. Some had been talking about products as bundles of attributes for years but the concept remained nonoperationalizable until the development of a wide variety of multiattribute perception and attitude models, almost all of which depend on large and fast computers to process their data inputs (e.g., factor analysis and multi-dimensional scaling).

The influence of the Cognitive view surrounds us now. For one thing, it has given theoretical legitimization to the construct "attitude" as a near sales equivalent, a view which would be incomprehensible to the Behaviorist or Psychoanalytically-oriented decision maker, and cast promotional activity into the role of attitude changer. Since this seems difficult, if not impossible, to accomplish without propounding an argument to the listener/reader, ads have become more information laden. While the actions of the F. T. C. can be argued to have both augmented and retarded the trend toward informative ads, the fact remains that comparative ads, ads reporting substantiating evidence and ads which discuss a number of product attributes (rather than focusing on one) have become much more commonplace.

However, it was what the Cognitive model implied about the general nature of information processing that was its most important contribution. No doubt consumers had always been willing and able to articulate the product attributes they valued and, within the framework of those attributes, what they liked and wanted. Marketers could ignore this as rationalization (as the Psychoanalytic and Conformity models would suggest) or try to change the importance of the attributes to match the extant product (as the Behaviorist model would counsel), but the Cognitive position implied that, if these attributes were truly important to consumers, they would be almost impossible to change and could be ignored only at considerable peril to the marketer. Because they were presumed to be fixed, the evaluative criteria become the dimensions of the construct "product space" within which the notions of positioning and benefit segmentation could be implemented. Thus, the Cognitive model gives theoretical support to the marketing concept and suggests appropriate tools for its implementation.

Figure 2

Marketing Strategy Implications of Four Theoretical Positions

<u>Psychological Model</u>	<u>Role of Product</u>	<u>Theoretical Basis For Segmentation</u>	<u>Potential for Influencing Behavior of Consumers</u>
Behaviorist	Instrumental	Socio-economic characteristics	Modifiable through manipulation of stimuli and reinforcement
Psychoanalytic	Symbolic	Psychographics	Modifiable through symbol manipulation
Conformity	Symbolic	Opinion leadership	Modifiable through word-of-mouth or reference group "demonstration effect"
Cognitive	Instrumental	Evaluative criteria (benefit segments)	Little potential for influence -- marketer adjusts and informs

LAY PSYCHOLOGY AND CHILD REARING

We began with the argument that there exists, in any given period, a popularly held psychological model and that marketing managers, as lay psychologists, operate on the basis of that popular model. Although it would be difficult to identify the exact popularity of particular models during any past period, traces should be detectable in other applied lay fields. One such topic in which most adults share an interest (and act as amateur practitioners) is that form of behavioral management known as child rearing. If the best-selling guidebooks on parenting are one indication of the lay psychology of each era, the models employed in that field seem to parallel the developments in marketing. Although written by professionals, each of whom base his/her prescriptions on a particular theoretical model (Mead 1976), child rearing books must find public acceptance and, therefore, will reflect prevailing notions of the appropriate behavioral model.

From the mid-1920's through the appearance of Dr. Spock in the immediate post-World War II period, a generally Behaviorist orientation prevailed. Children were to be conditioned to regular schedules and, since crying was a behavior acquired like any other, the parent who was satisfied that the child was in no physical danger was advised to let him/her cry it out. Comforting the baby would only reinforce the unwanted behavior, insuring its recurrence in a similar stimulus situation. Watson himself addressed a book to parents which claimed that:

Mothers just don't know, when they kiss their children and pick them up and rock them, caress them and jiggle them upon their knee, that they are slowly building up a human being totally unable to cope with the world it must later live in (Watson 1928, p. 44).

Dr. Spock, whose medical training brought him in contact with the Psychoanalytic point of view, advocated feeding children when they were hungry and recognizing their age-related frustrations and fears, responding to them with love and affection. In the first edition of his book which, in several editions and forms, sold in the tens of millions of copies, he answered the question, "Can you spoil a baby?" by saying:

You can if you work at it actively, but it doesn't come from feeding him when he's hungry, comforting him when he's miserable, being sociable with him in an easygoing way. Generally speaking, a baby who gets extra attention when he's uncomfortable is perfectly willing to do without it when he feels well (Spock 1945, p. 102).

By the mid-1960's, perhaps in response to what some saw as excessive "Spockian permissiveness," a new wave of child rearing manuals appeared with a decidedly Cognitive orientation. Piaget was rediscovered by many; others read *Between Parent and Child* and/or enrolled in courses in Parent Effectiveness Training. Most of these approaches view child rearing, not as an attempt to "incline the tree by bending the twig," but as a preparation for eventual independence. Ginott says, "A good parent, like a good teacher, is one who makes himself increasingly *dispensable* to his children" (1964, p. 89). While it is difficult to imagine Watson or Spock disagreeing with that sentiment, the deterministic assumption shared by Behaviorism and Psychoanalytic

theory forces attention to the later consequences of early behavioral control attempts. By contrast, the prescriptions of Parent Effectiveness Training seem to assume that children are fairly reasonable creatures and view parenting as communicating. Thus Gordon, who claims Carl Rogers as his greatest influence, disparages conditioning:

The skilled circus animal trainer and the experimental psychologist are not very good models for parents to copy in training their own children to behave as mothers and fathers would like (Gordon 1970, p. 174).

and advocates, instead, a conflict resolution technique in which "the parent asks the child to participate with him in a joint search for some solution acceptable to both" (1960).

Although earlier measurements do not exist for comparison purposes, it should be noted that the Gallup Poll, in 1976, asked people to choose the most important quality in the overall development of a child. The values associated with a cognitive approach ("Learning to think for oneself" and "Willingness to accept responsibility") accounted for nearly half (47%) of the choices while the "Ability to get along with others," "High moral standards," "Eagerness to learn," "Desire to excel" and "Don't know" accounted for the rest (Gallup 1978, p. 870).

In summary, it appears that child rearing and marketing practices have passed through roughly equivalent eras, suggesting that they both reflect widely held lay psychological models (although parenting doesn't seem to have had a Conformity model phase; it is difficult to imagine just how it could have). Other areas of applied lay psychology, such as personnel administration, need to be explored for a similar pattern.

LAY PSYCHOLOGICAL MODELS AND PUBLIC POLICY ISSUES

Consumerism, as a social phenomenon and political movement, has been a recurring feature of American life. Several waves of discontent have been charted but the most recent is, in many ways, the least explicable. According to Hermann, the beginning of this most recent era of consumerism is dated from President Kennedy's Consumer Message to Congress in March, 1962 (Hermann 1970). The roles of the Consumers' Union, Vance Packard and Ralph Nader in preparing the way for the acceptance of Kennedy's proposals cannot be denied. Yet, by 1962, the Consumers' Union had been saying and doing essentially the same things for three decades and, although Packard and Nader may have been more skillful than the others, there have always been exposes and activists. Clearly, the rapid rise of consumerism resulted from Kennedy's touching a nerve in the body politic.

When one recalls the early 1960's, the extent of this latent popular discontent seems curious. The 1950's were a period of tranquility; in retrospect, Eisenhower's presidency seems as uneventful as Coolidge's and the "silent generation" appears to have been aptly named. The period following World War II saw tremendous real economic growth and the phrase "affluent society" was reasonably descriptive of this nation by the time Kennedy took office. The Vietnam War and the many forms of divisiveness it produced still lay ahead; folksongs were popular, men's hair was short, automobiles had fins and everything was cool.

However, things weren't as cool as they appeared on the surface. A substratum of discontent existed and quickly focused on such issues as product safety and deceptive advertising. As one looks back at the 1950's to the era of motivational research, with its attendant emphasis on symbology and lack of attention to traditional concepts of product quality and informational aspects of promotion, the discontent of the early 1960's may be explainable. The Behaviorist view of the consumer as a stimulus sponge had been largely replaced by a model of the consumer as an anxiety ridden personality and, while the emerging practices which promised membership in the Pepsi Generation may have had some appealing and palliative effects, consumers were tiring of the way they were being treated. In short, it does not seem unreasonable to conclude that the consumer movement of the early 1960's was a product of the immediately preceding era and, therefore, of the model of behavior generally held by marketing managers in the 1950's.

The movement of lay psychology toward a Cognitive orientation and marketing practices which implement the marketing concept may or may not eventually defuse consumerism (history suggests that the current wave will recede) but, in the meantime, it has affected the issues we define as public policy matters and the way we discuss them. As Bauer and Greyser have observed, there is little room for true dialogue between those who would protect consumers by the implementation of policies which limit consumer choice and those who would protect consumers through the provision of information, because each side operates from a different set of premises about human behavior (Bauer and Greyser 1967). Models which imply that human behavior is subject to substantial modification through the tools available to marketing managers, if widely held, would support those policies which would protect consumers by denying the use of those tools to marketers. In an era in which the dominant lay psychology was Behaviorism, the statement that "In short, most of the increases in (market) concentration in the country at the present time are attributable to product differentiation induced by high-intensity advertising, particularly TV advertising" (Scanlon 1974, p. 275), would strike most as a reasonable diagnosis of the "problem." If most of us really believed that people's behavior could be substantially and fundamentally modified through repetitive advertising, we would probably be the first to call for limits on advertising, if not its outright abolition.

The influence of the widespread acceptance of the Cognitive view on the nature of the arguments advanced and their general discussion can be seen in the current controversy over the F. T. C.'s proposed rule on children's television advertising. Almost all parties to the discussion seem to accept the notion that children are little information processors and the central point of the controversy stems from a lack of agreement on the age at which children can mentally handle the inputs of television advertising. The presumption seems to be that, once children reach a certain age (seven at the latest, except for sugared products, in which case it becomes twelve), they will be able to cope with commercial messages. By indirection it is presumed that, once this age is achieved, the permanent effects of advertising to children can be ignored; as long as the children perceive the selling intent of the message, the advertising cannot do them harm. In the absence of a generally shared view that childhood experiences determine adult behavior (i.e., Behaviorism or, especially, Psychoanalytic Theory), concerns over the portrayal of authority figures or the stereotyping of sex roles in commercials (Beuf 1976) fall on deaf ears. By the same token, the arguments of those who claim that children need to learn about the marketplace, including the lesson that one shouldn't believe everything one sees or hears, sound hollow—if not downright silly—to almost everyone regardless of their side of the current issue.

All of this suggests that, unless we view the general drift of lay psychology toward the Cognitive model as some sort of monotonic progression toward a now-achieved plateau of sophistication, the nature of the perceived issues and the character of the discussion about them will change as our lay psychology shifts. Since there are only a limited number of basic psychological models available, an erosion of popularity of the Cognitive view will bring a return to one of the models described above. This is not to argue that, for example, a return to the view of people as seeking gratification at an unconscious and very private level will bring back automobiles with fins or ads portraying men with tattooed hands. However, it does mean that a shift to a model with the same premises as the one we have called Psychoanalytic (e.g., Transactional Analysis) would reduce the emphasis given the marketing concept and cut the use of such implementing strategies as benefit segmentation or attribute advertising.

Put another way, what matters most is not if we are in the midst of the "me decade" but, rather, if marketers believe that people are, in Henion's (1979) phrase, "preoccupied with appearance (the body, especially), status, personal success and convenience" (9). To the extent that view is widely held by marketing decision makers, one would expect to find a re-emergence of the emphasis on the symbolic aspects of products and an attendant reduction in the information content of advertising. On the other hand, if marketers are proceeding along these lines while the new attitude base, as described by Henion (1979, 16 ff.), is building in the public, discussions of public policy issues will become increasingly discordant.

There are, of course many forces tying marketing managers to the Cognitive view. The essentially rationalistic picture of the consumer as an information processing decision maker is flattering to everyone and, as long as it is generally acceptable, it keeps the dialogue between the consumerists and marketers at a manageable or "what-may-be-said-to-whom" level of discourse. Furthermore, the new technology of identifying and measuring the salience of consumers' evaluative criteria, of multi-attribute attitude models and of mental imagery and cognitive mapping is intriguing and even fun. However, it is easy to forget that the consumer's buying process is still a black box and that we must, of necessity, make some unprovable assumptions to have a model from which we can operate.

LAY PSYCHOLOGY AND CROSS CULTURAL STUDIES

The argument presented here implies that in other cultural contexts, where the extant lay psychology is different, our marketing practices and public policy discussions would seem very strange indeed. This would suggest that a fruitful line of inquiry for cross cultural marketing studies would be to go beyond the identification of cultural differences in consumer values and attitudes and look at the beliefs of marketing managers with respect to the behavior of consumers in their respective societies.

There appear to be substantial differences in psychological models employed in other parts of the world. For example, the psychologies of Africa (Wickert 1967) and Asia (Murphy and Murphy 1968) emphasize the social and cultural determinants of individual behavior and put much less stress on what we think of as the idiosyncratic psychological factors. While the Marxist societies have, along with us, rejected the view

that behavior is a product of heredity, the Chinese seem to have moved toward a neo-Behaviorist view (Hsiao 1977) while the Russians have embraced models which emphasize consciousness, even parapsychology (Gray 1966). In short, it appears that while people in other cultures may or may not behave differently than we do, the way in which behavior is viewed or modeled in other societies is likely to be quite different. These differences, if shown to exist at the lay level, should be relatable to observed differences in marketing practices and public policy discussions.

In the end, accepting the view that marketers in other countries act in accordance with their (presumably different) conceptualizations of consumer behavior suggests that differences in marketing practices reflect more than differences in levels of economic development. For example, some writers appear to have accepted the notion that the marketing concept is an advanced or sophisticated management philosophy which can/will/should be adopted in a country when it reaches a sufficient level of economic development (Glade and Udell 1968; Karp and Gorlick 1974). By contrast, what has been suggested here is that the implementation of the marketing concept, while it has a reasonably sophisticated technological component, rests on a society's acceptance of a particular psychological model as an explanation of and predictor for consumer behavior.

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A GENERIC MODEL OF CONSUMER BEHAVIOR FOR MACROMARKETING ANALYSIS

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In the last few years we have seen an emerging interest in macromarketing. There are now Macromarketing Conferences, macromarketing sessions at American Marketing Association Conferences plus articles that are clearly identified as macromarketing. While the definitions of macromarketing are still developing, one thing is certain. It is clear that consideration of the consumer is just as important in macromarketing as in more micromarketing studies. Consumers are obviously important because they are either the object of macromarketing studies or are either directly or indirectly affected by macromarketing activities.

To be more specific, there appear to be at least two aspects of consumer behavior of interest to those studying macromarketing. The first is the prediction, understanding and use of micromarketing efforts as they impact on the larger societal system. For instance, micromarketing efforts can be used to convince mothers that disposable diapers are superior to cotton/reuseable diapers. The impact on the larger system is an increased load on sanitary systems, a change in business structure as baby diaper supply companies go out of business and disposable diaper manufacturers grow and require more resources. Or micromarketing efforts have been directed at convincing the user of deodorants and hairspray to switch to pump dispensers instead of propellant based products. The result being a reduction in the amount of fluorocarbons in the environment.

The second aspect of consumer behavior is the purchase of large-ticket items (high-cost durables, leisure activities, vacations, transportation) whose purchase or use may impact on the larger societal system. This second aspect also includes activities and practices. For instance, the purchase of large appliances influences both direct and indirect energy consumption. Likewise, the farming practice of "moldboard plowing" dramatically increases soil erosion on most soils and terrains. Like the concern with micromarketing efforts, we are here concerned with prediction and understanding, but also in influencing behavior. However, this behavior is hypothesized to require a different model of consumer behavior than generally used in micromarketing.

It is with the second aspect of consumer behavior that this paper deals. It is the intention of this paper to propose a model of consumer behavior that is specifically adapted to the purchase of large-ticket items, activities and practices. Once such a model is proposed and the relationship of its elements examined, then a valuable tool will be available to those concerned with macromarketing issues. Not only will understanding and prediction be improved, but methods of influencing behavior should be more efficient and effective.

The prime distinction to be used will be the difference between repetitive and non-repetitive purchase models. The repetitive purchase model is most likely to be associated with micromarketing while the non-repetitive model is most likely (but not exclusively) to be associated with macromarketing. The boundary between micro and macromarketing is admittedly vague and therefore the distinction between the use of these two types of models will be "grey" in some "in-between" areas.

The procedure for building this model closely follows that suggested by Zaltman (1975, p. 49-79). The approach taken in the development of this model has been pragmatic. A "black box" approach has been used to model relationships. Existing literature was used to suggest which variables are most likely to be associated. Conscious attempts have been made to make this model complementary to the Howard (1963, 1977 and Howard and Sheth 1969) and Engel, Blackwell, Kollat (1978) models. Both of these models have their origins in the study of repetitive brand choice decisions.

Thus, the model will be a generic model rather than a model which focuses on particular brands. It will focus on decisions that involve durable consumables such as: appliances, housing, transportation, leisure activities in addition to activities and practices. The model will indicate decision points where the consumer may be influenced to change behavior and/or consumption patterns.

That most current models of consumer behavior have a repetitive brand choice bias is not surprising. From its earliest days, the field of consumer behavior within marketing, has had an interest in Markov chains, brand loyalty and learning models. This is a reflection of the fact that most consumer decisions are largely related to choices between brands—not to decisions about completely new products nor choices regarding purchases of housing, major appliances, vacations or even possibly automobiles or other transportation decisions. Even though these latter types of decisions all involve brands, they are usually made infrequently and therefore are not repetitive except for rather small segments of the population.

