Connecting with Reality – the Contemporary Challenge to Research and Teaching in Marketing

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Abstract

In response to global concerns, marketing academics and professionals need to re-consider the emphasis and content of the discipline. Required is a willingness to revisit the basics or foundations of our discipline, searching for macro and micro insights into both under-developed and developed communities.

Keywords: Macro marketing, marketing environment, societal marketing

On September 11 in 2001 the world changed. After a morning that began with images from an Independence Day movie clip and which then turned into a horrifying reality, we left behind the growth and excitement of the 90’s and began to face a different reality – one, that in the short term at least, was characterised by widespread uncertainty and insecurity. Over the months that followed some things changed for the better. The isolationism that was emerging in US policy through 2001 gave way to a cautious multilateralism, influenced by the success of the anti-terrorism coalition; stock markets after an initial drop have recovered and now seem to be factoring in the dot-com crash, the ENRON crisis and a changed globalism; energy costs have not changed dramatically and indeed in the case of oil have even decreased slightly; technology is still a driving force, particularly in information, communication and security related markets; and governments have shown a willingness to exercise choices in fiscal and monetary policy that are likely to minimise the short run effects of increased uncertainty on local and regional economies. However on the other side, the risk of economic recession which had been emerging as a global concern, has not diminished; the grinding poverty which characterises much of the less developed world and which is a major contributing factor to terrorism has not reduced; and the resulting flows of economic and political refugees washing around the developed nations, including Australia, is of increasing concern.

In Australia and New Zealand we have managed to add our own local worries to these global concerns. In late October 2001 I left for a visit to Asia and looking through the Australian Financial Review for the day, noted the Ansett crash, a freeze on Qantas staffing, the Fosters Group and Orica cutting back on expenditure, Merrill Lynch considering retrenching 650 Australian staff, early indications of an export slump to Asia, a continuing fall in computer chip exports from Taiwan hinting at recession in that market, an increasing interest in seeking protection for industry sectors using the Trade Practices Act, and the growing xenophobic vote that at the time seemed likely in the upcoming Australian election, reflecting the fears of many people confronting unwanted and unpredictable change in a period of global insecurity.

This brief environmental overview is not the kind of thing one writes about in Chapter 1 of a marketing textbook! And yet this is the reality with which we must deal if contemporary marketing theory, teaching and practice are to connect in a way that will lead not only to commercial success but also the betterment of human society. In the comments that follow I would like to reflect a little on the shifts in emphasis and content that we, as marketing academics and professionals, might consider in response to these changes.

If we are to rise to the challenges that are implicit in this new age that we are entering, we must from the outset be clear about the fundamentals of our discipline - the insights, concepts and theories that marketing contributes
Mazur put it many years ago, “the role of marketing is to an understanding of the world in which we now live. And here, with our limited focus on Western, highly developed, consumer and business markets, we may be in some danger of losing a wider relevance.

Consider some examples. What do we have to say that might help to alleviate the plight of those groups in society that are left behind by the changes that have occurred? There are many such groups – from the dispossessed throughout the Middle East, to the isolated peasants in Western China, from the elderly and the urban poor in our own communities, to the indigenous peoples in Central Australia and elsewhere. Not infrequently over the years it seems that rather than helping, the contribution of modern marketing has been to contribute to the exploitation of ignorance and isolation. The discontents of groups such as these, on a world stage, have been an important part of the causal chain that led to the September 11 tragedy.

An important element in these discontents is a perceived inequity in the distribution of the world’s goods and services. The Mexican poet Octavio Paz, described the situation as one of “islands of abundance in an ocean of universal misery”. Towards the end of 2001 a group of Nobel Laureates published a statement in which they said “the most profound danger to world peace in the coming years will stem not from the irrational acts of states or individuals but from the legitimate demands of the world’s dispossessed”. Not only do they feel unable to join in the glamour and appeal of the lifestyles that are widely promoted in the mass media, but also the pace of change in the world they experience threatens to leave them behind. Perceived injustice, fuelled by religious fervour, easily turns into violence.

Has marketing, in the popular sense of the word, contributed to this problem? I suspect it has, and if so, awkward questions emerge that demand answers. Have we a responsibility to understand and evaluate the macro impacts of marketing on our way of life? Social responsibility in a narrow sense is something that has received attention in the marketing literature and has been, for example, given expression in an exploration of marketing’s role in addressing environmental concerns, in tackling a wide range of consumerism related issues, and in applications to non-profit sector enterprises of all kinds.

