

Marketing Philosophy Trends in the Twenty-first Century

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Abstract

“New songs in the new age” or “new wine should be put into new bottles” is a truth. Also, it is that a new philosophy opens a new age and the new age makes a new philosophy.

Although there is a dispute which one comes first, the chicken or the egg, a strong correlation exists between era and philosophy. Therefore, when the age changes greatly, it is a historical fact that philosophy must change coincidentally. This fact should be applied to marketing philosophy in the twentieth century in the US.

A Japanese word “*shiso*” which is used as philosophy here, has the following meaning. It is combination of thinking rigorously and seeking something in the object in mind. According to a dictionary, it is explained as 1) thinking about society and life, 2) turn a matter over in one's mind and 3) logical consciousness attained by thinking, judgment and reasoning. While the word “*shiso*” is sometimes translated as a thought or an idea, it is more flexible and fluid word than other synonyms like a concept or a principle (Although “*shiso*” does not have a literal translation it is translated to “philosophy” here for convenience).

The issue involved here is to look for the trends in marketing philosophy in the twenty-first century. The materials for this study are the definitions presented in 1935, 1948, 1985 and 2004 by the American Marketing Association. Each definition was influenced by the marketing philosophy which was the most popular view in each era. Depending on which era changes in the definitions of marketing coincides with changes in the industry structure and the consumer behavior. Also, the marketing philosophy is also influenced by social and economic philosophies of the time. Lastly, according to the future changes in political, economic, technological and natural environment, the ways to adapt the marketing philosophy are presented here. For this study, some forecasts of some specialists are referred.

Key Words: marketing philosophy, next trend, paradigm shift

1. Appearance of mass consuming society in the beginning of the twentieth century in the US

(1) *The definition by National Association of Marketing Teachers in 1935*

“Marketing includes those business activities involved in the flow of goods and services from production to consumption.” (N. B. NAMT formed AMA later)

The point of this definition is “the flow”. It also says that marketing is business activities

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and the range of marketing is from production to consumption. Moreover, it says that the objects of marketing are goods and services. These are very commonly accepted things. In other words, the problems are in the distribution and sales processes. Studies for the problems are marketing.

R. Bartels insisted that the word of marketing was believed to be used as a noun between 1906 and 1911. Then, he described that in the beginning marketing was meant as the combination of elements which should be considered prior to sales activities and sales promotion activities. The start of marketing philosophy is, therefore, found out in the studies of distribution and sales promotion problems in the beginning of the twentieth century in the US. The reason can be suggested from A Show's question if problems stem from over production or from under consumption. This question was raised when he saw abandoned crops, because these could not be sold even when heavily discounted.

In the progress of American industrial economy, the production-oriented era ended in the beginning of the twentieth century and the sales-oriented era started. Since production volume became more than consumption volume, marketing started to evolve when the provider's market was replaced by the consumer's market.

(2) *Industrial economy and consumer market in the beginning of twentieth century in the US*

a) *Maturity of agriculture in the US*

In the beginning of twentieth century, American agriculture went into the period of maturity. This does not mean the period of decline started immediately. Rather, it became the supporting industry of American economy, as it lead the economic progress.

The steps for progress of a capitalistic economy in the western countries are as follows.

1) At first, agriculture was developed capitalistically or commercially. 2) Based on progress of the agriculture, manufacturing developed. In the end of the nineteenth century, the US had a seven to ten million agriculture workforce, and about 30 to 40 percent of the work force is the agricultural workers at commercially reclaimed farms. They had a large amount of farm assets, and the commercial-based agriculture brought the big demands of agricultural materials, agriculture machinery and construction materials. This resulted on the birth of manufacturing and the rapid economic development. In other words, at the time when the American economy was in transition from agriculture to manufacturing industry, marketing was born.

b) *Linking dispersed and isolated consumer markets which enabled mass-marketing*

In the beginning of the twentieth century in the US, railroad, highway, communication, broadcasting, publishing, big retail chain and legislation were well provided. As the result, while the traditional European type of business models decayed, the new American type of business models were in their infancy. Each market such as New York, Boston and Chicago had been isolated, but the linking of the markets by nation-wide transportation and communication networks creating a nation-wide market. In such situation, the problem to be solved were the bottlenecks and other distribution problems which had not had to be considered before.

One manufacturer might have the possibility to sell the products to many customers all over the US. In this era, the sales strategy is mostly not to keep the price, but to reduce the price. Then, mass sales and high turnover made the profit. This is the way which T-type Ford, Sears and A & P typically succeeded.