CURRENT MODELS OF CONSUMER BEHAVIOR

Human behavior of any form is enormously diverse. There is no single or completely acceptable theory of human behavior. However, there is a range of theories from various disciplines which are insightful and capable of improving our ability to predict and understand behavior. Consumer behavior is the study of human behavior in the consumer role. It is primarily a branch of social science drawing heavily from such behavioral disciplines as psychology, sociology, and anthropology. In fact, it is emerging as a multidisciplinary field of study in its own right. For example, a family's purchase of a vacation may be the outcome of a complex set of psychological, sociological and sociocultural factors. The decision may have been influenced by many factors including culture, social class, the attitudes and opinions of each family member, the group interaction patterns of the family and the economy.

In the past decade, there have been several notable attempts to set forth a theory or model of consumer behavior.

The most widely quoted models of consumer behavior are the Howard (1963, 1977 and Howard and Sheth 1969) and the Engel, Blackwell and Kollat (1978) models. In addition the earlier work of Andreasen (1965) and Nicosia (1966) and the recent work of Bettman (1979) are major contributions to modeling consumer behavior. A brief look at each of these models, however, confirms the need for a complementary approach for non-repetitive decisions.

Andreasen's Decision Model

Andreasen (1965) proposed a descriptive model of consumer choice behavior built upon several specific conceptions about attitude formation and change drawn from social psychology. Based on the work of Krech, Crutchfield and Ballachey (1962) about attitude and attitude dynamics, Andreasen made observations on the major components of consumer attitudes (belief, feelings, and dispositions), and the individual's disposition toward each product or service. This disposition component is the central intervening variable for his choice model which focuses on information processing as the most salient feature of consumer decision making.

The entire process of the model, from stimulus to outcome comprises an information processing cycle. The seven major elements of the cycle are:

1. Input stimuli
2. Perception and filtration
3. Disposition changes
4. Outcome
5. The selection decision
6. The search decision
7. The no-action decision

While not directly addressed, it is reasonable to assume that the concept of habit formation permits the model to accommodate repetitive decision behavior.

Since individual's attitude is the major component of the choice model, the behavioral outcome of an attitude subsystem is action with respect to the attitude object. By taking action, the consumer presumes some conscious or unconscious decision to act.

However, the point of decision is difficult to discover empirically. Andreasen theoretically defines the decision point as the point at which the disposition component of the attitude subsystem has maximum positive valence, i.e., +1. Therefore, the attainment of this maximum positive valence (the decision to act) is an attitude change.

In a comparison with other models, Andreasen's model does not include other psychological constructs and individual characteristics. It is not as elaborate and descriptive as other models developed within this period. Also much emphasis is placed on the attitude components.

Nicosia's Theory of the Consumer Decision Process

Nicosia (1966) looks at buying behavior as involving several inputs which result in actions by the consumer (outputs). Major input factors outlined by Nicosia include:

1. attitude
2. motivation
3. experience.

His emphasis on consumer decision-making as an ongoing process was an important and useful contribution.

Nicosia's work used the technique of computer flow charting to designate elements and relationships. This model is basically a computer program that describes an invariant structure of consumer behavior. The framework of the model is composed of four building blocks or fields and their functional relationships. Each field is treated as a subprogram of the overall computer program (model). Also, the various psychological constructs (cognition, perception, selective exposure, etc.) are represented by subroutines which can be called up by any field (subprogram).

The basic subfields are:

1. Field one: from the source of a message to the consumer attitude.
2. Field two: search for and evaluation of means-ends relationships.
3. Field three: transformation of the motivation into an act of purchase.
4. Field four: storage and consumption that lead to experience with the brand.

Even though Nicosia has incorporated a wealth of research findings from many sources into his model, there are certain difficulties in the model's practical application. The limitations in the evidence underlying the model were not revealed sufficiently. Additionally, the linkage of elements are not clear. Therefore, it is difficult to apply this conceptual model to the study of consumer problems.

The Engel, Blackwell and Kollat Model

This model (Engel, Blackwell and Kollat 1978) originated from the black box model in that it conceives of a human being as a system with output (behavior) in response to inputs. They expand from this simple idea to discuss what happens when inputs are received (the comparison process) and the type of output which results (the buyer decision making process). Thus, they rename the black box as the central control unit (CCU) which in fact is the individual's psychological makeup. The incoming stimuli pass through the filter within the CCU and are processed in four different phases. (1) Exposure. (2) Attention. (3) Comprehension. (4) Retention. In the decision process stage, it begins with problem recognition and proceeds through four more steps: (1) internal search and alternative evaluation, (2) external search and alternative evaluation, (3) purchasing process, and (4) outcomes—past purchase evaluation and further behavior.

Additionally there are the influences of external constraining forces that affect the extent of decision making:

- (1) situational variables
- (2) product characteristics
- (3) consumer characteristics
- (4) environmental factors.

The 1978 version of the model includes 16 equations which permit direct comparison with the Howard model. The special feature of the new version is the inclusion of 16 equations and variable definitions which permits further empirical testing or even operationalization of the model. However, an operationalization of the model has yet to be done.

Bettman's Information Processing Model

Bettman's model (1979) is based on cognitive theory. He believed that the decision is not purely the end result of stimulus-response but rather that the individual's cognitive structures are involved in information acquisition and processing. Bettman argues that persons often perceive the external world in terms of cue patterns and configurations, rather than in terms of separate ones. This is an important concept because the consumer is not exposed to a product stimulus but rather to a configuration of product stimuli.

This model follows the mathematical decision network format and adopts the work of Simon (1976) on an information processing theory of human problem solving. It consists of:

1. a memory consisting of an array of cues
2. a number of simple processes that operate on the cue and develop mediating constructs and a network or discrimination net, which represents rules for combining the cues
3. and input/output mechanisms.

Thus a decision process is viewed as a net through which an array of cues passes. Alternatives are taken at the choice points in the discrimination net depending upon the value of the cue which that choice point processes.

The basic elements of Bettman's theory are, "the concepts of processing capacity; motivation; attention and perception; information acquisition and evaluation; use of memory; decision rules and processes; and consumption and learning" (Simon, 1976, p. 16).

Bettman's work presents the results of his attempt to computerize the actual decision process and develops a general decision and choice model. Both the Bettman and Nicosia models are similar to each other in their general approach. They both use

the cognitive theory approach on consumer behavior and are capable of employing computer simulation in order to derive decision criteria. While Bettman's model incorporates specific decision elements, it is difficult, at this stage of model development, to use it for determining points at which information is acquired and used.

The Howard Model

As noted above the Howard model of buyer behavior has its theoretical roots in the Hull and Spence S-R learning theory. Howard and Sheth (1969) proposed that much of buying behavior is more or less a repetitive brand choice decision. In the face of these repetitive brand choice decisions, the consumer simplifies his decision process by storing relevant information and routinizing his decision process.

The buying process starts when the buyer has been motivated to buy a product and is faced with a brand choice decision. The elements of his decision are:

1. a set of motives
2. several courses of action
3. decision mediators by which the motives are matched with the alternatives.

After the purchase, if the brand proves satisfactory, the potential of that brand to satisfy the consumer's motives is increased. The result is that the probability of buying that brand is likewise increased. Thus with repeated satisfactory purchases of one or more brands, the buyer is likely to manifest a routinized decision process whereby the sequential steps in buying are well structured so that some event which triggers the process may actually complete the choice decision. With a routinized purchase, it implies that the consumer's decision mediators are well established and that the buyer has strong brand preference.

So in addition to adaptive behavior, the Howard-Sheth model focuses upon the role of repetitive brand-choice decisions, and with the ways in which consumers store information and routinize their decision processes.

The Howard model of consumer behavior consists of four sets of constructs:

1. input variables
2. output variables
3. hypothesized constructs
4. exogenous variables.

The input variables are essentially the stimuli from the buyer's environment (social or commercial). The output variables are (1) attention, (2) brand comprehension, (3) attitude, (4) intention, (5) purchase. Even though some of the output variables are given the same names as the hypothetical constructs, they are less inclusive in meaning and less rich in speculation than the hypothetical constructs. The hypothetical constructs of the model are more abstract, and not operationally well defined. They are further grouped into two types of constructs: perceptual and learning. The perceptual constructs are (1) attention, (2) stimulus ambiguity, (3) search. The learning constructs are (1) motives, (2) brand comprehension, (3) choice criteria, (4) attitude, (5) intention, (6) confidence, and (7) satisfaction.

In our opinion the Howard-Sheth model does not differ greatly from the Andreasen model. It is a reductive-functional and stimulus-response model. The mediating and important causes of behavior are to be found within the perceptual and learning constructs. The triggering stimuli are to be found among the input variables.

The deficiency of the Howard and Sheth model is its inability to specify how independent variables interact with dependent ones and what the nature of the interaction process is. It is also weak in pointing out the interactive, interdependent nature of almost all variables related to human behavior.

This model underwent revision in 1974 (Farley, Howard and Ring). Twelve functional relationships were specified. While the model continues to be treated and revised, it is clear that this model is most useful for the study of repetitive brand choice decisions and still suffers from the inability to allow identification of points where information is sought and used.

While the Howard and Engel, Blackwell and Kollat models recognize decisions about infrequently purchased products, only the 1977 work of Howard develops the decision process for these products in any detail (1977, pp. 87-128). Earlier writings by Howard (1963, 1977) and even the newly revised Engel, Blackwell and Kollat model (1978) leave to the reader the task of recognizing differences and similarities in the respective decision process. While Howard does indicate differences in the repetitive and non-repetitive process, the emphasis is on repetitive brand choice (1977, pp. 87-128).

That there are differences can be easily overlooked in our pursuit of knowledge about repetitive decisions. But, most will agree that differences probably do exist between repetitive and non-repetitive consumer decisions. Both Howard (1977) and Bettman (1979, p. 154) indicate differences may exist on at least the dimensions of choice criteria and recall versus recognition.

AN APPROACH TO A NON-REPETITIVE MODEL

Most models of consumer behavior have tried implicitly to explain decisions by explanatory equations. These explanatory equations generally assume linear relationships. That there are limitations to the assumption of linear relationships for the study of consumer behavior is obvious. But, because of the limitations of statistical techniques, theoretical models of consumer behavior generally must make the assumption of linearity if they are to be verified.

The approach taken in the model proposed in this paper, however, differs considerably from most other consumer behavior models. Most models are process models that try to incorporate all relevant influences, determinants, processes and outcomes. Therefore, most will include the influence of culture, social class and environmental constraints in addition to a precise explanation of attitude formation and change. The proposed model is a very pragmatic model that is theory based, but only includes those

elements and relationships that can be used to explain non-repetitive consumer behavior. It is definitely *not* a process model.

A legitimate question, however, arises as to the need for such a model, particularly in its rather simplified, pragmatic form. In addition to the arguments for a non-repetitive model presented earlier, it is hypothesized that the non-repetitive decision is different enough from the largely routinized decision to require different analysis of presently used constructs and the possible addition of others.

Some Propositions

The non-repetitive decision probably differs on at least the following dimensions.

- 1) The probability of choice between product class* alternatives is high.

This implies that there is often an initial decision between dissimilar product classes (Chaffee and McLeod 1973). For instance, an initial decision may be between taking an extended vacation, a new car, or remodeling part of the house. Imbedded in this initial decision would be the elements of taking a shorter vacation if the car or remodeling is chosen and the postponement of the car or remodeling if the extended vacation were chosen. Once the initial decision results in the selection of a product class, then further decisions will be necessary within the product class and ultimately between brands or specific offerings. But note—that even the decision within product class may be non-repetitive.

- 2) The probability of the decision being moderately important or very important to the consumer is high (Hupfer and Gardner 1971, Lastovicka and Gardner (1978).

This implies both the consumer's need to make a decision consistent with his view of himself and the need to anticipate longer term consequences.

- 3) The probability of joint decision making is high.

This implies that either more than one person will be instrumental in making the decision or that an attempt will be made to accommodate the preferences of others. This should be especially true for decisions involving expenditures for housing, transportation, vacations and other family related expenditures (Davis 1970).

*Product class as used in this paper includes services, entertainment and all categories of individual or family expenditure in addition to traditional product categories.

- 4) The probability of overt information seeking is high.

This implies that the store of the consumer's information will most likely need to be updated and supplemented before each purchase. Choice criteria will need to be verified against current offerings and constraints. (Engel, Blackwell and Kollat 1978, pp. 238-240; Newman 1977).

- 5) The probability of a conscious use of decision rules is high.

While this proposition is not directly addressed in the literature, a review of literature dealing with the purchase of durables and joint decision making for durables seems to indicate the strong possibility of such a relationship.

- 6) The probability of effective communications containing high levels of information versus persuasion is high (Alderson 1965, pp. 127-129).

This implies that the role of communication is less reminder and what Krugman describes as "learning without involvement" (1965). Rather, it is more informative.

THE TENTATIVE MODEL

As discussed in the previous section most models of consumer behavior have a strong emphasis on cognitive structure concepts. However, the orientation for this research places its primary emphasis on decision points to influence consumer consumption patterns. Consequently, a more pragmatic result is hoped for than has been achieved by past models.

Additionally, this model will consider information processing and information flows throughout all major stages of the model. Past models have tended to isolate or delegate these processes and flows to only initial stages of their structure. One result is that more emphasis will be placed on the consumer's perceived situation.

More emphasis will be placed on incorporating choice strategies used by consumers than have past models. Choice strategies (e.g., lexicographic, conjunctive, disjunctive, etc.) may allow for different choices to be made by consumers even when they have the same information at hand. This emphasis is congruent with the pragmatic focus of the model.

Because of the heavy pragmatic orientation a "black box" approach will be used to model relationships. Theory where it exists will be used to suggest which variables are most likely to be associated. Consequently, at each stage of the model the basic question that will be answered is: "What inputs are most statistically likely to be associated with these specific outputs?" For the purposes of our model it is not necessary to take a "process tracing strategy" where a complete understanding of the processes relating inputs to outputs is necessary.

This model will also incorporate the preferences of more than one member of the household. Past models have largely ignored consideration of this aspect of decision making.

To the extent possible, this model is based on existing literature. An extensive review of consumer behavior literature was combined with reviews of literature from economics, political science, sociology, social psychology and the decision sciences. Each of these disciplines has a body of literature focused on the how and why of individual choice.*

Model Structure

The basic model structure is given in Figure 1.

A "trigger" initiates the process of consumer selection and finally a purchase response. The trigger is some mechanism which establishes a felt need by the consumer which can be satisfied through purchase of a durable good.

This trigger is probably similar to problem recognition as defined by Engel Blackwell and Kollat. They define it as "a perceived difference between the ideal state of affairs and the actual situation sufficient to arouse and activate the decision process" (1978, p. 215).

Given the activation of the decision process the consumer perceives the *situation* at hand in terms of multidimensional framework of attributes. Some of the situational attributes he may consider include: status, peer evaluation, risk/involvement, time pressure, newness/novelty, cost/utility, and clarity (lack of ambiguity).

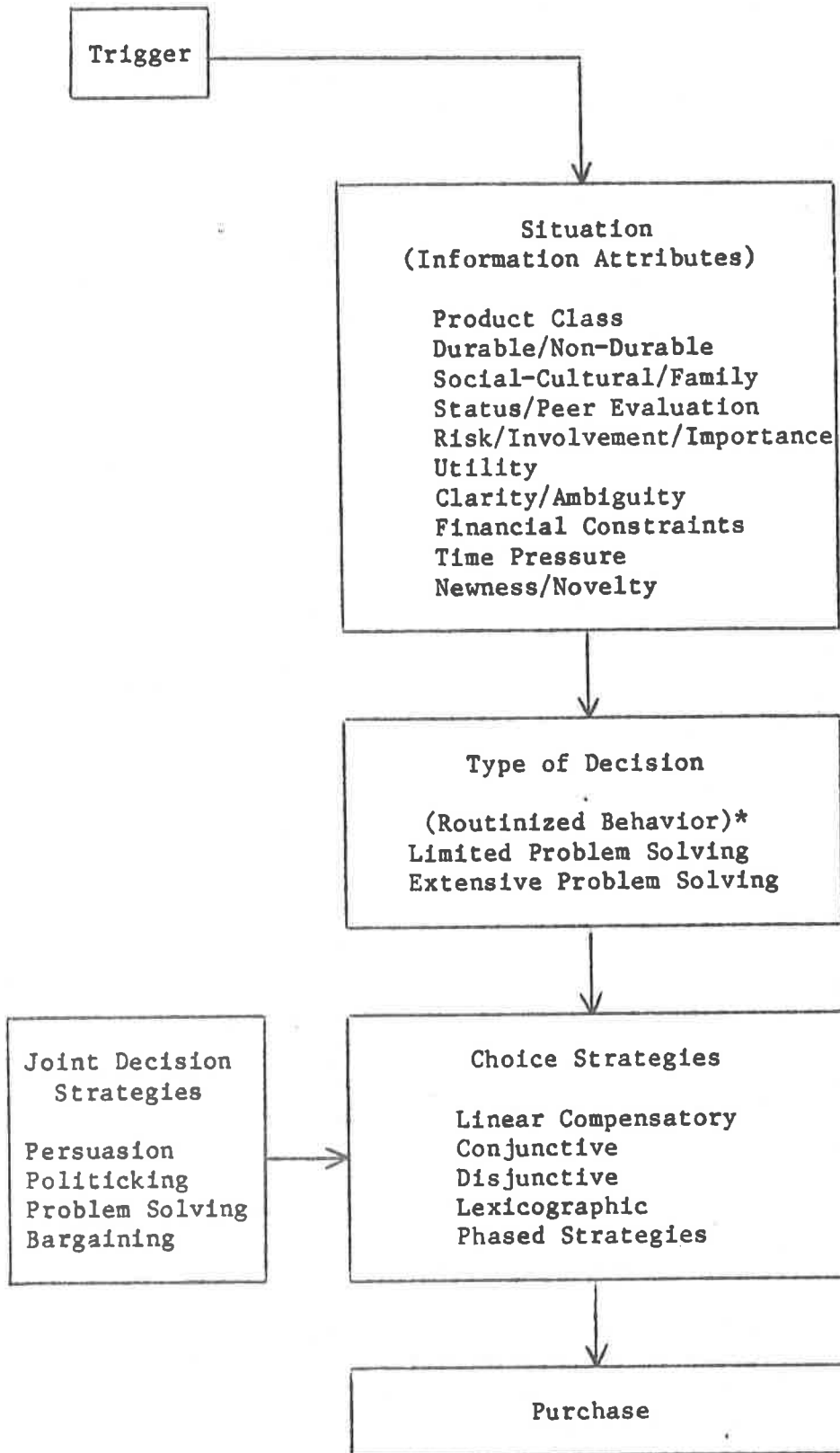
These situational attributes will influence the primary *decision process* and subsequent *information search* that will be used by the consumer. Three major types of decision processes have been identified in the literature: (1) routinized behavior—associated with little additional information search, (2) limited problem solving behavior—associated with some additional information search, and (3) extensive problem solving behavior—associated with much additional information search. In turn, the consumer's information search may make an adjustment in his initial assessment of the situational attributes.