However this leaves the deeper issue as yet unresolved. Marketing, from one point of view, is a technology that has done much to shape the society we live in. As Paul Mazur put it many years ago, “the role of marketing is the creation and delivery of a standard of living”. Philip Kotler, in what became the first edition of his famous text in 1967, spelt out in some detail the logic of the marketing concept and the benefits that would flow, urging management everywhere to follow the example of innovative American business leaders. Even Adam Smith was cited as a supporter in arguing that the end of production is consumption. Peter Drucker argued that marketing and innovation were the two essential elements of a contemporary business, whose success was essential to the well being of society. There is little doubt that at that point in time, some thirty years ago, we thought we were changing the world for the better – but were we?

Even at that time, another author, David Caplowitz, looking at retail distribution networks in the ghetto’s of an inner city, asked the question “Do the poor pay more?” and wondered whether marketing was working the miracle that was expected. More generally, was the new marketing concept, with its emphasis on customer needs driving a management response, simply an accelerator of changes that were already occurring, or did it alter significantly the values and beliefs as well as the economics of development in most of the Western nations? Have we perhaps been too successful in the developed world and too little successful elsewhere?

I recently found myself in a discussion about food distribution systems in developing countries – something that Slater and his colleagues worked on extensively in the early 1960’s. The particular problem centred on Ulan Bator in Mongolia where food markets were in a state of chaos. It appears that there were no modern wholesale markets, leading to major inefficiencies in distribution – in information, pricing, logistics. Similar issues have arisen in the development of effective distribution systems for the products of indigenous communities such as the aboriginal artists of Central Australia. Many years ago, marketing was synonymous with distribution – today a study of the detailed design and operation of distribution systems, including social institutions such as wholesale markets, is something that for most of us would fall outside our interests. Have we defined our interests and thus our relevance too narrowly?

The impact of marketing, seen as a management technology, on the evolution of societies beginning from different starting points and with differing factor endowments, seems to me to be one of those areas where insights from our discipline are lacking. The materialism identified with Western society influences and is influenced by the activities of marketing specialists. In the
absence of insightful analysis informed by the discipline of marketing, the critics are likely to have a field day!

The analysis we need would draw for example on historical research, on sociology and economic anthropology and on economic growth theory, and would go beyond these to draw on concepts that marketing has made its own. Stephen Brown in his recent insightful and challenging assessments of contemporary marketing may have provided part of the answer.

In parallel with this work we need to explore again the ethics of marketing decisions, not just from the point of view of the individual manager but also from a societal perspective. A number of marketing scholars have written on the problems faced by the individual manager, seeking to guide managers in the choices they face. However it is the macro consequences of market related choices that also matter a great deal and which need to be addressed through social and economic policy choices, including regulation – and for this we need more than the narrow insights of the economists; we need sound macro marketing theory if the shaping of such policies is to lead on balance to benefit rather than cost for society as a whole.

The issues that concern me are attracting attention from marketing scholars and I am encouraged by the growing interest in journals such as the Journal of Public Policy and Marketing from the AMA. A recent call for papers from a new editor noted the focus of the journal as being on “marketing’s broader impacts on competition, economic performance, and consumer welfare (e.g. prices paid, innovation, satisfaction, knowledge acquisition, time savings, privacy, environmental concerns, debt and health related issues) as well as on how the nation’s regulatory system affects marketing.” The Journal of Macromarketing has also played a major role in publishing work in these areas and in another critical field, that of economic development. The International Society of Marketing and Development provides a home for scholars working on these concerns.

I am highlighting this side of marketing for it is not a popular view of what marketing is or should be about. And yet, as I have argued, marketing has been a major factor in shaping our society, for better or for worse, and it is these impacts, that go far beyond a concern with individual decision makers that now demand careful research if we are to be relevant at the policy level.

So far my focus has been on the macro issues arising from the September 11 tragedy. However there are also micro issues that raise questions for marketing as a discipline. As we leave behind the growth and excitement of the 90’s we face the sobering reality that the underlying recession in many countries may be more a product of a failure in demand than of a shortfall in supply and as such strengthened by the terrorist attacks. Decisions not to spend or to spend in different ways can have major consequences. John Maynard Keynes might not have used the appropriate marketing language but he had the right idea when he referred to ‘animal spirits’ as being decisive – frightened people may well choose not to spend.