A catchphrase of the best price in the world made Sears Roebuck a success in sales. Consumers became to be able to claim to any retailers that it could be bought by cheaper price

at Sears. US Postal parcel service started in 1913 also accelerated the mail-order business.

A & P which was established in 1859, started a business of low price retailing from 1913. The company opened one store each time when the manager finished company specific training. When the number of stores in total came up to 16,000, they claimed the goal of becoming a chain store which has 20,000 stores. However, since cars had come into wide use, the merit of having such large number of small shops decreased, which is ironic given that there appears to be a trend of having large-sized store.

(3) *Social and economic philosophy in the beginning of the twentieth century in the US*

In the beginning of the twentieth century in the US, “laissez-faire” advocated by Adam Smith and “demand-on-supply” which means every goods supplied to the market should be sold or any demand equal to the supply must be occurred were the major idea in the era. The period was after the first world war when the US reaped enormous benefits, and it was called as the golden twenties because of a historical economic boom.

However, in October 24, 1929, the great depression happened, triggered by the sudden heavy fall in the stock exchange market in New York City. In 1933, President Roosevelt launched the New Deal. It was the amendment of the traditional free economy, and it began the basis of the Federal government participation in the economy. Although the policy succeeded to help the economy recover from the great depression, as early as 1937, the economy started to decline again. Then, the second world war broke out in 1939.

The unique Keynesian theory became the basis of the New Deal policy in the US. And not only in the US, but also in Europe as well as in Japan the idea of the public investment policy spread. Since its influence on government policy was very great, it was called the Keynesian Revolution. In this way, the American marketing philosophy had been supported by the Keynesian’s protectionism policy in 1930s. Succeedingly in 1940s, it had been maintained as a controlled marketing in the wartime.

2. The establishment of Pax Americana

(1) *The key points and the background of the revised definition by AMA*

“Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user.”

There are two key points in this revised definition as follows. One is that the change of the party concerned to put into practice of marketing from manufacturers to consumers or users was clarified. Consumers were mostly from the newly developed class in the middle-income brackets. Users are referred to companies or government organizations which purchase producers’ goods. The other one is that the performance of business activities had become the key issue. That means the success in business is evaluated if it gives good performance or not.

The year 1948 was when this new definition was put forward was three years after the American victory of the WWII. It was the time when the strong American manufacturing industry was built under the new world order of Pax Americana. The higher-level performance in the sales activities of consumer goods and producers’ goods is called marketing in this definition.

This definition by AMA remained for 37 years until 1985. During the period, the definition was always referred in the marketing textbooks and it was explained as follows. The

transition from the era of “selling the produced goods” to the era of “producing the goods should be sold” was interpreted to the transition from sales-oriented age to marketing-oriented age. This philosophy was also accepted by the industries and the institutions in the developed countries, as if it were the express ticket to a life of abundance. To begin with, marketing studies in Asian countries started after the second world war.

(2) *American industry and consumer market in the middle of the twenty century*

After the Second World War, the US population exploded and the baby-boomer families appeared. Furthermore, a consumption boom ignited from the suppressed desires of consuming during wartime. Manufacturers and distributors provided many kinds of dreamy new products and new business models. The activities were backed up by TV commercials and motorization. That is the time of so-called 3M: mass production, mass communication and mass consumption.

The increase of birthrate induced immediately the demand of children clothes, toys, bigger houses, furniture, schools and educational materials and devices. The disposable income rose from 76 billion dollars in 1940 to 151 billion in 1945, 235 billion in 1952 and up to 287 billion in 1955, that is, 3.8 times increase in the fifteen years. Factory workers' wage also rose from 70 cents per hour in the middle of 1940s to over two dollars in 1956. Consequently, three-fourth of families in the US came into the middle-income class.

The number of family members increased and income increased, naturally, these trends induced the consumption boom. People wanted to buy cars, furniture, radios, TV sets, antennas, refrigerators, freezers, airplanes, blenders, pressers, washing machines, driers, disposers, dish washers, vacuum cleaners, hair driers, water heaters, heating apparatus, electric cooking stoves, gardening tools, stamps, outdoor goods, sporting goods, boats, diving goods, movie cameras, camera, stereoscopic cameras, films, movie projectors, screens, toys, electric tools, shavers, tableware, watches, sideboard, carpets, air-conditioners, dehumidifiers and so on. In the sales background of these goods, there should be the marketing activities.