Certain situational attributes will be identified by the consumer as being crucial to his decision. Since he may have to "process" several dimensions in order to eventually make a purchase response he relies on some sort of *individual choice strategy*. Some examples of individual choice strategies are: lexicographic, conjunctive, disjunctive, and compensatory.

However, the consumer's purchase response may also be influenced by other consumers if the purchase is to satisfy the felt need of more than one individual. Thus, *joint decision strategies* may be used to directly influence the purchase response by

*While not an exhaustive literature review, the reader will find *Selected Aspects of Consumer Behavior* (Ferber 1977) useful in understanding the contribution from these disciplines.

Figure 1



*An element of minor importance to the model.

determining which individual choice strategies may be used by the purchaser. Some examples of joint decision strategies are bargaining, problem solving, politicking, and persuasion. The joint decision strategy used will be determined primarily by the perceived situational attributes of those members influencing the primary purchaser.

The above relationships are summarized in the following equations. At this time the functions are yet unspecified.

$$\text{Purchase Response} = f(\text{Individual Choice Strategy})$$

$$\text{Individual Choice Strategy} = f(\text{Decision Process [\& Information Search], Joint Decision Strategies})$$

$$\text{Decision Process} = f(\text{Situational Attributes})$$

$$\text{Joint Decision Process} = f(\text{Situational Attributes})$$

It is hypothesized that information is either sought by the consumer or the consumer is receptive to information at each stage in the model. Therefore, we can anticipate that information can influence not only the trigger, but perception of the multidimensional array of attributes in the situation as well as the use of particular choice strategies. Of course, whether the problem is perceived as one of "limited problem solving" or "extensive problem solving," will dictate how much information is sought and the respective formation and use of choice criteria. The exact nature of the influence of joint decision making on information search and receptivity must remain unspecified because of limited research evidence at this time. Actual purchase strategies, including brand, store, and price have been demonstrated as being sensitive to information directed at consumers. Less certain, however, is the exact nature of this influence and consumers actual search for information for non-repetitive purchases.

Limitations of the Tentative Model

The primary limitations of this model stem from the pragmatic demands placed on it. Since primarily the black box approach is used to model relationships:

- 1) A complete understanding of the relationship is not sought. Only relationships will be developed which give good predictive results, even though it may not be the true relationship.
- 2) The model will only look for major relationships which account for most of the variance in behavior. It will *not* include variables which are theoretically justified but do little to predict the behavior investigated.
- 3) Because of the input-output nature of the model there is a possibility of capitalizing on chance variations by the statistical methods used. However this will be minimized by modelling relationships which seem theoretically and intuitively justified (as well as empirically shown to exist by past research).

EXPLORING RELATIONSHIPS

In terms of testing the model we are at the early stages of scientific method. At this stage of model development the model is not specifically being tested. Instead, the primary concern is the exploration and establishment of relationships (associations) between the different variables which will be incorporated into the model. Later these relationships will be tested using additional data not used in the initial parameter estimation.

Establishing Relationships

Both noncorrelational or correlational techniques can be used to establish relationships. One technique that should be used is Automatic Interaction Detection (AID). It is a noncorrelational method which can be used in its own right for prediction or be used as a preliminary step to indicate interaction effects to be modelled using a correlational technique. However, AID has two main disadvantages: (1) the sample size should be large—approximately 750-1000 subjects and (2) it has limited “look ahead” capabilities to enable it to capture higher order relationships.

Two related correlational techniques which can be used to model relationships are regression analysis and discriminant analysis. Each are multivariate techniques which try to fit a model to account for the variation in the behavior modelled. Discriminant analysis is used when the behavior modelled (criterion or dependent variable) is nominally scaled. Regression analysis is used where the behavior can be measured on an interval scale. Both correlational techniques may use a step-wise procedure in determining the best fit.

Establishment of Parsimony

With the number of situational attributes being so large it seems desirable to reduce this set to a manageable subset. One approach is to drop certain attributes which are very closely related to other attributes (since essentially they measure the same aspect of the situation). Another approach is to develop an index composed of several variables to represent a certain attribute of the situation. One statistical technique that has been developed to do this is principal components (factor analysis). Thus this technique will be used early in the modelling process to reduce the number of situational attributes into a more parsimonious set.

Establishing Dimensions of Choice

When an individual choice strategy is used to determine a purchase response, the consumable is judged on the basis of certain dimensions salient to the consumer. In order to model this process these salient dimensions need to be determined. Focus groups may be used to directly try to determine salient dimensions or this information can be used as input for scaling procedures. Two scaling procedures which can be used for this purpose are nonmetric multidimensional scaling and conjoint measurement.

Data collections differ in those methods but both generally consist of giving preference judgments on comparisons of different product offerings.

Data Collection

Data collection will be done by self administered questionnaires. Bipolar semantic differential scales will be used to have the respondents indicate their perceived values of the situational attributes. For example, to obtain a measure of importance a question may be asked such as:

How important is this [purchase decision] to you?

<u>not important</u>							<u>extremely important</u>
1	2	3	4	5	6	7	

The initial data collection would occur before the respondents have had a chance to gather more information about the purchase decision. The followup data collection would occur after the data collection process has occurred. Also data collection (i.e., at least information on the actual purchase response) will be done after the purchase response is made. In essence, the sample is a panel of consumers each facing a similar durable good purchase decision.



Criteria

As an example of the use of the proposed model and the testing of its relationships, imagine the following situation.

At the dinner table, a discussion evolved that eventually centered on this year's vacation plans. In addition to the usual expression of preferences by family members about favorite places to visit, some question was raised about taking a shorter vacation this year. The money saved would be used to buy a swimming pool or to remodel the basement so larger parties could be given. Some discussion also centered on mom's need for a new, economical car.

Given this situation or simpler decisions to purchase a new refrigerator or even more complex decisions about alternative modes of transportation, several questions should be answered by this model.

- 1) Can we identify what *triggered* the response?
- 2) Can we identify what *situational attributes* are salient to this *buying situation*?
- 3) Can any *situational attributes* be related to the *primary decision process* used?
- 4) Can we identify the *primary sources* where *information* was sought? (to reduce the decision maker's uncertainty)
- 5) Can we identify what *situational attributes* and/or primary decision processes are related to the primary *individual choice strategy* used for this buying situation?
- 6) Can any *situational variable* be related to whether a *joint decision* will be made rather than an individual decision?
- 7) Can any *situational attribute* be related to what kind of *joint decision strategy* will be used?
- 8) Can the *individual choice strategy* used be related to whether a joint decision is made rather than an individual decision?

CONCLUSION

This tentative model is based on the hypothesis that the non-repetitive consumer decision is different than the repetitive brand choice decision. Much consumer behavior of interest to those studying macromarketing problems is most likely to be non-repetitive in nature. Therefore, the need for such a model.

The approach taken here is not elegant—in fact it is simplistic. But one step in the scientific method is to start identifying what varies with changes in specified variables. Because of the lack of empirical evidence, this approach seems reasonable, especially if significant differences exist between repetitive and non-repetitive decision making. Modifying existing models seems difficult because of their largely repetitive *brand* choice bias. In non-repetitive models, we are concerned with inter product choices. As this model is tested, it will not only yield valuable information to managers, policy makers and others interested in macromarketing, but will provide the information needed to develop a better explanatory model of non-repetitive consumer behavior. And then, the logical incorporation of both repetitive and non-repetitive behavior into a single model.

In the meantime, we see this as a valuable tool. It does not minimize existing models or the efforts to evaluate them. Rather, we see important contributions to those studying the process of consumer allocation, the purchase of housing, travel, social marketing and the energy problem.

This tool, however, can only be useful as it is tested, developed and revised. We hope this proposed model will encourage just that activity.

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METHODOLOGICAL ASPECTS OF MACROMARKETING

The development of macromarketing not only includes advances in conceptualization, analysis of externalities, and market systems, but must include advances in methodological approaches as well. Though many analytical techniques and research methods used in other fields are applicable to macromarketing study, modifications and development of new tools are also necessary in the investigation of macromarketing phenomenon. Embedded in many of the papers presented thus far are techniques of research and analysis ranging from use of survey research to complex model building, even though the method of investigation has not been the main focus of the papers.

The four papers in this last section concentrate on the method of investigation and inference rather than on the substance of macromarketing per se. The first, by Jehiel Zif, presents a framework for the investigation of organization behavior. The paper, "A Dual Concept for Macromarketing Management," suggests that any economic organization can be classified by the degree to which it pursues two tasks. The first task is that which we have traditionally accepted as micromarketing management or managerial control. The second task relates to the organization's attempt to market itself to its environment—the public and government; in other words, cultivate public support. This two-dimensional framework can then be used to understand organizational characteristics and behaviors. Some notions for measuring organizations on the two continuums are presented.

The second paper by Pessemier and Wilton uses Zif's dual concept of macromarketing management to highlight the importance of research into acceptance of innovation. In "Pretesting the Acceptance of Socially Significant Innovations" Pessemier and Wilton present the results of an extensive study on the effect of information treatments on acceptance of an innovation. The introduction of the electric car provides the context of the experiment from which a predictive methodology is derived. Predicted levels of acceptance as well as feedback on an innovation from the public's perspective has value in the determination of public policy regarding innovations from both public and private sources.

The third paper by Richard P. Bagozzi, entitled "A Conceptual System for Discovering and Testing Causal Relationships in Marketing," presents a framework for examining causality where qualitative, macro, or small sample contexts exist. Testing causation in natural rather than laboratory settings is stressed. Bagozzi's methodological development is particularly appropos for macromarketing analysis as is illustrated in his paper by the example of productivity in vertical market systems.

The final paper, "An Evaluation of Trends in the Measurement of Quality of Life," by J. Marc DeKorte, traces the approaches which have been used to measure quality of life and notes the weaknesses of each. He points out that objective measures of cultural enrichment, safety, health and environmental quality have not traditionally matched subjective measures of the participants themselves, thus necessitating combined quality of life measures.

A DUAL CONCEPT FOR MACROMARKETING MANAGEMENT

Jehiel Zif, Tel-Aviv University

In previous seminars, macromarketing management was proposed as a viable concept that goes beyond administration of public policy (Zif and Israeli 1977, 1978). This was based on the knowledge that many managers throughout the world direct the marketing of goods and services for complete sectors of the economy, such as agriculture, health care, transportation or raw materials. Their managerial responsibilities are considered macromarketing because of their significant impact on society or because of their high level of aggregation, or both.

This paper analyzes the managerial tasks and strategic orientation in macromarketing in order to propose a conceptual framework for theory development. The central idea is a dual concept of managerial orientations. Measurement methodology, to operationalize the dual concept, is explored, and behavioral implications, as opening hypotheses for empirical research, are presented.

Tasks

The generic job of marketing management is to bring about exchanges (Kotler 1972). When a comprehensive macromarketing responsibility is created, part of the exchange system is transferred from the marketplace to the political arena. The resulting two kinds of exchanges require two different tasks: managerial control in the product or services markets and cultivation of public support in political markets (see Figure 1).

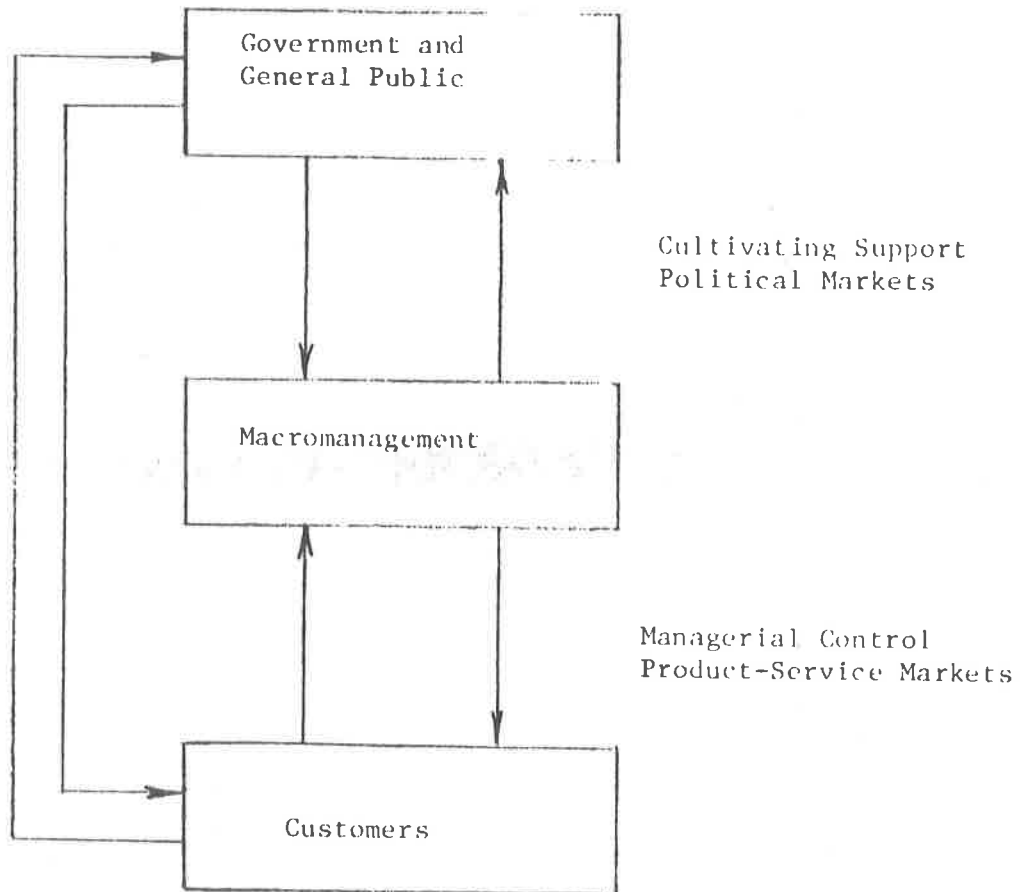
Managerial control is concerned with the functional management of the enterprise. The key elements of managerial control are familiar from micromarketing; they include marketing organization, information systems, investment projects (including R & D), marketing-mix decisions and product quantity decisions.

The structure of public support can be divided into the public-at-large, political intermediaries (i.e., parties, government agents), and special interest groups. While there is interactive influence between the three, their positions and responses are not identical. Public support is essential in three common situations: when determining objectives and evaluating performance; when public approval is required for capital investment or organizational or marketplace action; and when negotiated transactions, involving government representatives, replace competitive transactions.

Public support is gained in response to a political "product mix" consisting of three kinds of elements: 1) operational objectives that reflect societal concerns, shared norms and values (e.g., support of NASA); 2) utilitarian benefits, such as income, services, products, reciprocity of support, etc.; 3) power position and the potential or demonstrated ability to get results. Effectiveness in cultivating public support demands that the political "product mix" be supplemented by political promotion and public relations.

Figure 1

Exchange Relationships in Macromanagement



Framework

The strategic orientation of macromarketing is determined by the overall level of effort and its relative allocation to the tasks of managerial control and cultivating public support.* The level of effort indicates a position on a passive-active continuum, while the relative allocation of effort indicates a position on a managerial-political continuum. There is a trade-off relation between the two tasks: a high degree of managerial control requires some independence from public interactions; a heavy involvement in cultivating public support leaves fewer resources and less time for managerial control. When

*This section is adapted from Etzioni's classification of societies (1976: 137-140).

skillfully performed, both tasks generate payoffs for the macromarketing organization, and there is clearly an interaction effect. The tasks can be used as the two dimensions of a matrix for classifying four basic managerial orientations in macromarketing (see Figure 2).