An early challenge for us then is to explore patterns of consumer behaviour in adverse situations, and in particular to look closely at the decision-making processes of the most disadvantaged groups in our communities. Here I am again thinking of the elderly, the poor, the indigenous, the isolated – all of whom have distinctive needs that must be served by a combination of public and private policy initiatives, that in turn need to be informed by a careful understanding of individual behaviour patterns. Our theoretical and research insights into consumer behaviour could and should play a role.

Business decision makers are also of obvious interest. Our literature has focussed on growth, highlighting for example the role of networks and strategic alliances, the importance of innovation and the effects of disruptive technologies, the rewards flowing for example from participation in e-business opportunities and on the underlying decision processes. These clearly remain important, but so too are questions about managing in declining or recessionary markets, about such matters as the handling of pricing decisions, the preservation of relationships, the careful timing of innovation, about entry and exit strategies.

In all these ways, and in many others, the tragedy of September 11 has changed our world and now challenges us to think again about the relevance and significance of what we study and teach as marketing scholars. Perhaps more than anything it challenges us to think about the basics of our discipline. What is it that marketing stands for? What do we have to say that cannot be said equally well by related disciplines? Where, for example, is the boundary between strategic management and marketing, e-business research and marketing, applied economics and marketing, organisational change theory and marketing, between strategic value management and marketing? There are many other ‘betweens’ that I am sure you could add, each of them representing a challenge to the integrity of our discipline.
What then are the basics of our discipline? I suggest we could begin with a list of concepts or ideas that seem central to our work and which reflect the distinctive contribution we make. My initial list of such building blocks (and yours could well be different!) is as follows:

**Environment**
- Market
- Exchange, transaction
- Transvection
- Channel of distribution
- Intermediaries
- Marketing communication
- Network

**Buyer decision process**
- Benefit
- Offer
- Brand
- Product/service/experience
- Assortment
- Customer
- Relationship
- Share

**Market orientation**
- Differentiation
- Segmentation
- Positioning
- Competitive advantage
- Business model

Any list like this has to reflect the idiosyncrasies of the author and this is no exception. Those of you whose memories go back to the 1960’s will recognise some terms that are unfamiliar today, such as transvection, but which were introduced by Alderson in 1965. When I became Professor of Marketing in 1967, Kotler had just published what became his first edition, and the literature was limited. Alderson’s work was doubly attractive to me as he was writing at a theoretical level and drew heavily on ideas from economics – a link between cognate disciplines that I regret has weakened significantly over the years. The recent work of Hunt and his colleagues, especially in the area of resource-advantage theory, has been a shift back to an intellectual partnership in theory development that is very welcome.

You will also note the blend of macro and micro concepts. I cannot help but feel that our disinterest in macro work in marketing has been to our disadvantage in the world of policy ideas.

I have not the space to comment on each of these foundational concepts, and so I will focus on a few that seem to be of particular relevance. Let me begin with environment. This is a concept that seems to have advanced little beyond the construction of taxonomies – typically lists of factors that managers need to consider in decision-making. And yet the structure and dynamics of the environments that decision makers (both buyers and sellers) confront are of importance. The additional uncertainty and turbulence brought about post September 11 is an example. Issues of power, complexity and market structure together with exit and entry issues (in the economist’s sense), the presence or absence of information, regulatory restrictions, the role of technology, should all be part of a marketing analysis of the concept of environment. This of course is one of the areas of conceptual work that is in danger of becoming part of the field of strategic management. Hitt et al. in a recent issue of the Strategic Management Journal illustrate my concern; they noted that the age of progress is over and the age of revolution has begun. Change is no longer additive nor does it move in a straight line. Rather it is ‘discontinuous, abrupt, seditious’. They go on to discuss the new economy landscape, driven by technology and globalization, characterised by increasing uncertainty, within which opportunities arise for those with entrepreneurial skills. Their interest is in strategic entrepreneurship as Editors of a special issue.

