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NEW MARKETING IN A NEW ENVIRONMENT

Some Thoughts on a Basic Restructuring

by

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Title of the report New Marketing in a New Environment : Some
Thoughts on a Basic Restructuring
Name of the Author Nikhil Dholakia
Under which area do you like to be classified? Marketing

ABSTRACT (within 250 words)

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A case is developed for some basic changes in the conceptual
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repertoire of the marketing discipline in view of the changes in the
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economic and social environment in India today. It is argued that the
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adaptation of existing marketing concepts, techniques, and institutions
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is not enough because these concepts are rooted in a type of economic
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environment quite different from that prevailing in most Third World
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countries. Some guidelines are presented along which changes can be
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effected in the marketing discipline so as to make it more relevant
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and realistic.
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Please indicate restrictions if any that the author wishes to place upon this note

None

Date October 27, 1975

N. Dholakia
Signature of the Author

NEW MARKETING IN A NEW ENVIRONMENT

Some Thoughts on a Basic Restructuring

For some time now, the economic environment in India has been characterized by a basic shift in emphasis on national priorities. Growth objectives are tempered with considerations of economic equality, basic sectors of the economy have come under the direct or indirect control of public bodies, and the stranglehold of vested interests on economic institutions and process is being challenged. These shifting priorities have had considerable impact on the way economic and social goods and services are marketed and distributed in India. The economic imperatives have come into sharper focus as a result of the recent political developments. Some of the actions which have been taken or are being proposed in the area of marketing and distribution are:

1. The proposal and partial implementation of public distribution systems for essential commodities like foodgrains, cloth, and drugs.
2. Requiring packaged goods manufacturers to provide price and quantity information on package labels.
3. Partial or complete control of retail prices and margins for some products.
4. Requiring the display of grocery prices at the retail level.
5. Proposed regulation of deceptive and unfair advertising and promotional practices.

These environmental changes raise the question as to what should be the nature of marketing in the new environment. More categorically, in the context of a management institute preparing administrators who will perform in future environments, what concepts and tools can marketing provide?

The Adaptive Firm Approach

One approach to the changing environment is to regard the firm as an adaptive organisation. Under the assumptions of this model, the typical business firm continues to function as a profit maximising entity but adapts its activities to the changing environment. Operationally, the constraint set of the firm goes on expanding and the firm takes some actions (e.g. corporate advertising, social development programmes, public relations campaigns regarding social achievements) in the anticipation that further imposition of constraints will be stayed. The managerial philosophy of this approach is characterised by the "social responsibility" theme and the maxim of "If we do not do something, government will" is ceaselessly reiterated. The underlying reasoning of the "adaptive firm" or "social responsibility" approach is somewhat as follows:

The basic assumptions on which the profit maximising firm operates are sound and will lead to maximum efficiency and social gain. However, there are externalities which detract from the public good. For this reason, public policy must direct and restrain economic activity in certain ways. If only firms become socially responsible, the externalities, and hence the need for regulation, will diminish and even disappear.¹

The Problem

The problem with the above logic is that it is faulty both in theory and in practice, as far as the Indian context is concerned. Theoretically, the model of the profit-maximising firm is based on the assumptions of classical economics. Under these assumptions, the only responsibility of the firm - social or otherwise - is to maximise profits. To operate in any other fashion would impose economic costs without corresponding benefits and therefore detract from the efficiency of the firm. Hence, theoretically, the private firm can only treat social responsibilities as constraints.² This is borne out in practice because most firms, social responsibility rhetoric notwithstanding, operate as single objective entities and only regulation by government results in a change in the modus operandi

¹ For "social responsibility" arguments along these lines, see John A. Larson (ed.) The Responsible Businessman, New York: Holt, Rinehart & Winston, 1966.