In this period, companies invested the money and the human resources into the technology development. Then, for example, the following new technologies were put into the market: plastics, Nylon, Dacron, Sulfa antibiotic. The amount invested in R & D was 100 million dollars in the beginning of 1930s and the 4 percent, 4 million dollars was spent for the marketing research. While, in 1954, the amounts increased to 9 billion dollars for R & D and 400 million dollars in marketing research. During this 25 year period, total R & D expense rose 90 times and total marketing research expense was raised 100 times. This is the evidence that the marketing activities at mega-enterprises became more popular.

Still more, the following business models contributed to the growth of mass-production and mass-consumption civilization: installment selling, credit loan, self-service supermarket, shopping mall, discount sales, advanced physical distribution and financial market.

(3) *Social and economic philosophy in the middle of twentieth century in the US*

During the second world war, European philosophy was destroyed by Nazism and Stalinism. The philosophy which lead the world after the war was the American liberalism. Liberalism does not necessarily mean the principle of lasses-faire. On the contrary, it was something like an American version of the western social democracy and it was based on the stable labor relations, private enterprises well-checked by the government and social security system by the government.

The leading philosophy of the time was basically the Keynesian theory. It explained that the size of the country's economy is decided by volume of the national gross demand. Even

if the supply is increased, sales has no chance to be more than the demand. It was the theory of “supply on demand”. Gross national production should, therefore, equals to the gross national demand.

Keynesian economics brought the golden fifties to the US. However, in the late 1960s, the Vietnam war was bogged down and inflation accelerated. As the economy slowed down and as the unemployment could not be substituted for the inflation, the Keynesian policy was unable to amend the economy anymore.

The key policy of the Keynesians is the governmental budget expending for lowering the unemployment rate, but it had no effect at all. It did not increase GNP, rather it increased the interest rate and discourage the private investment. People denounced that it only “crowded out” private sector-investment. In this way, the Keynesian economics fell off, and the classic school of economics was resurrected.

3. The advent of the global network society

(1) *The key points and the background of the revised definition by AMA in 1985*

“Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.”

There are three key points in this revised definition as follows. Firstly, the party of concerned to put into practice of marketing was expanded from enterprises to individuals and broader sense of organizations. Secondly, the objects which the marketing concerns became not only goods and services, but also ideas which include intellectual properties and social righteousness. Thirdly, the marketing is not the performance of business activities, but it is the process to create exchanges that satisfy individual and organizational objectives. Marketing was the abstract process of planning and executing the marketing 4Ps.

In 1969, P. Kotler and S. J. Levy proposed to apply the marketing concepts and techniques not only to profit-making organizations, but also to not-profit organizations and public organizations. Although whether the concept of expansion is really meaningful had been a matter of controversy until the beginning of 1970s, marketing was actually applied successfully to universities, hospitals and other public organizations. Thanks to successful cases, the dispute ended. During this period, a number of papers and books were published concerned with service marketing, NPO marketing, ecological or green marketing and global marketing.

Seeing through the results of the disputes in the 1970s, the new definition of marketing was issued by AMA in 1985. However, not a small number of criticisms were discussed not only among the specialists in the US, but also in Europe and Japan. Accordingly, various definitions were put forward based on the unique opinions. This phenomenon showed that marketing philosophy already could not been considered such a simple definition.

The parties, the objects, the scopes and the functions of concerned to put into practice of marketing are compared by the three definitions of AMA in Table 1.

(2) *Criticism against the 1985’s definition of AMA and the proposal of the alternatives*

The criticism is by and large as follows. It has not enough brevity as a definition, it is too vague, and it does not include a clear intention of truly market-oriented marketing. Along with these criticisms, the Japan Marketing Association drew-up a definition creation com-

Table 1 Comparing the three revisions of AMA's definition

Definition	1935	1948	1985
Party	Business organization	Business organization	Individual & any organization
Object	Goods and services	Goods and services	Goods, services and ideas
Scope	From production to consumption	From producer to consumer or user	Creation of exchanges that satisfy the needs
Function	Business activities	Performance of business activities	Process of planning and executing 4Ps