Figure 2

Managerial Orientations: A Dual Macromarketing Concept

		Managerial Control	
		High	Low
Cultivating Public Support	High	Social Performance Orientation	Political Orientation
	Low	Business Orientation	Passive Orientation

A *passive* managerial orientation—characterized by low levels of both managerial control and cultivation of public support—is unfortunately quite common in macromarketing. In some countries this can be explained by historical and cultural factors; in others, it is a response to economic and political conditions. When the competitive market test is eliminated, the organization can survive without a high level of managerial control. When, at the same time, there is a serious political conflict over objectives, uninvolved neutrality can be the safest route. A manager has a strong temptation to maintain a passive orientation when there is no public interest in his activities or when any change from the status quo elicits strong opposition. This orientation is not usually conducive to societal progress.

A *political* orientation—characterized by a high level of cultivation of public support and a low level of managerial control—is prevalent under two sets of circumstances. In many countries an executive position in a large public enterprise is a political patronage prize. The macromarketing manager knows why he got the job and what orientation will help him keep it. Also, he is frequently an aspiring politician who gives his long-term interests priority. Another basis for a political orientation exists when the government dominates the economic payoff with contracts and foreign trade agreements or with special subsidies and taxes. Farmers' organizations and agricultural marketing boards frequently concentrate on cultivating political support in order to achieve their aims. Needless to emphasize an excessive preoccupation with political interactions can sometimes generate payoffs for the manager or the organization, but it is rarely productive from a societal perspective.

A *business* orientation to macromarketing is characterized by a high level of managerial control and a low level of cultivation of public support. This orientation is typical of private firms that have grown to assume macro responsibility, and of individuals with a career background in private business. Many executives of large American corporations find the transition from a purely micro to a joint micro-macro responsibility difficult, and tend to continue with their familiar orientations. A business orientation is usually efficient in achieving a narrow set of profit-related goals, and this can lead to some independence from political pressures. However, this orientation is less successful in dealing with multiple macro objectives, and the organization as a result is frequently subject to public criticism and attempts at government regulation.

The *social performance* orientation, with high levels of both managerial control and cultivation of public support, is very desirable from a societal point of view. Cultivating public support is an interactive activity, especially when conducted at a high level. This means that management is not only trying to obtain support for its actions, but is also responding by tailoring its objectives and plans to societal needs. In combination with a high level of managerial control, this orientation implies an intensive effort to achieve multiple objectives.

The social performance orientation is relatively rare in practice, although some macro organizations appear to practice an orientation quite close to social performance, at least for a limited period of time. A possible example is the Japanese Ministry of International Trade and Industry (MITI), the government's central agency for implementing the successful post-war industrial strategy. The strategy was not only well-defined in terms of general objectives and specific plans for key industries, it was also based on a consensus-seeking process of "eagerly searching out the views of the private sector and incorporating them into programs" (Yoshino 1976, pp. 10-11).

It is difficult to achieve a high level of activity in the two major tasks simultaneously. Nevertheless, while there is a trade-off between the efforts that are allocated to the two tasks, positive results on both counts are mutually reinforcing. High performances on multiple socially desirable objectives generates public support, and this support simplifies the task of managerial control.

Measurement

The position of an organization in the conceptual framework of Figure 2 can be estimated in a number of ways. At this stage, a definitive statement about a preferred measurement methodology is premature. But it could be useful to explore how the dual concept can be operationalized and what problems might be encountered.

To determine the position of an organization in the matrix of Figure 2, it is necessary to estimate the level of effort devoted to managerial control and to the cultivation of public support. A straightforward, but unsophisticated, way will be to ask senior managers to assess, based on subjective perceptions and in comparison with other organizations, the level of effort devoted to each task. The same scale should be used for both tasks to simplify comparisons.

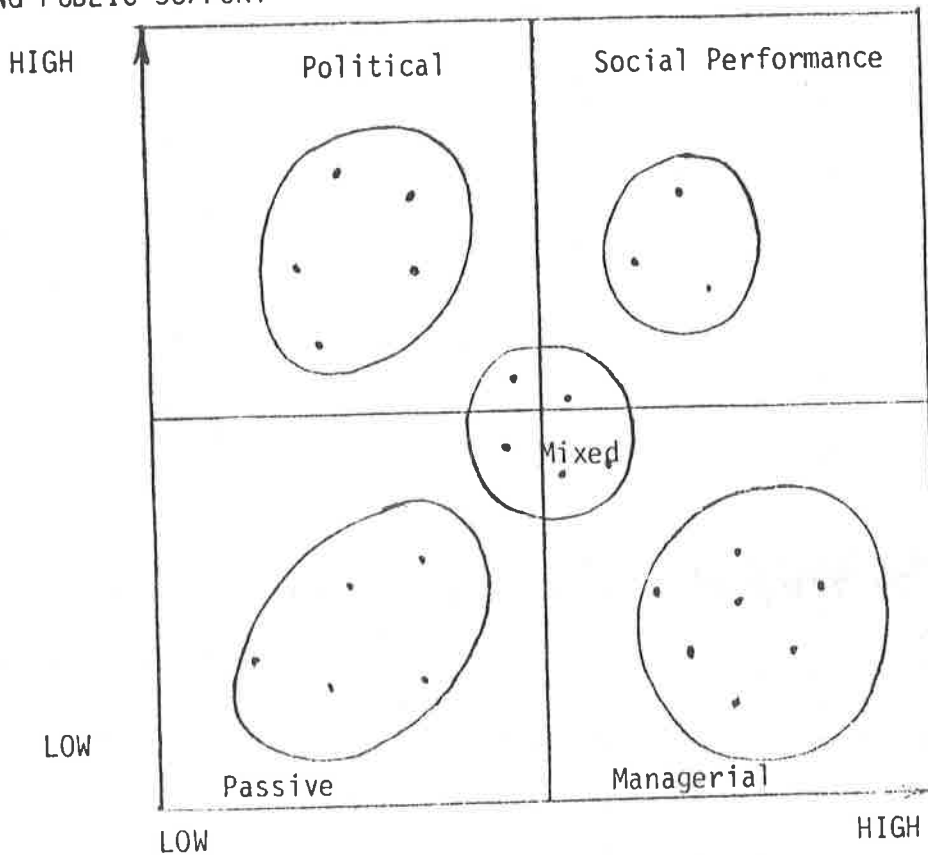
For each organization studied, a point is recorded in a space generated by two axes corresponding to the two tasks (see Figure 3). When a sample of organizations is available, interpretation can be based on the relative positions of each organization in the space and can be aided by multivariate analysis. Although it is expected that clusters of organizations would be formed based on the classification of the dual concept, some organizations will probably represent a mixture of more than a single orientation.

Figure 3

A Map of Organizational Orientations

Level of effort

CULTIVATING PUBLIC SUPPORT



Level of effort - Managerial Control

The measurement task must take into account, however, at least four complicating factors: 1) operational definition of the level of effort; 2) response bias; 3) task separations; and 4) subjective differences among managers.

An operational definition of the level of effort can be based on all relevant expenses in monetary terms as a percentage of sales. All expenses such as promotion, personal sales and managerial time are included. This comprehensive coverage creates problems of estimation, and differences among industries with respect to spending levels can spoil inter-industry comparisons. Alternatively, one could consider only managerial time, multiplied by salaries, as a percentage of sales. This would be simpler to estimate and would relate more directly to managerial orientations, but is based on partial effort. A desirable addition would be to assess quality (as a multiplier) in addition to quantity of effort. Quality, however, would have to be estimated subjectively from sources outside the organization.

Asking managers to estimate their level of effort is likely to generate an upward response bias. There is no problem if all managers have the same bias, but this is a weak assumption. An alternative approach will be to ask managers to estimate only the relative allocation of effort, and to assess the overall level by an independent evaluation of a knowledgeable panel, outside the organization. This approach is more cumbersome, but can probably produce more reliable results and take quality (or effectiveness) considerations into account. A comparison between the internal and external points of view should be of interest to management as well as to the researcher.

When a specific act increases both managerial control and public support, it will be difficult to separate the effort allocated to each. This is not uncommon, for example, an advertising campaign announcing a price reduction can serve both functions. In these cases it is necessary to consider the intended impact of the act on each count in order to properly assign efforts.

Subjective estimates of effort allocation from managers, are likely to generate some disagreements, since different managers view their enterprise from different perspectives. Minor disagreements are expected and can be handled by averaging responses. Serious disagreements may be indicative of an organization in a state of transition or disarray, where there is no common orientation. It is also possible, particularly in large and geographically scattered organizations, that different management groups have different orientations. The subjective elements in the estimates can partially be eliminated by an objective study of the allocation of managerial time and funds to the two tasks. But even here, a subjective interpretation is frequently necessary to assess the intended effect of each effort.

Implications

The dual concept provides an important dimension, beyond type of industry and objective conditions, to explain marketing behavior. The following section explores selected implications of the dual concept as opening hypotheses for empirical research.

Marketing Goals and Behavior. The multiple objectives of the enterprise are given different weights with different orientations. As a result, different marketing goals are expected, although these goals may not be expressed formally in order to avoid political criticism. The goals can be interpreted, however, by analyzing behavior and performance.

In a passive orientation, a defensive strategy emphasizing sales stability and low risk is expected. Efforts to maintain market share will utilize limited public support to block competition rather than to initiate innovative responses.

More than any other orientation, the political one is likely to emphasize a wide array of national interests, although specific goals will depend on the political base which the firm cultivates. With a political orientation, we can expect a relative instability from frequent shifts in priorities following the political mood. Considering, however, the interest of most governments to keep employment up and inflation down, managers are likely to stress volume objectives based on relatively low prices. Long-term profitability is not likely to be highlighted, as the marketing function is frequently dominated by the political need for visible short-term results and demonstration projects. In the socially-oriented European democracies, where one would expect political orientations in macro organizations to be quite common, the largest state-owned enterprises have generally experienced a high rate of growth of sales and low, unstable profitability over the period 1968-1977 (Monsen and Walters, 1979).

The managerial orientation is influenced by a desire to run a macromarketing enterprise free of political intervention. Since a major dependence on public support is financial (Aharoni 1979), the managerial orientation is likely to stress profitability and cash flow goals in order to reduce dependence on the government. A second marketing goal which will reduce dependence is market diversification. By decreasing the reliance on a single product or market, management can increase its discretion in periods of crisis.

Marketing goals of enterprises with a social performance orientation are likely to be more aggressive than the passive orientation, more focused on long-term goals than the political orientation and less narrow than the managerial orientation. The enterprises in this category are likely to concentrate on developing new markets, new services or new products which public opinion considers to be important. Since societal needs shift with time, management response under this orientation is also dynamic and open to change.

Strategy Over Time. While the managerial and political orientations are based on imbalances between managerial control and cultivation of public support, both tasks are needed, particularly when new initiatives are contemplated. The two orientations are associated with two different strategies of balancing the two tasks over time.

In a political orientation, and to a lesser extent in a social performance orientation, management tends to cultivate public support for a new policy prior to action. If political backing by powerful parties can not be mobilized, action is postponed. As a result of the diffusion of power and the bureaucratic nature of most democracies, action is frequently delayed until outside events force government and management to act. The enterprise and society pay a price for this reaction-time lag of the political process.

A managerial orientation is more likely to favor a strategy in which action is initiated first and support for it is cultivated during or after implementation. This strategy is considered an effective approach to achieve results with limited political intervention. At times, however, the strategy can backfire, when political opposition forces management to withdraw or to significantly alter plans.

Multinational Marketing. In recent years, an increasing number of state-owned enterprises, with macro responsibilities at home, are participating in international trade. The behavior of these enterprises is frequently different from the behavior of private multinational firms.

Following national interests at home, a political orientation would lead management to push exports in order to earn foreign exchange and increase employment. Since profitability is not the major concern, a low price is a likely strategy, particularly in periods of declining demand. In similarity with product-line planning utilizing a loss-leader, macromanagement is willing to accept a loss in one enterprise provided the whole system is better off. (An example: Following a long public debate, the tourist ministry in Israel was able to convince the government that low-priced charter flights will bring more tourists to the country and will more than compensate for the loss of earning of the national airline El Al.) Foreign investment abroad, a favorable strategy of private firms, will usually be shunned in order to avoid opposition by labor leaders and others.

A different approach to multinational trade is likely to be followed by enterprises with a managerial orientation. Foreign expansion frequently provides an attractive opportunity to disengage from the restrictions of politicians at home. By seeking cooperative ventures with foreign partners, dependence on public support can be reduced. Operating abroad has the added advantage of circumventing various control procedures (i.e., foreign exchange) at home (Aharoni 1979). Enterprises in this category are also less likely to cut prices sharply, since both profitability and multinational relations are important to the firm.

With a passive orientation, management will usually decline to initiate aggressive expansion into unfamiliar territories. When foreign trade is developed, probably by foreign initiative, it is likely to be a limited exporting effort.

Multinational marketing of enterprises with a social performance orientation are expected to combine a national point of view with a recognition of the long term benefits from cooperation with foreign partners. As a result, exports will be emphasized but foreign investments will also be initiated, provided macro benefits at home can be demonstrated.

Similar implications of the dual concept can be developed with respect to the behavior of regulation and coordination bodies. If the major implications of the dual concept are supported by empirical research, and if managerial orientations can be predicted based on the background of managers, organizational environment and political climate, a managerial theory of macromarketing will be developed.

CONCLUSION

The dual macromarketing concept is founded on the idea that two tasks, managerial control and cultivating public support, based on separate exchange relationships, must be performed in macromarketing.* Each organization needs to strike a strategic balance between the two tasks, and the way this is done is indicative of the organizational orientation and behavior. The concept helps, therefore, to classify macromarketing organizations and provides a basis for explaining behavior and formulating testable hypotheses. It can also serve a normative function by helping managers to analyze their position relative to other managers and other organizations and as a result to create a more productive balance.

The dual concept generates many challenges and opportunities for empirical research: How do managers allocate their efforts between cultivating public support and managerial control? What variables determine these allocation strategies? What are the behavioral implications and macro consequences of each strategy? How does management cultivate public support under different conditions? What can be done to achieve a balanced social-performance orientation by managers?

*The concept is useful beyond macromarketing and particularly with public and non-profit enterprises.

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PRETESTING THE ACCEPTANCE OF SOCIETALLY SIGNIFICANT INNOVATIONS

Edgar Pessemier and Peter Wilton

The following report describes research into some aspects of perception, preference and choice. Although this work was motivated by an interest in these basic elements of human learning and decision making, the findings directly apply to a wide range of micro and macromarketing problems. The data and associated findings which are reported deal with Federal efforts to encourage electric vehicle development and the vehicle's wide-spread adoption. In this case, program managers in government *and* product managers in the private sector have significant constituencies among both the general public and the potential adopters of this particular form of transportation. This condition clearly fits Zif's dual concept of macromarketing management (1979). The reader may further motivate the macromarketing aspects of the discussion by mentally substituting other proposed marketing-related actions, public or private, which can have broad societal effects. If the promise of the methodology developed below is realized, measurement and forecasting capabilities will be enhanced in both the macro and micromarketing domains. Some specific macromarketing applications are noted in the concluding section of the paper.

The central difficulty encountered in anticipating the acceptance of an innovation is the state of knowledge among potential adopters. For modest changes in products and services, the user has little difficulty comparing the new offering with the old, or in seeing how the new items will fit in with their existing inventory of related items. In the case of more innovative products, services, or socio-political arrangements, knowledge will be very limited, and not infrequently a good deal of misinformation will exist. Therefore, the fundamental research tasks concern (a) measuring the current state of relevant knowledge about the innovation among important constituents, (b) simulating the maturation process in an efficient manner and (c) measuring the probability of trial and adoption at each stage in the maturation process.

Before turning to these specific research issues, the manager and his staff analysts need to develop a common understanding of the process by which knowledge is acquired during the adoption process and how this knowledge influences the relative desirability of the innovation. Although some details may vary by type of product service or socio-political arrangements, the general process has a number of common characteristics.

ROLE OF KNOWLEDGE AND LEARNING IN THE ADOPTION PROCESS

Some Theoretical Aspects of Perception and Learning¹

Interest in perceptual structures is based on three principal propositions:

- a) individuals use accumulated information to discriminate among objects,

- b) as an individual learns, changes occur in the nature of knowledge and the process by which it is acquired, and
- c) perceptions of the attributes of objects are used to form preferences for choice objects and in turn, preferences strongly influence choice behavior.

The theories we find most relevant to these propositions and the associated marketing problems are found in the works of Hayes-Roth (1977) and Pessemier (1978). Both authors were concerned with the way information is acquired, retained and used. A quotation from each author will make their perspectives clear. In talking about pure learning theory, Hayes-Roth notes:

. . . both the structural representation and the processing of knowledge change qualitatively as learning progresses. . . .

Learning commences with the establishment of memory representations of the elementary components of a knowledge structure (e.g., the concepts in a sentence or the shapes in a scene). Once established, these representations are activated in an all-or-none fashion, given a stimulus that contains the appropriate components. With additional experience, these elementary representations become stronger, and relational associations are established among them. A configuration of related representations is activated by means of excitation spreading from one representation to another along the associative connections. Associations and configurations can be strengthened to the point of 'unitization,' the configuration then acts as a discrete, all-or-none activatable memory representation. The processes of establishing, strengthening, and associating representations are applied recursively as learning progresses. Thus, over the course of an individual's experience with a knowledge structure, the memory representation of that structure is assumed to progress hierarchically from a collection of independent but related parts to a single, integrated representation of the structure as a whole (1977, pp. 260-261).

In a somewhat different context, Pessemier notes:

Three elements deserve special attention; how objects enter an individual's evoked set [the objects about which an individual is knowledgeable], the attributes that are employed in the perceptual process applied to this set and how objects are encoded.