² See Vikram A. Sarabhai, Control and Management of Public Sector Enterprises, Hyderabad: ASCI, 1969.

of these firms. In general, the adaptive firm approach poses the following serious problems:

1. It provides only guidelines for responding to a changed environment and not for acting upon the environment.
2. It does not encourage the fulfilment of the national social objectives in a positive way. At best, it suggests mechanisms for minimising the consequences of non-fulfilment of these objectives.
3. It is of little help to the manager in a society owned or controlled enterprise (e.g. a public sector firm or cooperative) where the problem is not of adapting as much as of acting on the environment.

The Old Marketing

The marketing discipline, in its present form of development, provides broad conceptualisations about the consumer, the firm, and their interface. As such, the body of knowledge in marketing is characterised by categories of thinking today are the elements of the marketing mix - product, price, place, and promotion. As the environmental pressures on marketing have mounted, there has been a movement towards broader definition of these categories. For example, the category "product" has been broadened to include services, social programs, ideas, etc. Similarly, the category "market" has been widened to include client publics other than customers.³ The general thrust of the broadening movement is, thus, to maintain the existing categories of marketing but to modify their content and scope according to the changes in the environment. In this sense, the broadening movement follows the adaptive firm model.

How far is this justified, particularly in the Indian context? For answering this question, one has to examine the origin of the marketing categories and ask further if the assumptions underlying these categories are satisfied in contemporary India.

³ See Philip Kotler and Sidney J. Levy "Broadening the Concept of Marketing", Journal of Marketing, Vol. 33, Jan. 1968 and Philip Kotler "A Generic Concept of Marketing", Journal of Marketing, Vol. 36, April, 1972.

The concepts and categories of marketing have come into existence only in the twentieth century, their development largely occurring in the United States.⁴ With modest beginnings in the 1900's, the marketing discipline grew rapidly through the inter-war years and the "modern marketing concepts got crystallised in the 40s and the 50s. It is only in the 60s and 70s that the marketing discipline has had to face environmental challenges of any significant dimension. The general economic milieu in which marketing was born and flourished is characterised by the emergence of the "giant firm" or monopoly capitalism. Most of the marketing concepts are modification of classical laissez-faire concepts in light of the fact that several variables earlier thought to be market determined came under the direct or indirect control of the firm.⁵ The marketing mix variables evolved as arguments in the profit function of the large firm. Marketing strategy became a major tool for outperforming the rivals in oligopolistic market structures. The repertoire of marketing concepts and techniques has been characterised by the following features:

1. Existence of large oligopolistic enterprises capable of influencing the market.
2. Private, profit-maximising form of enterprise.
3. Existence of a more or less "free" economy, i.e., free from state regulation.
4. Interpretation of market demand as an adequate proxy for consumer needs.
5. Assumed absence of power relationships in the marketplace, except in the context of channel control.

One could extend the list of such premises on which the superstructure of conventional marketing concepts has been built up. However, it is easy to see that these concepts bear little relevance to the social and economic reality of contemporary India, or, for that matter, the contemporary western world. In today's India, giant centralised private enterprise is not the only form of enterprise, economy is regulated by central planning mechanisms, market demand has failed

⁴For a well written historical account of the development of marketing, see Robert Bartels. Marketing Theory and Metatheory, Homewood, Ill: Richard D. Irwin, 1970, especially chapter 3.

⁵See Paul A. Baran and Paul M. Sweezy, Monopoly Capital, New York: Monthly Review Press, 1966.

to be a barometer of real consumer needs, and the production and distribution of goods is influenced by power relationships between various sections of the society.

Given that the premises underlying the concepts and techniques of marketing do not reflect reality, what should be the theoretical and practical focus of marketing?

The New Marketing

Before going into a discussion of what "new" marketing should be, it is worthwhile to examine some viewpoints which are frequently put forward to salvage and refurbish "old" marketing. One stream of argument is that there is nothing wrong with marketing as it exists, the problem lies in the environment. If only we could bring about the blissful state of an economy of state controls, give market forces a free play, and let the profit motive work its wonders, everything will be all right. The trouble is that this Smithian scenario is a will o' wisp which has never existed historically in a pure form.⁶ Moreover, the "free market" scenario is quite antithetical to the existing concepts of marketing, for, marketing is the technology of explicitly interfering with the market.