Table 2 Definition of JMA presented in 1990

<p>Marketing refers to the overall activity by which business and other organizations, adopting a global perspective and gaining the understanding of their customers, create markets through fair competition.</p> <p>Notes:</p> <ol style="list-style-type: none"> 1) This refers to the integrated and coordinated activities of research, products, pricing, promotion, distribution, customer relations, environmental preservation and others, which are directed both inside and outside the organization. 2) These include institutions and groups in the fields of education, medicine, administration and so on. 3) This perspective emphasizes the society, culture and natural environment inside and outside Japan. 4) This includes ordinary consumers, clients, related institutions and individuals and local residents.
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mittee, and a JMA definition was proposed in 1990. It was defined by summarizing many opinions of specialists from academic institutions and industrial organizations. The Delphi method was also used in the summarizing phase. As seen Table 2, the definition is expressed enough how the first-line marketer gets the thought of something in the marketing practice. The committee members think that the AMA definition has the following insufficiencies. 1) It does not explain about the positive role to the society. 2) It lacks a concept of competitiveness. 3) It also lacks an aspect of market creation.

(3) *American industrial economy and the consumer market in the end of the twentieth century*

While American agriculture went into the period of maturity around 1900, the manufacturing industry went into maturity around 1970. According to the statistics of the US Department of Commerce, the manufacturing industry's ratio against the GNP in 1960 was 26% (140 billion dollars). Then, it became 24% (250 billion dollars) in 1970, 21% (590 billion dollars) in 1980, 18% (1,040 billion dollars) in 1990 and 15% (1,520 billion dollars) in 2000. On the other hand, the service industry's ratio against the GNP increased from 9% (50 billion dollars) in 1960 to 12% (120 billion dollars) in 1970, 15% (380 billion dollars) in 1980, 18% (1,070 billion dollars) in 1990 and 22% (2,120 billion dollars) in 2000. The service industry here does not include retail, wholesale, transportation, finance, insurance and real estate. In 1990s, the ratios of the manufacturing industry and the service industry are reversed. Also, the number of workers in the service industry exceeded the number in the manufacturing industry. Now, the largest numbers of workers are in the service industry, the second in the retail, the third in the public or governmental organizations and the fourth in the manufacturing. This is the reason why the service marketing and the marketing for the public or non-profit organizations are regarded as important, besides the marketing in the manufacturing industry.

The background for drastically revising the definition of marketing has the following social circumstances. These should be related to criticisms of industries by the consumer

movement, environment destruction and pollution issues occurred by mass production and mass consumption economy, antiestablishment by minority power such as blacks, women and students, inefficiency and red tape in government, moral decay and economic stagnation caused by the Vietnam War, in 1960s and 1970s.

In 1980, Ronald Reagan all-out attacked the New Deal Liberalism and the welfare state policy, and he won a great victory in the presidential election. By his political slogan of “self-support and self-help”; adopting deregulation, welfare budget reduction, privatization and market for market’s sake, he emphasized the realization of strong America. Reagan’s regime selected the economic policy of the neo-liberalism based on the supply-side economy and the monetarism, denying the Keynesian’s policy which made the American economy worse in 1970s.

(4) *American social and economic philosophy in the end of the twentieth century*

The new-left movements in 1960s and 1970s broke the political collusion ruled by the tacit entities: advanced industrial society, welfare state and liberalism. They also played an important role to bring the new intellectual viewpoints. However, since they were counter cultures and they could only provide antithesis, they had gradually fallen into corruption of drug, free sex, crime and violence.

From the end of 1970s, protecting the traditional sense of values by conservative citizens became noticeable. The tendency was triggered by the denial of the new-left movements. An example of the conservative repulsion originated from the racial issue, because rising black power made smaller the income of white middle-class people under the situation of the same-size pie.

(5) *Political power and religious ideas in the end of the twentieth century*

The famous theologian of the present age in Germany, Yugen Moltman, wrote in his paper in 1977 as follows: “Since the people of the United States have no common past, where they are looking a common future, they go back to each of the individual ethnic identities.” This opinion might be universally appropriate. The fact that the USSR and other East European countries have already been split could be the evidence of this opinion.

The Christian fundamentalists who supported Ronald Reagan, George Bush, and George W. Bush believe in a Moral Majority, Religious Right, and Neo-conservatism. This type of religious group is conservative protestant such as evangelical. They oppose abortion, request revival of prayer’s time at public schools and want Creationism as well as the theory of evolution taught.

The action principle of the fundamentalism is that they try to preach the gospel and convert the people who have not yet accepted the truth. People who do not convert to Christianity would be excluded or eliminated. This should be following to the principle and this should be the justice.