The Evoked Set. For any class of objects, the more similar a new object is to the objects already in an individual's evoked set, the less perceptual variety it will contribute to an evoked set. Generally, the utility of perceptual redundancy among objects is low. It is the different object that gets attention and becomes a new addition to the set of objects about which the individual is most aware. Therefore, individual search is directed towards finding collections of objects that differ in important ways from each other and not simply adding highly similar objects.

The Attribute Set. Given the above incentives, it is plausible to believe individuals will use attributes that effectively discriminate among the objects in their evoked sets. Non-discriminating attributes do not help an individual identify genuinely new or surprising objects. Therefore, individuals are expected to store and use attribute data that help enhance the useful variety of objects in their evoked sets. Their attributes are learned from experience and usually have evaluative content.

[Stored Attribute Information.] At this point it is useful to recall that the information content in a message, 'Object _____ has (does not have) attribute _____' depends on the probability that any object of the type in question has the attribute Therefore, before knowing which object in a set must be identified, an individual will select independent attributes such that each one is possessed by just half the objects. . .

Summary

Individuals seek evoked sets of objects (objects about which they are knowledgeable) which are varied and can be readily identified. To accomplish this purpose, the individual selects meaningful attributes across which objects can be expected to significantly vary. Finally, the selection of attributes, objects and the encoding scheme seeks to balance the presence and absence of each attribute across each object, thereby maximizing the expected information content of messages about the set's perceptual content.

Information, Learning and Maturation

When confronted with questions about the presence or absence of an attribute for a genuinely new or novel object, the candid individual must answer 'don't know' to very object-attribute questions. As learning takes place, an assortment of determinant attributes and growing number of non-redundant objects are associated with the evoked set. In this sense, the perceptual map of the individual grows in both complexity and clarity. Early, each new stimulus tends to have a high degree of novelty and receives much attention. Later, additions to the 'new' class of objects tend to be fitted into an established structure and it becomes progressively more difficult to make the individual aware of new additions. At some point, knowledge about the evoked set may become unitized in the manner described by Barbara Hayes-Roth . . . and the objects and their attribute evaluations may become resistant to change. Ultimately, new additions will tend to displace old objects in the evoked set (Pessemier 1978, pp. 9-11).

The above conceptual framework appears to be a satisfactory representation of the perceptual and affective development that takes place during the adoption process. This process is an important aspect of the environment in which policy makers, marketing

strategists, designers and analysts must operate when attempting to gain acceptance of an innovation. The above description also leads to sets of explicit propositions about the maturation of perceptions and preferences during the adoption process.

- a) The ability to discriminate among objects increases as more information is provided.
- b) The interindividual variability in the perceptions of objects decreases as more information is provided.
- c) The composition of the evoked set of objects and the set of determinant attributes change as learning occurs.
- d) The interindividual variability of perceptions of a novel form of an existing class of objects will decrease as learning occurs.
- e) The perceived similarity of a novel object to objects in the same class will start at a high level but decrease as learning occurs.
- f) The evoked set of objects will contain few highly similar objects.
- g) The operant set of object attributes will contain few non-determinant attributes (attributes across which few objects vary or that do not influence preference).
- h) If prior knowledge leads to the incorrect initial perceptions of a novel object, the incorrect perceptual structure must be broken down before a correct structure can emerge.
- i) For a set of complex objects, interindividual variability in preferences will decrease as learning occurs.
- j) When a novel object is introduced into an established class, individuals' perceptions of an ideal object will change as learning occurs.

The method of testing the acceptance of an innovation which is described below is based on the above propositions. In turn, many of these propositions are supported by Wilton's (1979) research that examined these issues in the context of a real product class and a potential significant innovation. Summary findings from this research effort are also reported here.

A PRACTICAL APPROACH TO FORECASTING THE ACCEPTANCE OF AN INNOVATION²

By definition, each new innovation differs in important respects from previously available products and services. Because of these differences, past experience cannot be used directly to appraise its acceptance. Instead, some way must be found to provide

potential adopters with the same knowledge about the innovation and competing alternatives which they are expected to have at that future time when they may be faced with a real adoption decision. A similar problem exists for infrequently purchased products where potential buyers must be equipped with the knowledge which they will normally have when making a purchase decision.

The research methodology which is described below is designed to provide the necessary knowledge, building it up in increments much as it would be accumulated by individuals over the adoption process. The predictive power of the method will be demonstrated for an infrequently purchased major consumer good, subcompact automobiles. In addition, changes in the perceptions and preferences of individuals over various information structures will be reported that support many of the propositions which were discussed above.

Target Perceptual Results. Before launching an innovation, the sponsor must assess how potential adopters will ultimately perceive the innovation. The prior analysis must be based on a realistic assessment of the innovation's real performance characteristics in relation to competing products or services during the period of analysis. The product's or service's performance should be measured in terms of determinant attributes (ones that discriminate and influence preference). These are the perceptual elements that will be used by potential adopters to judge the innovation's comparative worth. To complete this analysis, allowance must be made for such diverse elements as changes in the innovation, changes in competing products and services, and changes in buyer and user needs. In other words, it involves appraising the innovation's initial image and forecasting the most favorable image that is attained during and at the conclusion of the adoption process, given an effective introductory effort by the innovation's sponsor.

Initial Perceptions. To establish the base from which change will be measured and to assess the difficulties that will be encountered in inducing proper perceptions of the innovation, the sponsor must measure initial beliefs about the innovation and about products with which it will compete. Three dominant sets of measures are needed for a suitable sample of potential adopters. First, the judged level of each product (including the innovation) on each determinant attribute should be recorded. Second, the preference for each object should be measured. Third, validating choice behavior should be collected.

Information Treatments and Results. The target levels of the perceptual and preference data should be specified for each interval during the adoption process. Associated with these latter estimates are the kinds of communication needed to achieve the target changes. The information content and intensity of the proposed communications are matters of concern which must ultimately be linked to the introductory strategy. Furthermore, these elements guide the analyst's preparation of information treatments to be used with the individual subjects who will be used to pretest the acceptance of the innovation.

Designing the Experiment. With the preliminary analysis out of the way, the analyst is ready to develop the information treatments which, when administered to several samples of potential adopters, will simulate the maturation of perception and preference for an innovation during the adoption process. Although other designs are possible, three separate treatment groups plus a control group are desirable for each alternative product/service design and introductory program. For example, portable and stationary

models or full-function and special-function models might be under consideration. Each alternative and its associated introductory communication approach constitute the object of an experiment. When three information levels plus a control are used, four groups are needed for each alternative under test.

The treatments given the three experiment test groups should constitute evenly spaced cumulative increments of information. In this manner the low information group would receive one-third as much information as the full information group and the intermediate information group would receive two-thirds as much information as the full information group.

Classes of Information	Information Treatment Groups		
	Full	Intermediate	Minimum
Most Important 1/3	XXX	XXX	XXX
Second Most Important 1/3	XXX	XXX	
Least Important 1/3	XXX		

It is particularly important that the information set include all important attributes and that the set of products represent the normal attribute ranges encountered for both the new and established products. When the attribute set has been determined, the attributes are ranked according to their importance and assigned to treatment groups in the manner noted in the above exhibit.

The delivery of information is a non-trivial problem since it must reach individual subjects in a complete, interesting and unbiased form. Extensive experimentation with formats indicates that combined audio-visual presentations are necessary. Video-taped discussions based on a carefully prepared script and supporting visual aids have proven to be a nearly ideal medium for increasing individual knowledge about an innovation and competing products. The cost of preparing these materials may be a matter of some concern but elaborate production facilities and professional actors are not required.

In the research reported below, the video-taped information treatments were delivered over an educational cable T.V. channel. Although this procedure is satisfactory in those cases where a cable channel is available, fixed location studies such as those using a shopping center site should be equally effective. Subject recruitment may be somewhat more difficult but the conditions under which the data are collected will be improved. The size of the sample of potential adopters and the amount paid each subject will be important influences on costs. Their real magnitude will be determined by the product class and the objectives of the investigation.

At a given session, initial measures of each subject's perceptions and preferences are recorded for the products of interest. Next, the subject is exposed to an appropriate video-taped information treatment. Then, the subject again records his or her product

perceptions and preferences. Finally, a variety of demographic and life-style data may be collected along with purchase intentions and purchase histories. The sessions are divided up so an appropriate group of subjects receive no information treatment, or a minimum, intermediate or a full information treatment. The posterior measures are used to predict the rate at which the innovation will be adopted, given the (information) stage of the adoption process. To perform this predictive task, a logit or probit statistical model can be used. The dependent binary variable is intention/non-intention to adopt (or actual purchase/non-purchase). The explanatory variables are the degree to which each individual's perceptions of the innovation's attributes depart from the attribute levels of their most preferred products. Also note that once the predictive model(s) has been developed, the acceptance rate for any reasonable alternative product design and/or introductory (information) strategy can be easily computed. Finally, model forecasts for various points during the adoption process can be used to monitor the progress of an innovation once it has been launched.

THE RESULTS OF TESTING THE METHODOLOGY

In an 18-month study, Peter Wilton used the above method to examine the maturation of perceptions and preferences for subcompact automobiles and to test two potential introductory strategies for an electric vehicle developed for private urban transportation. His sample included 560 licensed drivers ages 18 through 65 who had access to the local cable T.V. system. Survey data were collected from 8 groups of subjects in a 4 x 2 (factorial) experimental design, three information treatment groups and a control group for each of the two introductory strategies.

Details of the statistical analysis of the extensive pre and post questionnaire data have been reported elsewhere (see Wilton 1979). Here, we simply summarize (principally in verbal form) the substantial body of results that may be of interest to the sponsors of innovations (or new, infrequently purchased products).

Summary Conclusions Concerning Perceptual Structures

Objective brand and product class information designed to alter beliefs on *several* attributes simultaneously, successfully modified the beliefs in the expected direction(s).

Beliefs on selected product attributes continue to change with successive increments of (additional) information.

As learning progresses (with information), *a priori* beliefs on some product attributes are strengthened.

Providing individuals with low levels of objective brand and product class information effectively weakens the initial discrimination; while successive information increments again tends to improve the discrimination.

Information alters both the *nature* and level of discrimination among a set of objects (brands): in particular, information (learning), (a) increases the discriminating power of composite characteristics (reduced space perceptual dimensions), (b) improves the ability of individuals to separate objects along particular product attributes, and (c) can result in a higher level of discrimination than that associated with *a priori* (uninformed) beliefs.

Information (learning) decreases the correlation (linear dependence) among attribute judgments for any given object (brand). Furthermore, linear dependence among attribute beliefs for an unfamiliar object (an innovation) is lower than for familiar objects.

The variability of attribute judgments across brands decreases with information.

The judged similarity of brands remain stable in the absence of information.

Objects are perceived as increasingly dissimilar as learning progresses.

The heterogeneity of initial perceptual judgments of all brands is high.

Subsegments of respondents with (internally) homogeneous perceptions of all brands do have differing perceptions of (but not preferences for) the innovation (electric vehicle). They also react differently to the same information stimulus.

Higher levels of information tend to evoke greater movement in the initial perceptual judgments of a given subsegment than do lower levels of information.

Summary of Conclusions Concerning Preferential Structures

Preferences for an innovation are dependent upon both the choice context for the alternatives and the stage in the learning process (level of information).

Information strategies designed to enhance the attractiveness of the innovation on selected attributes (e.g., price and operating expense) can significantly increase preferences for the innovation.

A priori (uninformed) preferences for an innovation are sensitive to *any* information about the alternatives.

Stated preferences of individuals for a set of brands remain stable in the absence of new information.

As learning progresses, individuals do change their stated preferences for selected brands; these changes are in both directions, some brands become more liked, others more disliked.

Beyond the operationally defined low information level, additional information does not affect the number of brands upon which preferences change but does influence the particular brands for which the preferences change.

Information systematically changes the individual's ideal brand.

Information increases the average preference difference of the innovation from all other conventional brands.

Preferences of individuals for a set of objects appear more stable (exhibit less movement as learning progresses) than *perceptions* of the same objects.

Across individuals, perceptions are more similar than preferences.

Summary Conclusions Concerning Choice Predictions

Stated choices of individuals for a novel object can be closely predicted on the basis of mature cognitive structures. In this context, beliefs are an important component of preference and choice.

Individual choice and market shares among conventional brands can be closely predicted from mature (informed) preference judgments on the brands.

Information improves simple predictions of market share among conventional brands based solely on the stated first choice of individuals.

Since in principle it is impossible to test predictions about the adoption of an innovation before it is marketed, the research design predicted purchases of the products in the same product class. Given success, the same model and type of data can be used to predict adoption of the innovative new product. To complete this task, sales of subcompact automobiles were obtained from the state license bureau and the market shares of each model was recorded for the same time period during which the survey data were collected. Then the survey data collected after a full information treatment were used to predict model purchase behavior. Table 1 records the results. In addition to these aggregate results, the probit models correctly predicted the first choices of over 9 out of 10 individual subjects. These findings clearly indicate that when individuals are well informed about the attributes of competing products, the share of first choice or buying intention judgments closely approximates the actual share of buying behavior for a group of similar individuals. Forecasts based on the same type of data for an innovative product services or socio-political arrangements should produce forecasts of acceptance that have a similar degree of accuracy.

Table 1 Aggregate Power of Post-Treatment Purchase Predictions

Subcompact Models	Market Shares	
	Probit Model Prediction	Actual Purchase Behavior
Chevette	27.8	23.8
Datsun B210	17.3	13.8
Gremlin	0	1.1
Civic	21.3	20.6
LeCar	0	2.7
Horizon	5.4	12.6
Rabbit	9.6	12.1
Fiesta	7.9	3.0
Mazda	4.0	5.0
Dodge Colt	6.7	5.3

Macromarketing Application: If the Shawver and Nickels (1979) definition of macromarketing is liberally interpreted, it easily includes the design and acceptance testing of social projects and programs. These untried alternatives include proposed legislative and regulatory actions, and efforts to enlist support for various public or private actions. In each of these cases the sponsor is interested in how each potential action will be perceived by various constituencies, who will welcome or oppose the action over time, and what aspects of the action will be viewed favorably and unfavorably. For these reasons, the pretesting methods described above are well suited to predicting the level of acceptance and the nature of the adoption process *before* the decision-maker "goes public" with one or another project or program.

Correct application of the method also forces the decision-maker to see the good and bad characteristics of each alternative through the eyes of each influential public. This exercise should have a positive effect on the formulation (design) of alternatives, raising the ration of benefits to costs. When various types of individuals have been exposed to these scenarios, the decision-maker will have a greatly improved assessment of the appeal of each alternative and the communication task associated with gaining a suitable degree of acceptance.

FOOTNOTES

¹In the following section, the term "object" is used in its most general sense and includes products and services of any type.

²In the remainder of this paper, the term "product" will be used in place of object. It includes products and services of any type.

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A CONCEPTUAL SYSTEM FOR DISCOVERING AND TESTING

CAUSAL RELATIONSHIPS IN MARKETING

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The study of behavior in the market place is motivated typically by one of two goals. First, researchers strive to gain an *understanding* of marketing behavior. They do this through the construction and test of theories which, in turn, are designed to achieve a certain degree of explanatory and predictive power. Second, marketers attempt to gain *control* over phenomena in the marketplace, either directly through the influence of causal agents or indirectly through the manipulation of the environment. Both objectives—understanding and control—rest fundamentally on the identification and analysis of *causal relationships*.

This article presents one framework for examining causality in the marketplace. The discussion begins with a treatment of the importance and role of causality, in order to place it in a proper perspective. Next, a formal outline of the concept of causality is examined. Emphasis is placed on its elements and structure, including its relation to the purposes of explanation, prediction, and control. Following this, a methodology is proposed for discovering causal relations. The approach begins with, and modifies and extends, John Stuart Mill's methods of experimental inquiry. The presentation then discusses a "general system for analysis" that integrates the methodology for discovering causal relations with certain logical and conceptual criteria. Overall, the objective is to suggest a programme for examining causality in qualitative, macro, or small sample contexts.¹ Finally, the article closes with a framework for applying the methodology in macromarketing contexts.

THE IMPORTANCE OF THE CONCEPT OF CAUSALITY

The concept of causality has been at the center of scientific thought since at least the time of the ancient Greeks. Aristotle (1930), for example, felt that scientific explanation (i.e., the answer to "why" questions) rests fundamentally upon the identification of causality. In particular, he claimed that the fullest explanations require the specification of four types of cause: (1) the definable form (roughly, the nature or internal structure of the thing functioning as cause), (2) an antecedent which necessitates a consequent, (3) the efficient cause which started the process (such as is exemplified in the actions of a social actor or the occurrence of a physical event), and (4) the final cause (i.e., the purpose or end for which a thing is done).

Scholars during the Middle Ages also associated scientific explanation with causality. Indeed, in the common dictum of the time—*scientia est cognito per causas*—scientific knowledge was distinguished ultimately from other forms of knowledge through its concern with causes (Wallace 1972, p. 6). Galileo (1974), too, stressed the role of causality (*verae causae*) in his model of science.

It was not until the classical period in modern philosophy, however, that the concept of causality was given its identity and legitimacy as a pillar of scientific thought:

If there be any relation among objects which it imports us to know perfectly, it is that of cause and effect. On this are founded all our reasoning concerning matter of fact or existence. By means of it alone we attain any assurance concerning objects which are removed from the present utility testimony of our memory and senses. The only immediate of all sciences, is to teach us, how to control and regulate future events by their causes. Our thoughts and enquires are, therefore, every moment, employed about this relations (David Hume 1777).