Another defence of existing marketing concepts, a much subtler one, claims that even though the environment has changed, the concepts and techniques of marketing retain a magical constancy and universality. After all, every organisation in any socioeconomic context has a "product" which it tries to "sell" to its "customers." Such superficial similarities are quite appealing and, in fact, the entire social marketing movement is based on such "transfer of technology." However, as in any blind technology transfer, the old concepts have quite specific denotative and connotative meanings

⁶ The propagators of this scenario tend to forget that Adam Smith had a specific historical mission in promoting this scenario. He was trying to rid the European economies of the mercantilistic and arresting the forces of production. Free capitalism, then, served as a revolutionary force which swept away the outmoded feudal economic structures. See Paul A. Baran, The Political Economy of Growth, New York: Monthly Review Press, 1951.

⁷ See, for instance, Philip Kotler and Gerald Zaltman "Social Marketing: An Approach to Planned Social Change", Journal of Marketing, Vol. 35, July, 1971.

which are rooted in private, monopolistic, capital-intensive, micro enterprise and their application elsewhere is both fallacious and hazardous.

The new marketing, in order to be relevant to the emerging environment, has to incorporate some fundamental restructuring of the concepts of marketing. Above all, the new marketing discipline has to come to grips with the fact that the social and economic conditions in contemporary Third World countries are not a replica of an earlier stage of development of the advanced countries. For this reason, the discipline has to start thinking ad initio about its mission, scope, and content, given the real socioeconomic environment of the developing countries.

It is quite evident that the mission of marketing, or any other discipline in the same genre, is to solve the problems of what should be the level and composition of the output of goods and services in a society and how should this output be distributed.⁹ The determination of the overall level of output in a society is based on political and economic considerations, although marketing can play a peripheral role in the process. In the determination of the composition and distribution of output, marketing has a significant role to play.

the Composition of Output

In conventional marketing, the composition of goods and services - both the type and the relative quantities - are determined through the market. Effective determination of the composition of output therefore is done by those who have the maximum power in the marketplace, viz. the giant monopolies and oligopolies. The new marketing has to come to grips with the fact that the power balance in the contemporary marketplace is often not with the monopolies. Consumers in organised groups, and the state as a representative of consumer interests, often influences the composition of the output. In India, this is happening to some extent in the case of essential commodities. For the specialist in marketing, this implies that it is no longer sufficient to measure preferences and changes in preferences. It becomes necessary to measure needs and changes in needs.

This is supported, although in a somewhat traditionalist manner, by David J. Luck "Broadening the Concept of Marketing - Too Far," Journal of Marketing, Vol. 34, July 1969.

See Nikhilesh Dholakia and Ruby Roy Dholakia "Marketing Planning in a Social Enterprise," European Journal of Marketing, 1975 (forthcoming).

Needs, unlike preferences, have a strong social and historical dimension. The social character of needs was perhaps most clearly articulated by Veblen.¹⁰ Marketers have some understanding of the social character of needs as is reflected by their use of concepts like market segmentation, reference groups, diffusion of innovations, family life cycle, etc. However, until recently, marketers had paid little attention to the process of socialisation by which needs are formed and transformed. There is some attempt now to understand the processes by which consumers, especially children, learn their consumption roles.¹¹ In the context of underdeveloped countries, it is of critical interest to understand the processes of learning of consumption roles by children as well as adults. For, in these countries, consumption roles are getting transformed and redefined with incredible rapidity.¹² What the marketing people have failed to appreciate is the intimate and dialectical relationship between consumption needs and the work environment of man. As the relationship of man with his work environment transforms, so also his consumption needs change. In India, we find that the exchange of labour for money is fast replacing the old obligatory and feudalistic work roles.¹³ Parallel with, and because of, this proletarianisation process, the consumption needs are becoming increasingly "marketised" - there is a conscious articulation of needs for essential goods in the marketplace. What does all this mean for the practical, hard-nosed marketing specialist? It means that it is no longer enough to ask the question "Which Gluco Biscuit Tastes Better?" Market Research has to move from the measurement of preferences to the understanding of needs. In terms of techniques, this implies a shift from structured, directed instruments to unstructured, non-directed instruments. In terms of research questions, consumption systems become the focus rather than consumption items. But above all this, the marketer has to devise methods of prioritising needs by their social significance. He has to develop calculi of social tradeoffs. He has to acquire analytical skills which enable him to understand the social and historical character of needs and then, perhaps, predict the likely transformations in social needs.