4. The key points and the background of the revised definition by AMA in 2004

“Marketing is an organizational function and a set of process for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefits the organization and its stakeholders.”

Comparing with the conventional definition, the points of this new definition is that

“price” of 4Ps is eliminated. Manufacturers competing with each other by price and retailers cudgeling their brains for promoting discount sales would never agree with such a definition which does not mention about price. Probably, price may be included in the “creating value”.

However, the thing seen through behind is that most of American enterprises have already abandoned manufacturing, and have decided to earn money by other new business models and new services. That is the meaning of marketing defined in this revised version. This seems to be too linear, a linear theory of evolution. Namely, AMA’s definitions progress in a straight line: from marketing for agriculture, marketing for manufacture, marketing for public and non-profit organization, marketing for service, finally to marketing for intellectual value. But the important thing is that manufacturers are dispersed around the world, rather than concentrated in developed countries. It should be remembered that American capital is blessed with this global division of industry. Also, it should be remembered that businesses in developing countries are making every effort in their marketing activities.

The second contradicting thing is that they intend to apply this definition to organizational functions at all kinds of organization even including public organizations. Between profit organization and public organization, there is a clear difference in the decision making goal. The authority to make the decisions at governmental or administrative organization is enlarging the vested interests and the budget allocation. Straightforwardly, there is no idea of customer satisfaction and no idea of cost-effectiveness.

They may interpret the latter part of this definition as follows: “A set of process for managing, information concealing, regulation reinforcing, news censorship and so on, as to enhancing the customers’ relations, by giving the benefit to the stakeholders.”

This is vague regarding if the purpose of marketing is really for the customers or not. Dennis Dunlap, CEO of AMA professed that it should be revisited maybe every five years. As a conclusion, it is now very vulnerable to give a clear definition of marketing today. It seems nonsense to make the definition if it is necessary to change it in such a short period.

5. The next trend of American marketing philosophy in the twenty first century

The next definition may be expected by the following the three methods of forecasting: “Delphi method” prophesied by specialists, “trend extension method” analyzed by proceeding the current paradigm and “paradigm-shift imagination method” by destructing the current paradigm and imaging the future big bang in the business environment.

(1) *Delphi method*

One forecast by a specialist is that the next marketing should be “societal marketing”. It is to provide satisfaction by understanding the target market needs exactly, and enhancing happiness of the customers and the society.

Another specialist’s forecast is as follows. One possibility is “hyper segmentation” which can be realized by flexible manufacturing technology and digital information technology. On the other hand, “de-segmentation” is also probable, which goes back to a new kind of mass marketing.

(2) *Trend extension method*

A trend from “marketing of goods” to “marketing of services” proceeds more. For

example, it can be said that Dell and Amazon do not succeed in selling goods, but do succeed in the process of innovation. The idea that goods should be considered as the intermediary to provide the services for the customers will become much more important.

Another key word of the trend is “personal marketing”. It makes it possible to realize “hyper segmentation”. It also owes the current and future progress of information and communication technology. The examples of the new tools for personal marketing are relationship marketing, one-to-one marketing and data-base marketing. It also includes e-commerce and electronic money.

(3) *Paradigm-shift imagination method*

Albert Einstein said that one’s feeling of happiness equals the happiness one actually has divided by the happiness one knows is possible. Today’s industrial world so far has looked for maximizing the happiness people know, so as to increase the happiness actually people have.

In case fatal problems of energy and environment arise suddenly in the future, marketing philosophy should be changed drastically. That is the end of the modern consumer civilization. Thus the paradigm shift happens. In other words, some specialists try to find out some marketing philosophy for soft-landing not to go into the catastrophe in such fatal case.

Conclusion

The following three things are clarified here through the above considerations. Firstly, philosophy does not break new age but keeping up with the trend of the times needs a new philosophy. Even if some concept of a new philosophy exists beforehand, it is not accepted by the society which does not need it.

Secondly, marketing definitions by AMA are only formularizations of the known facts about the most forefront businesses at the times in the United States. Therefore, it is not universally accepted definitions in the different countries. In Islam or Hindu countries, there might have different marketing definitions.

Thirdly, the consumer-economy paradigm of modern America will collapse in the future. Since it is a so-called celebrity paradigm, there is no room for all the people in developing countries including BRICs to enjoy the same pleasure of American people. At the time when the people of these countries become aware the contradiction, how the marketing philosophy should be changed would be the important theme.

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