The ideas of Hume (1739, 1777), Kant (1961), and Mill (1959) in this time period provide the foundation for much of current thinking on causality.

However, in one sense, inquiry into causality nearly came to a halt in the twentieth century. Philosophers such as Bertrand Russell relegated the concept to the domain of myth, not worthy of serious consideration:

All philosophers, of every school, imagine that causation is one of the fundamental axioms or postulates of science, yet, oddly enough, in advanced sciences . . . the word "cause" never occurs . . . The law of causality, I believe, like much that passes muster among philosophers, is a relic of a bygone age, surviving, like the monarchy, only because it is erroneously supposed to do no harm . . . (Russell, 1912-1913, p. 180).

Russell believed that the search for causality in the classic sense should be replaced by the modeling of functional relationships, particularly through the use of differential equations. Today, philosophers of science generally reject Russell's arguments (Suppes 1970; Mackie 1974, chs. 6 and 7). Instead, modern theorists assert that the idea of causality is at the center of scientific investigation (Beauchamp 1974; Mackie 1974; Sosa 1975; and von Wright 1974). Similarly, research in the behavioral sciences finds the notion of causality to be essential (Bagozzi 1980; Blalock 1971, 1974; Goldberger and Duncan 1973; McClelland 1975). It is to the modern theories of causality that we now turn.

THE STRUCTURAL OF THE CAUSAL RELATION AND ITS ROLE IN EXPLANATION

Hume (1739, 1777) was perhaps the first to identify the elements of causal relations. Any causal relation was thought to be characterized by three ideas: contiguity in time and place, temporal priority, and constant conjunction between cause and effect. To these "real" criteria, Hume added a fourth "artificial" one. That is, Hume claimed that the identification of causality requires also that the identifier *infer* a necessary connection between cause and effect. However, because such an inference would be a subjective experience, only the first three criteria were regarded as the essential elements inherent in the causal relation itself. For Hume, causality basically consists of the regularity of events (i.e., an effect regularly follows a cause), where the regularity is governed

by universal laws of nature. Mill (1959) refined Humes ideas, and as developed below, he suggested logical criteria for discovering causal relations.

Modern theories of causality tend to emphasize one of two conceptualizations of the causal relationship. In the Regularity Theory, causality is viewed as a lawlike sequence between an event (or agent) acting as a cause and an event occurring subsequently as an effect. More formally, "x is the cause of y" is taken to mean that there exists a set of initial conditions consisting of events x and laws L, where x occurs temporally prior to, and is contiguous in time and place and forms a constant conjunction with, event y, and laws L are universal statements expressing observed regularities in sequence between x and y.

The heart of the Regularity Theory lies in its representation of laws and initial conditions. In its pure form, any law can be expressed as

$$(x) (Px \rightarrow Qx)$$

which, in words, reads "for all x, if x has property P, then it has property Q." Notice that a law says nothing about the mechanisms or reasons behind the sequence of events. Rather, it merely asserts the existence of such a sequence. It is intended to apply in all times and places; it is contingent in that its truth depends on empirical test; it refers to classes of events rather than particular instances; and it is regarded to be a tentative assertion about regularities in the world of experience.²

The initial conditions surrounding the causal relationship (in addition to laws) consist of the necessary and sufficient antecedent events which, together with the laws, lead to the occurrence of the effect. Overall, the Regularity Theory is typically presented in the form of a valid deductive argument in the sense that the antecedent, x, and Laws, L, comprise the premise to the argument, while the occurrence of the effect reflects the conclusion.

The second broad conceptualization of the causal relationship in contemporary philosophy of science is the Realist Theory. This perspective attempts to model the mechanisms binding cause to effect. A cause is said to produce an effect as a consequence of its inherent powers, capacities, or liabilities and/or the powers, capacities or liabilities of the effect. The cause (or effect) may be an event, a state of affairs, an agent, or a material substance. Although the theory is a complex one (see for example, Harré and Madden 1975; Bhasker 1975), what it basically does is to represent both the internal structure of the cause and effect (in order to model their capacities, powers, and liabilities) and the connections or mechanisms linking cause to effect. The theory is analogous to modern notions of fields or potential in physics. Rather than assuming that the connection between cause and effect is in the mind of the observer, as Hume did, realists assert that it is one of natural necessity.

Given this introduction to the causal relation and its history, it is now possible to present the author's conceptualization. The following model of causality is intended to provide a framework for representing causality in both idiographic (unique) or nomothetic (universal) contexts.

Before one can claim that "x causes y," it is asserted that three classes of inter-related factors must be specified. First, *the nature (N) and state (S)* of the entities or things constituting the cause and effect must be identified. The nature of a cause or effect refers to the attributes or internal structures or processes which underly the capacities, powers, or liabilities of the cause or effect. These might be physical or dispositional properties (in the philosophy of science sense) or formal models of internal structures and processes. An example of dispositional properties serving as part of the nature of one entity in a channel of distribution might be French and Raven's (1959) bases of power: i.e., reward, coercive, referent, legitimate, and expert power. Similarly, the internal political and economic structures and processes of a firm in the channel of distribution can serve as factors contributing to the influence that the firm has on the functioning of the entire channel (Stern, et al. 1979). In this sense, they entail aspects of the nature of a cause.

The state of the entities constituting a cause or effect refers to the level or amount of the capacities, liabilities, or powers of the cause or effect. In particular, a full specification of their state requires that the prior, contemporaneous, and subsequent levels of each be specified. This will generally require some sort of dynamic representation.

The second factor underlying a causal relation is the set of *mechanisms (M)* connecting cause and effect. One type of mechanism (M_c) originates with the cause and supplies an output which ultimately is received by a class of mechanism (M_e) associated with the effect. Although M_c and M_e depend, in part, on the capacities, liabilities, and powers of their respective entities, they also interact with the mediating linkages of a transformational mechanism (M_t). Thus, a cause ultimately produces an effect first as a consequence of the nature and state of the entities comprising the cause and effect and second as a result of the mechanisms linking cause to effect. In marketing, the nexus of the exchange relationship is one type of mechanism between market entities.

The third factor defining a causal relation is the *context (C)* in which it occurs. The context consists of events or forces in the environment or situation surrounding the cause and effect interaction. These contextual factors inhibit either (a) the realization of the capacities, liabilities, or powers of the entities comprising the cause or effect (i.e., N_c , S_c , N_e and S_e) or (b) the functioning of the within entity or across entity mechanisms (i.e., M_c and M_e , and M_t , respectively). As facilitators, constraints enhance either (a) the realization of the capacities, liabilities, or powers or (b) the functioning of mechanisms. The context constitutes boundary conditions in that it determines the range of allowable values for the nature and state of entities constituting the cause and effect and the mechanisms throughout the system. The competitive environment that a firm faces will constrain the influence it has on prices, say, and thus is one example of a context at one level of analysis.

Schematically, the causal relation can be represented as follows:

$$\text{Causal relation} = f(N_c, S_c, M_c, M_t, M_e, N_e, S_e, C)_{BS}$$

where each element in the equation could, in general, be a set of factors. The exact specification of the interrelations among the elements on the right hand side of the

equation, and between these and causality on the left is contingent on the particular cause-and-effect situation under scrutiny. One would expect—given the observed regularity in physical, social, economic, etc. phenomena—that a small number of certain regularly occurring causal relations would be identifiable. The challenge and promise of marketing research rests on just such an expectation. Figure 1 summarizes the discussion up to this point. Note that the entire causal diagram is enclosed in a box which is taken to illustrate the fact that any causal model, no matter how detailed, must be studied in relation to some closed system. In this sense, causal analysis is thought to be a relative process and limited to some defined domain. One can never expect to discover causal sequences unbounded by time and place but must settle for knowledge in a relative sense.

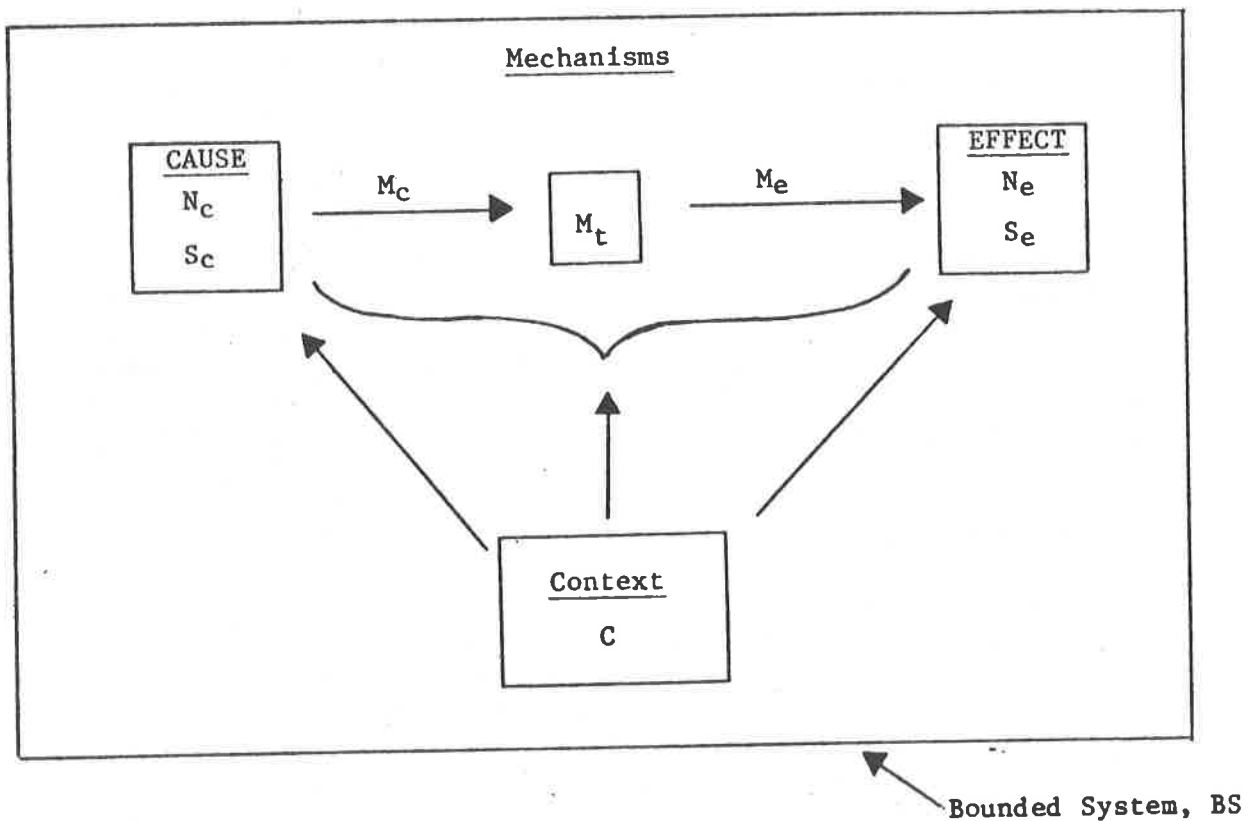


Figure 1

THE CAUSAL RELATION AS A COMPLEX CONSTELLATION OF FACTORS

Causal analysis seems particularly suited for the achievement of the goals mentioned at the outset of this article. Understanding is fostered because causal analysis attempts to show both why and how a phenomenon of interest occurs. Control is possible because, not only are the antecedents of a phenomenon identified, but the mechanisms producing it are delineated. These constitute the factors which the marketer must change in order to produce a desired effect. Overall, causal analysis appears to satisfy the needs of both the academician and the practitioner.

DISCOVERING CAUSAL RELATIONS

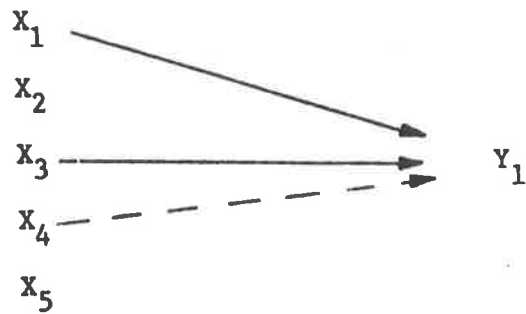
For many years, the *sine qua non* of science has been the experimental method. Indeed academic pursuists have been quick to assert that the experimental method is the only certain way to demonstrate cause and effect. Yet, for a number of reasons, such an approach has limitations and is not without its drawbacks. The study of many problem areas in marketing finds the experimental method impossible to implement or at least not a practical alternative. Similarly, legal, ethical, or moral imperatives preclude the use of experimentation in certain contexts. Even when experimentation is feasible, it sometimes suffers from problems of external validity as well as internal flaws of demand characteristics. Moreover, it is limited in scope in that it often must restrict inquiry to the influence of a single (or at best two or three) independent variables on one or a few dependent measures. The application of the experimental method to across-subjects designs also poses questions as to the causal interpretation of group effects, and it requires that relatively large samples be employed. Given all of these shortcomings and given the desire to study problems in naturalistic settings, an alternative methodology is needed to examine marketing problems in qualitative, macro, or small sample contexts.

The following procedures are designed for just such areas of inquiry. Based on Mill's (1959) methods of induction, they yield ways both to discover causal relationships as well as to justify beliefs in them.³ Each method accomplishes these objectives by eliminating rival causes (or factors). Although none of the methods can, in isolation, provide conclusive proof of causality, it is asserted that the application of the entire set or a meaningful subset thereof can yield strong evidence suggesting the existence of a causal relation. Finally, it should be noted that the procedures apply to samples as small as two in number in certain instances, although for most applications, samples of at least four or five will be required to take full advantage of the methodology.

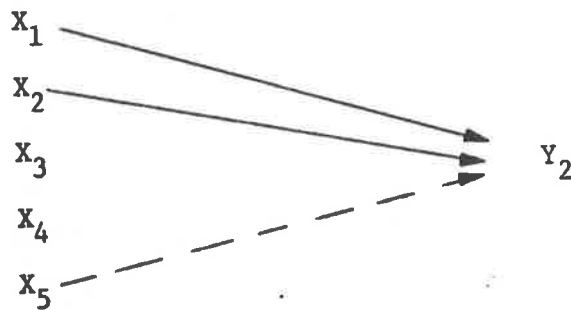
The Method of Agreement

If two or more instances of the phenomenon under investigation have only one circumstance in common, the circumstance in which alone all the instances agree is the cause (or effect) of the given phenomenon.

Two cases are of interest, depending on whether a phenomenon, Y, is present or absent. Figure 2 illustrates the method of agreement when Y is present at two occasions. In this and succeeding diagrams, the set of possible causes or factors, X, is restricted to five; solid arrows indicate the existence of a possible causal relation; no arrows indicate the absence of such a relation; and dashed arrows indicate that such a relation could or could not exist without affecting the causal inference. The use of five possible causes and



a.



b.

Figure 2
The Method of Agreement (Effect Present)

the three types of relations is the most general analysis, except for the case where each of the five S's is a vector. The extension of the analyses to more complex cases is straightforward.

In Figure 2, Y is shown to occur on two occasions. Figure 2a implies that neither X_2 nor X_5 are necessary for Y_1 , while Figure 2b suggests that neither X_3 nor X_4 are necessary for Y_2 . Thus, this version of the method of agreement eliminates those potential causes or factors not necessary to the production of an effect. Given that some necessary and sufficient condition exists for Y in the set X, then X_1 must be that cause or factor.

Figure 3 illustrates the method of agreement when Y is absent (denoted by \bar{Y}). Figure 3a demonstrates that X_2 is not sufficient for Y_1 ; Figure 3b illustrates that neither X_3 nor X_4 are sufficient for Y_2 ; and Figure 3c shows that X_5 is not sufficient for Y_3 . As with Figure 2, Figure 3 applies to the case where one of a set of possible necessary and/or sufficient conditions for Y is present in the causal set X. Given this assumption and the diagrams of Figure 3, X_1 must be a sufficient cause or factor of Y. If one of the X's is both necessary and sufficient, then X_1 must be this cause or factor, too.

Notice that if one has two instances where some phenomenon Y occurs and two where it does not, the method of agreement allows one to (a) eliminate those causes or factors which are not necessary and those which are sufficient and (b) identify the necessary and sufficient cause, given that one must exist. The problem with the method of agreement is that seldom do all instances of a phenomenon Y have only one factor in common. It is possible, for example, that a number of factors are common to all instances or non-instances of a phenomenon, and thus the method of agreement, by itself, could not discriminate among them, even though some may not be necessary to the occurrence of Y. However, as noted below, the additional use of the method of difference can eliminate certain noncausal common factors.

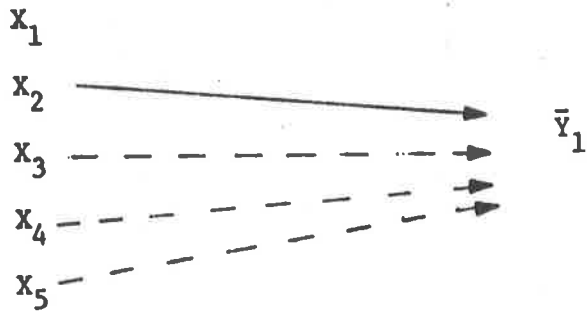
The Method of Difference

If an instance in which the phenomenon under investigation occurs, and an instance in which it does not occur, have every circumstance in common save one, that one occurring in the former; the circumstance in which alone the two instances differ, is the effect, or the cause, or an indispensable part of the cause, of the phenomenon

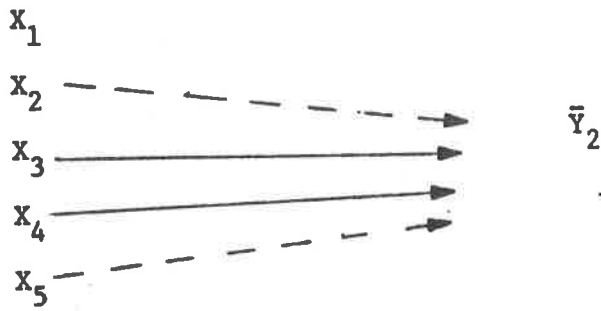
Figure 4 illustrates the method of difference where it is assumed that one factor exists which is both necessary and sufficient for the production of Y. Notice first in Figure 4a that X_4 is not necessary for Y. Similarly, from Figure 4b, it can be seen that neither X_2 , X_3 , nor X_5 are sufficient for Y. Hence, X_1 must be the factor that is both necessary and sufficient, given that one must exist.