¹⁰ Thorsten Veblen, The Theory of the Leisure Class, New York, New York, Macmillan 1899.

¹¹ Scott Ward "Consumer Socialisation", Journal of Consumer Research, Vol. 1, Sep., 1974.

¹² An informal comparison of folk songs by Pulin Garg indicated that in the past 20 years, the desirable profile of a husband depicted in folk songs sung by maiden village belles has altered considerably. The earlier folk songs wished for a handsome, well-to-do farmer with a patch of land and a pair of bullocks. Today's folk songs aspire for a husband who wears a terebene shirt and rides a bicycle in a "film" style. Pulin Garg, Personal Communication, 1975.

¹³ The latter are well described in T.S. Epstein, Economic Development and Social Change in South India, Manchester: Manchester Univ. Press, 1962.

The Distribution of Output

Traditionally, the distribution of output has been determined by the distribution by buying power coupled with the distribution of preferences. Marketers have been adept at identifying segments of buying power as well as preference which provide profitable marketing opportunities. In the new environment, the distribution of buying power and preferences cannot continue to be the determinant of what is produced and how it is distributed. The distribution of buying power can be, and is, affected by policies designed to influence the distribution of income and wealth. Thus, income distribution and income stabilisation policies become very much the concern for marketers because the demand for basic commodities can be influenced by such policies. In the design of marketing mixes, income variables can play a complementary role to price variables.

Distribution according to need is a concept quite alien to marketers. For example, in the stupendous task of distributing essential commodities in India today, precious little help is available from the marketers in terms of identifying need segments, developing and motivating channels with a grass-root reach, and orchestrating the movement of goods through such channels. For example, marketers have failed to appreciate that for many co-operative channels to work successfully, the cooperation must span both consumptive and productive activities of individuals so that income-generating and income-expending activities can be synchronised.

To tackle the immense problems of distribution in India, especially the distribution of essential commodities, marketers will have to bring in several new concepts and tools. Specifically, they will have to understand the distribution and criticality of needs, the interrelationships between income and marketing mix variables, the degree of access of needy segments to various types of channels,¹⁴ and the functioning of both producer and consumer cooperatives.

Concluding Remarks

The social and economic environment today does not correspond to the oligopolistic, free-market scenario in which the conventional marketing concepts are rooted. The conventional tools and techniques are losing their validity and relevance. However, in India, as in most Third World countries, the propagators and the practitioners of marketing have failed to face up to the changing realities. Although partial and insufficient, this paper represents an attempt to focus on the need for a change in the marketing discipline.

¹⁴ Access here refers not merely to physical access but the total accessibility in terms of time and place; and the socioeconomic compatibility of outlets with consumer. See U.K. Srivastava "The Phenomenon of Double Squeeze and the Urban Poor," Working Paper, IIM, Ahmedabad, 1975.

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Page, para, line	Instead of	Read
p.2, para 2, line 11	rheteric	rhetoric
p.3, subpara 3	society owned	socially owned
p.3, para 2, line 4	..thinking today..	..thinking which form the basis for managerial action. The core categories of marketing today..
p.4, para 2, line 1	extent	extend
p.5, para 3, line 6	an economy of	an economy free of
p.5, footnote 6, line 3	and arresting	and feudalistic straight jackets which were hampering developrent and arresting
p.6, para 2, line 7	ad initie	ab initio
p.8, para 1, line 2	distribution by	distribution of
p.8, para 3, line 4	ariticality	criticality