Perhaps it does not really matter who does the work, as long as the ideas and concepts are developed, tested and built on subsequently. However, the logic of a market orientation, which is the starting point for much of our teaching and research, has the environment as its object. The ideas of Hitt et al. are clearly relevant to marketing and go well beyond the simple taxonomies we have often contented ourselves with in the past. In the growing literature on market orientation there is a welcome return in our discipline to a careful analysis of this basic concept.

Market is another word that needs careful consideration. While not unique to marketing it is clearly a concept that
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we need to explore. One (hopefully) well known textbook describes a market as consisting of people or organizations with needs to satisfy, money to spend and the willingness to spend. While useful, this hardly begins to touch the complexity of the social and economic institution of the market. From the earliest times until now markets have been part of the everyday life of most people. The Agora in Athens was an example, as are today the countless peasant markets found throughout the developing world. Financial markets have evolved from a need to work with credit instruments in the Middle Ages in Europe to becoming highly sophisticated exchanges supporting global trading. The rise of the Internet has opened up yet another major round of innovation, based on fast anywhere, any time access to the web. Within a very short time, innovators such as e-Bay showed what could be done and proved the power implicit in network effects. Based on the economics of many-to-many network linkages, new markets in B2B and B2C have been tested (and many have failed); despite the difficulties the future of trading networks, meta-markets and many other yet untried market concepts seems assured.

If this is the case, should not marketing as a discipline have something to contribute? The marketing literature is not replete with theory or research developing and testing concepts that might throw light on the evolution and widespread use of markets. Arguably, we need to link content (the value propositions that underpin transactions), context (including information flows in the market and relationship patterns), and the support provided by the market in the form of trading facilities, delivery and after-sales service and supply chain management. We need to consider markets both in the concrete and the abstract sense, borrowing from areas such as economics and social anthropology, to create our own models of markets at work.

A third fundamental is of course the idea of exchange. This is common to many disciplines and again the question must be asked – what can marketing contribute? Our insights into the parties to the exchange process, the decision-making involved, the concept of value that is the subject of the exchange, insights into the social context are all important and need to be systematically developed. The central element in an exchange is a transaction leading naturally into the linked sequences of transactions that Alderson identified as a transvection – an idea that never gained acceptance. And of course it is an aggregation of transvections that defines one of the unique ideas contributed by marketing – that of a channel of distribution.

Transactions in turn raise questions about bargaining and negotiation, about power and information asymmetries, about single and repeat dealings, about the number and role of participants, that should be at the centre of marketing theory. The work on business to business markets and the insights into business networks of the IMP Group and other scholars illustrate the needed research. I am reminded of the early work of Cassady on negotiation tactics, of Fisk and others on transaction flows, and note in passing that as a discipline we perhaps need to learn from the past rather more than we are often disposed to do.

I could go on to highlight the marketing insights into buyer decision processes; our insistence on benefit; the idea that an offer has dimensionality, not only from the customer’s point of view, but also from that of the manager; the importance of brand as an intangible asset; the extension of the idea of a product to encompass services and experiences; the role of assortment, a powerful idea that is only now being given the consideration it deserves; and our emphasis on customer relationships. Underlying much of this work is a stream of research on matters such as repeat buying, customer loyalty, and in today’s language, stickiness in web site visits. These ideas in turn are leading to a renewed interest in the financial modelling of marketing decisions, both in the short and the longer term.

Before leaving this very brief and incomplete overview I would like to touch on the last concept mentioned in my list of ideas – that of a business model. This term is coming into widespread use but lacks a clear definition. In the new world of changing environments, markets and participants, new forms of business are emerging that have little to do with the traditional hierarchical structures of the past. This it seems to me should be an important part of marketing’s contribution to insights into the future of business.

I began with the events of September 11, which as I write are still very much on the minds of people in many parts of the globe, from Australia to China, New York to Calcutta. There is an awareness that somehow life has changed, both for individuals and for nations, and that fresh insights are needed if we are to find our way successfully into the future. I believe that marketing as a discipline should and could play an important role in this process. This however is only likely to occur if we are
willing to revisit the basics or foundations of our discipline, searching for macro and micro insights into both under-developed and developed communities. As Amartya Sen noted in his recent book entitled Development as Freedom, “The freedom to participate in economic interchange has a basic role in social living”. It is this freedom that lies at the heart of marketing, giving our discipline a standing and role that we must strive to uphold in an uncertain world.

Biography

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