The Joint Method of Agreement and Difference

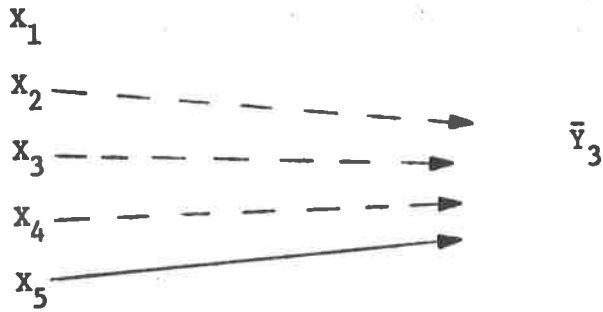
The joint method of agreement and difference occurs when the following four conditions are met: (a) one of the X's must be both necessary and sufficient for Y, (b) there must be at least two instances where Y is present and two where Y is absent, (c) the potentially necessary and sufficient X must be operative when Y is present and inoperative when Y is absent, and (d) each of the other X's must be either nonoperative in at least one of the instances when Y is present or operative in at least one of the instances when Y is absent. Figure 5 shows one version of the joint method of agreement and difference. Notice that all four sub-diagrams are required if one is to infer that X_1 is necessary and sufficient for the occurrence of Y. Figures 5a and 5b demonstrate, respectively, that neither X_5 nor X_4 is necessary for Y; while Figures 5c and 5d suggest, respectively, that neither X_2 nor X_3 is sufficient for the production of Y. Thus, by



a.

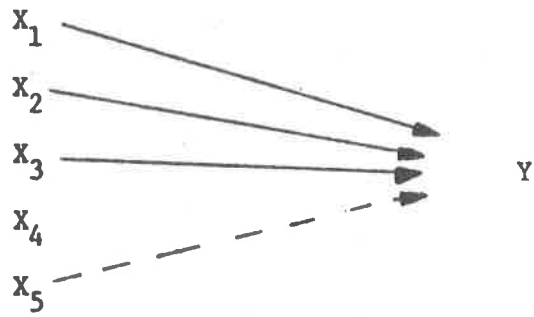


b.

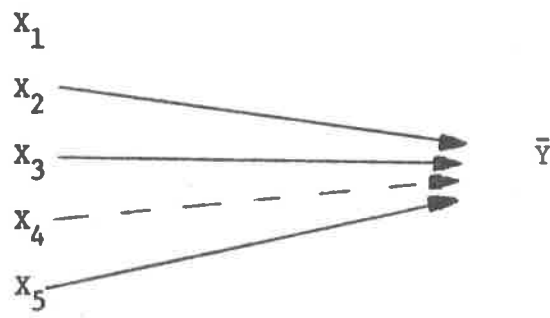


c.

Figure 3
The Method of Agreement (Effect Absent)

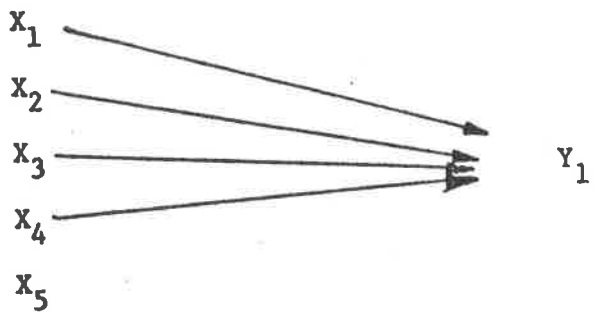


a.

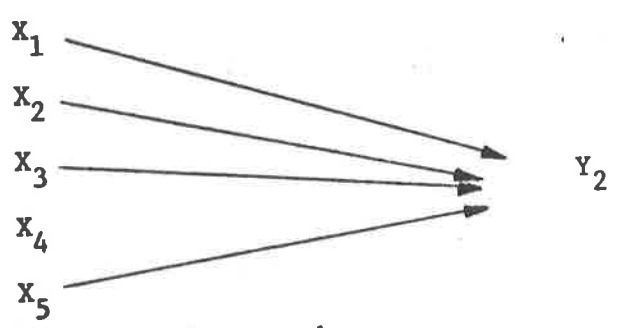


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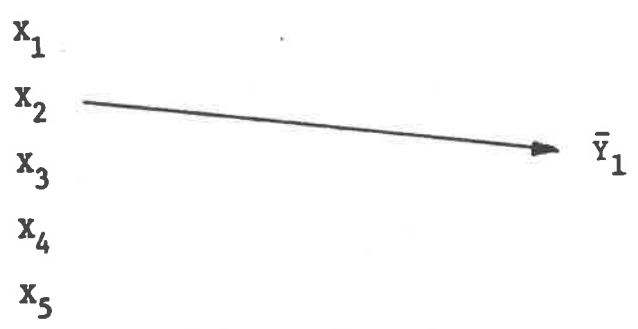
Figure 4
The Method of Difference



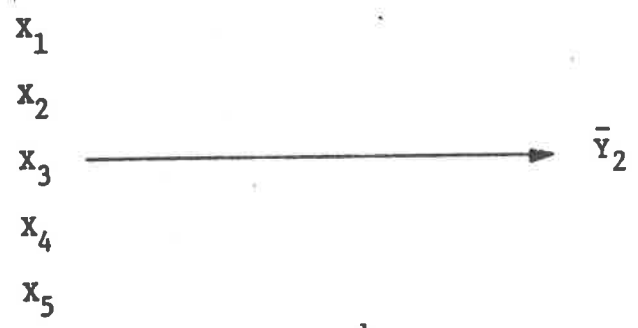
a.



b.



c.



d.

Figure 5
The Joint Method of Agreement and Difference

elimination, only X_1 can be a necessary and sufficient factor. It should be stressed that neither Figures 5a and 5b by the method of agreement, nor Figures 5c and 5d also by the method of agreement, nor any other paired comparison or combination of triads result in the appropriate conclusion (c.f., Mackie 1974). All four diagrams are required.

The Method of Residues

Figure 6 depicts one operationalization of the method of residues and shows it to be somewhat similar in structure to the method of difference. Suppose that the operation of X_3 and X_4 on Y produces an amount of Y equal to Y_b , as shown in Figure 6b. Then, if an amount of Y equal to Y_a ($Y_a > Y_b$) is produced when X_1 is also present, as shown in Figure 6a, X_1 can be regarded as a necessary and sufficient factor for the differential quantity ($Y_a - Y_b$). In sum, the method of residues applies to special instances where changes in a phenomenon can be observed as a matter of degree.

The Method of Concomitant Variation

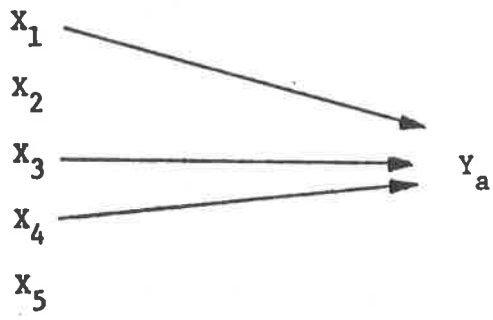
The method of concomitant variation is perhaps the simplest of Mill's methods. Briefly, according to this rule, two phenomena are said to be causally related if they are found to covary in a regular way as each experiences a change in value or degree. The method of concomitant variation rests fundamentally on the notion that if two things are related by cause and effect, then they must, by definition, be correlated. However, because correlation does not, by itself, imply causation, other criteria (e.g., temporal priority, the joint method of agreement and difference, random assignment to treatments, etc.) must be invoked to gain more confidence in any particular inference.

Complex Inferences

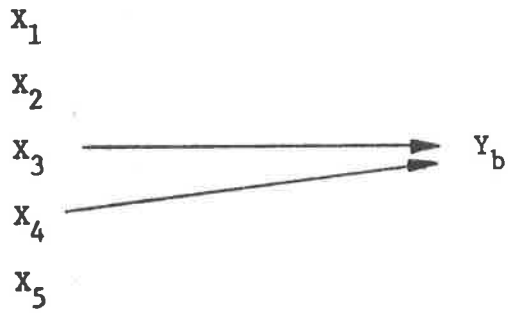
The making of causal inferences is a tenuous process—especially so in qualitative, macro, or small sample contexts. Yet, much can be accomplished if the researcher systematically delves into the situations surrounding cause and effect. The elaboration of Mill's methods presented here can help in such analyses. The methods are particularly useful when employed in combination to eliminate specious causes. However, it should be stressed that such procedures represent only a part of the process of scientific inquiry and only address some of the elements presented in Figure 1. The following steps attempt to provide a more comprehensive outline of the issues that need to be considered in the study of marketing phenomena.

A PROGRAMME FOR THE STUDY OF QUALITATIVE MACRO, AND SMALL SAMPLE PHENOMENA IN MARKETING

Without intending any particular order, the following issues are suggested as important subject areas to consider in any research endeavor. The overall idea is to decompose complex marketing phenomena into meaningful elements and patterns for analysis:



a.



b.

Figure 6
The Method of Residues

1. Look for associations or correlations among phenomena of interest.
2. Search for a wide range of contexts where some causes, effects, conditions, etc., are constant, while others are found to vary.
3. Examine the pattern of causes, effects, conditions, etc., and make meaningful comparisons of instances where key variables are present or absent and, if possible, where they vary in degree. Mill's methods represent one way to scrutinize the phenomena fruitfully.
4. Study the capacities, powers, and liabilities of suspected causes and effects. Model their internal elements, structures, and processes to better understand how they behave.
5. Critically examine the mechanisms binding cause to effect, including those associated with the output of a cause, the input of an effect, and the transformation between them. Analyze and evaluate the evidence at hand, and relate this to what has been learned in the past.
6. Search for spurious factors which could account for the findings. Generate and evaluate rival and counter hypotheses.
7. Collect new data and subject the theory to a test.
8. Revise the theory in the light of further evidence.

Throughout the research, one should pay particular attention to measurement and modeling (Bagozzi 1979). Not only must definitions and concepts be well-formed and internally consistent, but efforts should be made to construct correspondence rules between measures and variables. Further, arguments and theories should be formulated analogically, as well as in the usual inductive and deductive ways. This produces a conceptual truncation that increases the chance that a true causal relations will be found (this is analogous to the measurement truncation performed in quantitative multitrait-multimethod matrix analysis).

A MACROMARKETING EXAMPLE

To illustrate a portion of the procedures, the example of productivity in vertical marketing systems (VMS) is taken as a hypothetical case. Imagine that a researcher desires to use the modification of Mill's methods developed herein to eliminate certain contextual factors and organizational structural characteristics as determinants of productivity. To keep the example simple, only the joint method of agreement and difference (JMAD) will be examined. It should be stressed, however, that other methods and criteria must be used in tandem, and care must be taken in the selection of VMS so as to ensure that as many exogenous factors are held constant as possible.

Suppose that it is believed that competition among channel systems is the primary determinant of productivity and that it represents a possible necessary and sufficient

cause. To apply the JMAD, then, at least four VMS must be analyzed, with two exhibiting high productivity and two showing low productivity, say. Further, competition must be high when the VMS demonstrate high productivity, and it should be low when the VMS are low in productivity. Finally, each of the four contextual or structural variables should be either absent in at least one of the instances when productivity is high or present in at least one of the instances when productivity is low. Table 1 shows one possible configuration of VMS. The contextual and structural variables are ones commonly studied by organization researchers (c.f., Hall 1977), but are not fully defined here in order to keep the presentation brief. For purposes of discussion, it is assumed that the VMS have been selected so as to hold constant across the VMS as many organization structure and environmental factors as possible.

TABLE 1

APPLICATION OF THE JOINT METHOD OF AGREEMENT AND DIFFERENCE
TO THE DETERMINATION OF PRODUCTIVITY IN VERTICAL MARKETING SYSTEMS

ORGANIZATION STRUCTURE VARIABLE OR ENVIRONMENTAL CONDITION	VERTICAL MARKETING SYSTEMS			
	CHANNEL A	CHANNEL B	CHANNEL C	CHANNEL D
Competition	yes ^a	yes	no ^b	no
Centralization	yes	yes	yes	no
Technology	yes	yes	no	yes
Formalization	yes	no	no	no
Complexity	no	yes	no	no
Productivity	high	high	low	low

^a a 'yes' means that the variable or condition is present and/or occurs in a high state of existence (e.g., a yes for formalization implies that there are many rules and procedures and that these are applied rigidly).

^b a 'no' means that the variable or condition is absent and/or occurs in a low state of existence (e.g., or no for complexity implies that there are few occupational specialities and few positions between the person responsible for the operation of the VMS and the people working at the actual output level).

Looking first at columns A and B in Table 1, it can be seen that neither formalization nor complexity are necessary conditions for the occurrence of high productivity. Similarly, columns C and D imply that neither centralization nor high technology are sufficient conditions for the occurrence of high productivity. As a result, if a necessary and sufficient condition exists in the present context, then the presence of competition serves as a possible candidate, and further inquiry into its impact is indicated.

This example illustrates how one of the procedures in the overall programme can be used to eliminate possible causes of a phenomenon and suggest potential determinants. Again, it must be emphasized that—not only should a number of other of Mill's methods be applied simultaneously—but other conceptual, logical, and methodological criteria need to be employed to in order to achieve a reasonably valid test of theory in the macromarketing context.

CONCLUSIONS

Most research in marketing has been of the quantitative variety where large samples, interval data, and some control by the researcher have been the rule. Very little has been done in comparative contexts, with macro phenomena, or with small samples. Indeed, most of the methodological developments over the years have addressed the quantitative rather than the qualitative. This article has attempted to develop some concepts and procedures for examining the more qualitative side of marketing, particularly when phenomena occur in their natural settings. Future work is needed to develop these ideas further and to apply them in a real case.

FOOTNOTES

¹For a presentation of causal analysis in quantitative contexts see Bagozzi (1980).

²Hunt (1976) presents an excellent discussion on laws of nature, including their relation to explanation and examples in marketing. For additional discussions dealing with the structure of laws and their limitation, see Bagozzi (1980, pp. 13-16). The Regularity Theory of causality is perhaps best reflected in writings of Hempel (1965), Popper (1968), Mackie (1974), and von Wright (1974).

³For an elementary introduction to Mill's methods, see Kahane (1973, pp. 261-264). Mackie (1974) discusses some of the methods in relation to contemporary ideas on causation. However, for a full treatment, the reader is referred to the original work of Mill (1959, Book III, chs. 8-10). The development presented in this article represents a modification and extension of Mill's original methods and was suggested by Mackie's analysis. Also, to keep the presentation simple, the specific content of the factors comprising the determinants of an effect in a causal relation are left unspecified, but rather are indicated with upper case roman numerals X and Y. These symbols should be understood to represent anyone or a subset of the factors noted in Figure 1.

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AN EVALUATION OF TRENDS IN THE MEASUREMENT OF QUALITY OF LIFE

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INTRODUCTION

Quality of life has been defined in a variety of diverse ways each requiring a different means of measurement (Merwin 1976, Fisk and Nason 1979, Slater 1977, White and Slater 1978). The attributes of life whether viewed as negative or positive are external forces which should be considered by marketers in establishing programs which in turn will affect the quality of the life of specific targets or society as a whole. This paper traces, in a somewhat chronological order, these definitions and measurements of quality of life.

QUALITY OF LIFE AND THE MARKETING ENVIRONMENT

The central proposition of this paper is simple to present, but its ramifications are truly broad and complex: Marketers, whether they be individuals, firms, or any aggregation of these, whether their objectives center around profits or some other goal, should be influenced by the quality of life of their targets and of society as a whole. In turn, these marketers, regardless of their aggregation or objectives, influence the quality of life of those with whom they seek exchanges and of society as a whole (See Figure 1).

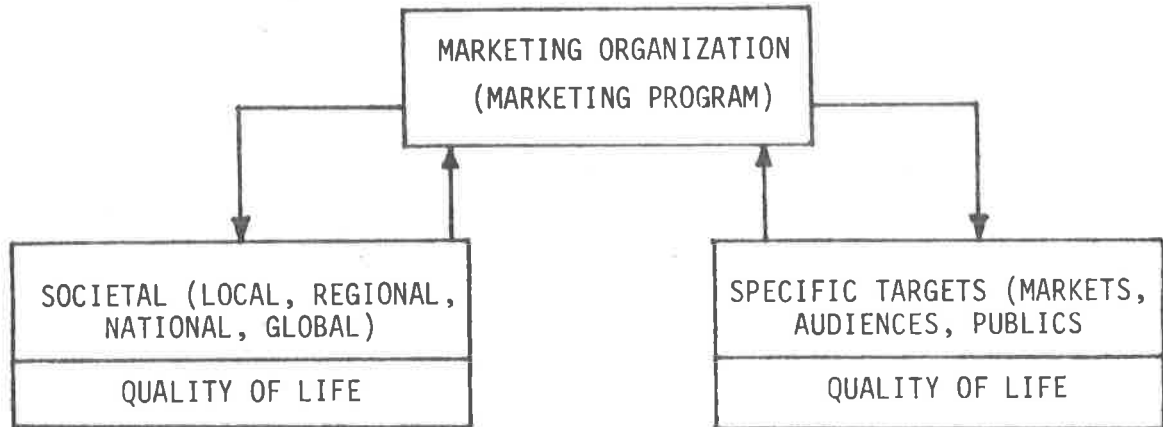
This simple model ties in quite well with the Kotler scheme which depicts the layers of the environment (the external influences on a marketing organization) (Kotler 1972, p. 53). In essence a two-way influence exists between the marketing organization and the macroenvironment *in* which exchanges take place. Societal quality of life is a central characteristic of this environment, and it should cause a marketing program to take a certain form. Marketing programs also affect the quality of life in Kotler's market environment (specific targets *with* which exchanges are sought). Finally, the quality of life for these targets should influence the nature of marketing programs.

Regardless of the aggregation of individuals whose quality of life is of concern, a number of different methods for defining and gauging this quality have evolved. Quality of life, no matter how it is defined and measured, is an externality which must be considered by marketing organizations.

STANDARD OF LIVING AS A MEASURE OF THE QUALITY OF LIFE

As indicated previously, the mere fact that an organization operates in this world and seeks to bring about exchanges (of whatever type) means that it will influence

FIGURE I



the lives of people, whether they be directly involved in the exchange or simply a member of society. Physical products, their functions and effects, obviously change the quality of the purchaser's life, and the prior quality of that life influences what is produced, marketed, and whether it is purchased. This, of course, applies to intangible products and the offerings of nonprofit institutions as well. The impact on that larger segment of society not involved in the exchange will vary in magnitude by the size, nature, and the dispersion of the marketing institution's influence.

Marketing and production activities have had both positive and negative effects on the world's quality of life throughout history. Many of the negatives have been ignored until relatively recently, and even today the concern for many of these negative impacts is not embraced by a majority of society. For most of history, the production orientation was dominant, and the persons and groups that improved the standard of living were revered. As late as 1959, next to the desire for peace, the U. S. population was most concerned about an improved standard of living (Cantril 1965). During the 1960's and 1970's, concerns shifted to inflation, integrity in government, and areas such as crime, welfare, federal spending, taxes, pollution, overpopulation, and the energy problem (*Newsweek* 1973). During this period, marketers felt compelled to move in the direction of seeking the overall societal welfare as opposed to merely offering an improved standard of living (Kotler and Saltman 1971). This shift was less evident and less necessary for the majority of nonprofit organizations.

The true practice of societal marketing and the seeking of an improved overall quality of life often do not occur naturally in marketing organizations. Frequently, the concern is forced. Socially concerned groups apply pressure directly by such activities as boycotts, strikes, and initiating adverse publicity. Indirectly, much pressure has been placed on governmental units to increase regulation. Increased potency of governmental agencies is evidenced on many fronts (Peterson 1971, Udell and Fischer 1977). The price of this regulation alone has been recently reported in the national media as

costing the consumer \$5 billion. Even though the quality of life for society and specific markets has always influenced marketers and has been influenced by them, much more concern is needed in this realm today than prior to 1960. The basic shift in the thinking of many is that welfare is much more than the material possessions of an individual or a society.

EVOLVING MEASURES OF WELL-BEING

As was suggested previously, throughout history individuals and civilizations have been materialistic, with only slight exceptions at certain points in time. The original measures of well-being have been economic—a person's possessions and money, a nation's gross national product. To this point, no generally accepted composite measure like GNP has emerged for measuring global welfare. In any event, concern was with the improvement of individual and aggregate standards of living. The underlying assumption in using such measures was that a high standard of living was a sign of a healthy society made up of contented individuals.

Throughout this era of using economic measures to gauge well-being, many individuals must have realized that the quality of a person's or a society's life depended on more than material possessions. Nevertheless, the line of measurement through some objective and quantitative mode proved extremely enticing, and at least the guise of precision established the process as a somewhat scientific one. The material well-being of individuals and societies could be ranked and compared. Steps could be taken in an attempt to improve standards of living, and the results could be objectively measured.

"Cultural" Enrichment as a Measure of Well-Being

Although measures of material well-being persist and remain very necessary, a movement began during the early 1960's in the sphere of marketing to discuss the "standard of life." In essence, concerns emerged for nonmaterial well-being, including appreciations for the visual arts, literature, music, theatre, and the dance. Frequently, these "objects" of appreciation were set forth as "cultural," the term being used in an evaluative sense.

Soon artistic organizations embraced the phrase, "quality of life," and established the improving of the same as their underlying objective. The quality of a community's life was determined by the size and drawing power of its museums along with the quality of its orchestra, ballet company, and opera association. Such attributes of a city were often cited with pride by those possessing an interest in these arts, and were almost invariably used in promoting a city's reputation to attract industry and individuals. Quality of life still remains an immensely popular phrase in this context in that lovers of the arts essentially seek to establish their preferences as the main basis for a high quality of life. Perhaps, the majority of the population lacks enthusiasm for the arts and would not consider the quality of their life improved by such an appreciation or the opportunity for participation in these so-called cultural offerings. For many, the attractiveness of life would be much more improved by a winning major league baseball

team or the existence of a large number of modern bowling alleys. Along these same lines, much is currently being said about the reduction in the present and future quality of life for students in that many "nonessential" classes and activities are being threatened by lack of adequate revenues. The cutting back of art and music faculties and offerings in many school systems supports this concern.

A Long Term Safe, Healthy, and Attractive Environment as a Measure of the Quality of Life

A more recent and broad use of the phrase the "quality of life" has centered around the healthfulness of the environment. Concerns in this regard focus on the improvement of air and water quality, the elimination of litter, the restoration of decaying neighborhoods and downtown areas, and increasing the general safety of populations. The efforts, rhetoric, and regulations in this realm have perhaps exerted the most profound and costly influence on the private profit-seeking sector. Some of the tremendous costs to government (society) were mentioned earlier in this paper. The long term welfare of society is the recommended concern for marketing institutions. The determinants of a high quality of life are frequently established by some external body, and the marketing organization must decide whether to comply with the established standards regarding pollution, safety in the products they sell, and the like. Compliance might be forced by some advocate or regulatory organization, or the compliance (actions) might result from a recently acquired or established sense of social responsibility (*Wall Street Journal* 1979a and 1979b).

To insure a safe, healthy and attractive environment the suggestion might be that firms establish a paternalistic attitude toward their markets and society as a whole, not only by refraining from harming the overall environment, but by producing and marketing only those products that are beneficial for the individual and society. Such a paternalistic approach raises very difficult issues regarding the purpose and basic responsibility of an organization. Should the "marketing concept" be practiced, giving the market what is desired, regardless of the safety and healthfulness of the offering? Should the market's desires be watched over and protected from anything that might be harmful? The frequency with which companies must consider such questions has steadily increased.

Many have hypothesized on the nature of a society in which societal marketing would be completely practiced, and more importantly, whether this would ever be possible. A good portion of the most beloved goods and activities would be eliminated, and the nature of human life would be drastically altered. Many members of such a society could not survive with such extensive regulation and the curtailment of freedom of choice. Even with the situation as it exists today, much animosity is exhibited when desired products and activities are set forth as harmful or are taken off the market.

When evaluating the quality of life on the basis of a better general environment, another problem emerges, namely, a lack of agreement on *what* constitutes a pleasant, safe, and healthful environment. For example, not all people view highway billboards as an unattractive and undesirable element of the environment. Even where agreement does exist on what constitutes a high quality environment, the members of a society and

its institutions may vary greatly on the *importance* to be attached to a particular element of a "high" quality of life. For example, studies have shown that certain segments of the population feel that concerns for a pollution-free environment are relatively unimportant (Anderson and Cunningham 1972, Kinnear, Taylor and Ahmed 1974, Murphy, Kangun and Locander 1978). Perhaps this is due to more immediate and pressing concerns in other areas of their lives (Maslow 1954). Finally, most may agree on the importance of a particular beneficial attribute of the environment, but much disagreement might be present as to whether the achievement of that attribute is worth the cost. A case in point would be the controversy over the use of nuclear power. Almost everyone would agree that potential contamination is undesirable, but much disagreement exists as to whether the total elimination of such a threat is worth the cost which might be a lower standard of living resulting from scarce and more expensive energy.

Subjective Measures of the Quality of Life

In the overall realm of human behavior, scholars are placing much emphasis on perception, in essence saying that the way something is perceived is much more important to consider than the physical or intangible reality. The strong recent concern for the psychological product and the positioning of products according to how they are perceived is only one example of this emphasis in only one discipline, marketing. So too, in measuring the quality of life, a strong current trend has been to move from the more objective external measures, such as standard of living and "objectively" measured quality of the environment, to how members of a society perceive the quality of *their* lives. Studies taking this approach have proliferated in recent years (Campbell, Converse and Rogers 1976, Chaganti 1979, Liu 1966). Most of these studies have focused on measuring the degree of satisfaction or happiness people *indicate* they feel regarding various aspects of their lives—home, work, personal, community, etc.

The following are some of the findings of these types of studies:

1. A composite of studies on trends in "happiness" points to a steady decline in the percent of Americans reporting that they were "very happy" (Campbell, Converse and Rogers 1976, p. 26). This group of studies encompassed the years 1952-72. All indications are that this trend has continued.
2. A study of well-being (which received much publicity) reported appreciable drops in job satisfaction between 1973 and 1977, along with decreased life satisfaction, and a decline in reported overall health for these same years (Staines 1979).

No agreement has yet emerged on the elements to be included in the more subjective (satisfaction-type) composite index, but many feel that measuring the perceived quality of life is essential, and that the trend in this direction should continue.

NECESSARY INCLUSIONS IN QUALITY-OF-LIFE MEASURES

Thus far, a number of methods for gauging quality of life have been examined in a somewhat chronological order of their evolution: material well-being, existence of "cultural" institutions and appreciation, a safe, healthy, and happy environment, and the feelings people have about various attributes of their lives. These ways of measuring presumed some definition and also indicate the possible elements to be included in a definition of the quality of life, both objective and subjective. One fairly recent and frequently cited definition includes much of what has been discussed previously in this paper:

The quality of life is a function of the objective conditions appropriate to a selected population and the subjective attitude toward those conditions held by the persons in that population (Hornback and Shaw 1973).

For a considerable period the debate has continued as to whether objective or subjective measures should be employed to gauge the quality of life. Objective measures include such as the measures of the standard of living, the presence of the arts and artistic institutions, the air quality index, and the reduced highway death toll. The major complaint regarding these indices of the quality of life is that they may not address the true happiness or satisfaction of individuals or of society as a whole. Also, as suggested previously, they may not measure global welfare and might not allow for worthwhile comparisons among nations. In a taxonomy of quality-of-life indicators, perhaps, a preferable term for the objective measures would be "external" measures. This would be external to the minds of the members of a society. These are gauges of the quality of life based on the assumption that a certain attribute of life is beneficial. Hence, quality-of-life "improvements" may be forced on individuals who do not perceive them as such and whose happiness or satisfaction is not increased.

Seeking to improve the objective (external) quality of life may be viewed as paternalistic when practiced by individuals, groups, and governments, especially when this results in regulations. Of course, such feelings on the part of certain segments persist in regard to every law in existence. The point at which seeking to improve the quality of life goes too far is impossible to determine. Perhaps only a majority backlash would be an indication. For example, in certain communities one percent of tax revenue is earmarked for the arts. If a movement were started to oppose this, and eventually a majority of citizens voted against it, this might be taken as an indication that people felt their quality of life (or their happiness) was not being enhanced. This type of reasoning, perhaps, led to the pursuit of a subjective means for measuring the quality of life. At the heart of this whole issue would be the question: Can any objective external gauge of the quality of life be used as an indicator of happiness or satisfaction in the minds of the members of a society? So many times in recent years, marketers have had to face this question when they were forced to market products that did not make a substantial segment of the market happy, or when they were no longer permitted to market products that pleased many people.

Questions have also been raised regarding sole reliance on the subjective (internal) measures of happiness or satisfaction. For example, recent reports on the satisfaction of

Black Americans have supported earlier findings that Blacks report being more satisfied than other Americans, especially those Blacks of lower income and social status (Campbell et. al. 1976). Perhaps, this might be due to less importance placed on the objective (external) elements of the quality of life. Nevertheless, many would examine the lives of these people and conclude that objectively the quality of life is low and, hence, happiness and satisfaction should be low. But this is not the case. Thus, the conclusion might be drawn that objective (external) measures are not necessarily good indicators of happiness or satisfaction. Also, the subjective indicators may show satisfaction, but the life may be unsafe, unhealthful, and unattractive.

Quality-of-life researchers have perhaps been tempted to develop a scheme similar to the relatively simple Warnerian index for determining social class where four simple objective demographic measures are used to determine the class. Many studies have shown that the actual social class of an individual is a much better indicator of that person's values and life style than the perceived social class (Engel, Blackwell and Kollat 1978, pp. 115-116). No such desirable findings are available to support the use of objective (external) measures of the quality of life. Thus, the conclusion would seem to go along with the definition used earlier in this paper that a true indication of the quality of life should incorporate both the objective (external) measures and the subjective (internal) gauges of satisfaction.

After a quality-of-life measure is made, the question always remains: Should changes be made in the external realm that might decrease the internal happiness of the members of a society?

THE NEED FOR COMBINED QUALITY-OF-LIFE MEASURES

In the private profit-seeking sector concern has traditionally been in producing and selling products that would yield profits. Success was largely based on the ability to better the physical well-being of markets. The assumption can also be made that the internal satisfaction and happiness of the members of the market were enhanced by the purchase and use of the product. Marketing as the delivery of a standard of living was obviously successful. Although businesses did not frequently attempt to gauge overall societal happiness or the general happiness of their market, much research was conducted regarding the satisfaction or happiness of the market with specific products. These activities are much in line with the marketing concept. More general subjective measures of happiness or satisfaction were used in the evaluation of certain localities for plant location or in attempts to establish existing locations as desirable for potential employees.

With the advent of consumerism and much government regulation the concern of business had to move toward improving the quality of life defined as a safe, healthy and attractive environment. The long term welfare of society had to be considered. Business is also doing much to further the arts and other cultural elements of life in order to enhance the image of their organization. Thus, societal marketing, whether stemming from inherent consciences of businesspeople or forced by regulation, and the efforts to establish businesses as "good neighbors," have done much to influence quality of life. Increasingly, profit-seeking organizations need to determine their influences on the physical quality of life and the subjective feelings which their markets and society have regarding aspects of their lives that are influenced by the organization.

World organizations, individual governments, large and small nonprofit groups must also realize and try to control in a desirable way their influences on both the external and internal quality of life. Concern for only one aspect of life may easily lead toward criticism or external pressure for increased concern for other aspects whether objectively or subjectively measured.

A CASE OF COMBINED QUALITY-OF-LIFE MEASURES

While many individuals and institutions remain concerned with improving the gauges of the quality of life, one group of institutions seems to have accepted the "fact" that their offerings increase that quality. These are the artistic organizations. The recent trend of research in the arts has moved strongly in the direction of establishing the economic impact they are making in a certain area (Cwi and Lyall 1977). Such studies are currently attracting much funding and widespread interest. These organizations still keep as their primary objective the improvement in the quality of life (as they view it) but feel that they must establish themselves as a potent economic force in a community. For the many studies of this type that have been completed, the dollar impacts are tremendous (De Korte 1979). The techniques for determining this economic impact are becoming quite sophisticated (Cwi and Lyall 1977).

For a year this writer has been coordinating a study to determine the impact that the arts are making on the economy of Toledo, Ohio. Without exception, the artistic organizations in the area have shown extensive enthusiasm for this measurement. These arts impact studies point out an interesting irony. Throughout most of their existence, arts institutions have been primarily concerned with the improvement of the "quality of life" the way they define it, but today they also feel the compelling need to prove that they are increasing the standard of living, or the material well-being of their community and its members. Currently universities and other nonprofit institutions are also seeking to prove that they are contributing more to the economic well-being than they are costing (Caffrey and Isaacs 1971).

In addition to the impact studies, some artistic organizations are seeking to determine how they are perceived and whether the public feels that the quality of their life is improved by these institutions and their offerings (Brunner and De Korte 1979). This is a subjective (internal) measure of satisfaction.

Thus, in artistic organizations the members are concerned with the "cultural" well-being of society and presume that they are contributing to the improvement of this element of the quality of life. Nevertheless, these organizations also recognize that material well-being and satisfaction are also important elements that need to be measured.

CONCLUSION

Improving the quality of life seems a highly moral and ethical goal for any individual or institution. Definitions differ, hence, the elements considered to be determinants of this quality differ. The preferences and missions of the concerned groups

often determine what they consider to be necessary for a high quality of life. The elements might be material, artistic appreciation, a safe environment, or a combination of these and many more. The confounding factor remains: whether "improvements" in these areas are perceived as such by the markets, audiences, or any group with which the marketing organization must be concerned.

To achieve any complete and accurate gauge of the quality of life, both the objective (external) situation of a population and the subjective (internal) attitudes toward that situation must be included.

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