



For the Greater Goods

John Quelch, Katherine Jocz

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Marketing is one of the singular American success stories. No country on Earth is better at building brands and creating new consumers than the United States. The latest Interbrand listing of the most valuable global brands reveals 8 American brands in the top 10 and 52 in the top 100, more than twice the expected numbers based on America's cut of roughly a quarter of the world economy. Coca-Cola, Nike, and Starbucks command more loyalty among many consumers than any political party or trade union. Starbucks founder Howard Schultz sought to make his coffee shops the "third place" in our lives, after home and work.

But many commentators have long been skeptical of the merit and virtue of marketing. Thorstein Veblen in his *Theory of the Leisure Class* (1899), Vance Packard in *The Hidden Persuaders* (1957), and many others before and since them have dismissed marketing as manipulative, deceptive, and intrusive. Marketing, they argue, focuses too much of our attention on material consumption.

This criticism of marketing is with us still. In his 2007 book, *Consumed*, Benjamin Barber claims that marketing is "sucking up the air from every other domain to sustain the sector devoted to consumption." As long as businesses market goods, there will be critics wishing they would rein it in or cease altogether.

To set these critiques in their proper perspective, we must first understand how and why the United States achieved its extraordinary marketing dominance. The democratization of consumer access to products and services that emerged from American marketing muscle is a story of vision and innovation. Marketing has helped in the creation of a modern miracle: satisfying consumer needs at every income level. And it has done this in largely beneficial ways, by building trust,

communicating and educating consumers, lowering costs, creating choices, and stimulating growth. In this way, marketing is one of the more striking economic—indeed, human—triumphs of our time.

The Emergence of Modern Marketing

Marketing by producers to consumers is as old as the bazaar, but modern marketing is more than just selling. It involves the design of products and services in response to consumer needs, latent or explicit. It requires branding these products and services, communicating their benefits to intermediaries and end consumers, and distributing them. All of these activities involve value creation. In return, producers extract value through the prices they set in the marketplace.

In 19th-century America, manufacturing and distribution were fragmented. There were almost no national marketers. By the 1880s, laissez-faire economic policies and America's size and growing population gave rise to the emergence of large, vertically integrated corporations that, thanks to scale economies, could produce standard products at relatively low cost. A flood of innovations needed to be commercialized and communicated to consumers across a vast land.

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The result was the emergence of national brands such as Kodak, Johnson & Johnson, and Coca-Cola. A brand is a promise, an assurance of consistent quality from one purchase to the next. Brands make decision-making easier for consumers; instead of inspecting myriad unbranded options at market stalls every time they shop for an item, consumers can conveniently buy the same trusted brand on each purchase occasion. They may pay a little more for the branded item, but the time saved and the peace of mind make the trade-off worthwhile.

By the 1920s, the emergence of national retail chains helped ensure the distribution component of the value chain would not be overwhelmed by the power of manufacturer brands. These chains lowered their operating costs by

buying in bulk and developed their own reputations as store brands. The self-service supermarket was born in 1930 and thus operating costs—and retail prices—were lowered by shifting tasks to the end consumer. Rural consumers were reached by national mail order houses, including Sears, Roebuck and Montgomery Ward.

The advent of commercial radio and, after World War II, commercial television enabled marketers to drive home the benefits of their brands and to announce quickly the launch of new products and services to a nationwide audience. The willingness of producers to build their brands through advertising supported the emergence of a diverse array of media for the American consumer to enjoy. Moreover, these investments in marketing attracted talented businesspeople into the marketing field. Best practices in marketing were documented so its effectiveness improved over time.

By the 1960s, American brands, which had benefited from so much cumulative investment in marketing, were unquestionably the strongest brands in the world. Indeed, many of the entrepreneurs behind these brands had always seen the world, not just the United States, as their potential marketplace. As early as 1905, King Gillette had established a European sales office in London and a factory in Paris. By 1960, not just Gillette but Ford, Heinz, and others were so well known in the United Kingdom that the British thought of them as British brands.

Indeed, at first blush it might seem strange that marketing developed in the United States ahead of Europe, whose commercial culture was far older and more established. But closer examination reveals some clues as to why and how. For starters, the sheer size of the United States required communication with a widely dispersed market. Sharing a common language helped mass marketing efforts as well. What's more, American culture has always been more receptive to commerce, while in Europe, business or "trade" was viewed askance for centuries. Even within European business, marketing was

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considerably less reputable than finance. In Britain, to this day, an accountancy qualification rather than an MBA is the standard entry ticket to a business career.

Why then is marketing criticized so often.

Marketing in the United States benefited mightily from the endorsement of management guru Peter Drucker, who famously stated: “Because its purpose is to create a customer, the business enterprise has two—and only these two—basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs.” Warren Buffett, America’s most celebrated investor, has invested religiously in companies with strong brand names such as Coca-Cola and American Express. Even today, the proportion of company chief executives who have risen through the marketing ranks is much higher in the United States than in Europe.

Beyond American Borders

Europe is home to many luxury brands such as Prada that remain privately owned, often run by family businesses. The principals have no interest in “debasement” their brands by mass-marketing them. In the United States, such companies are rare. In our society, less concerned as it is with class distinctions, the ambition of the American company, private or public, is to maximize profitable growth.

Doing so is not just a matter of profit; it is a matter of duty and, to an important extent, a matter of ego. The Wal-Mart mission has been “to lower the cost of living for everyone everywhere.” Google’s mission is “to organize the world’s information and make it universally accessible and useful.” Lenovo, the Chinese-American personal computer company, headquartered in North Carolina, states its mission thus: “We put more innovation in the hands of more people so they can do more amazing things.” These mission statements are enormously ambitious, and, as a result, all the more exciting and effective. They are typical of a society where entrepreneurs are encouraged—and funded—to “think big” in pursuit of the American dream.

The marketers at Wal-Mart, Google, and Lenovo are in the best tradition of Henry Ford and his Model T. They seek to democratize access to their products by

bringing good quality to the mass market at an affordable price. And not just the domestic mass market, but the global mass market. In his landmark 1983 article, “The Globalization of Markets,” Harvard Business School’s Theodore Levitt wrote that “the one great thing all markets have in common is an overwhelming desire for dependable, world-standard modernity in all things, at aggressively low prices.” Of course, cultural differences remain, but these are often exaggerated, and many consumers will sacrifice a perfect product fit if they can come close at a substantially lower price. As Harvard psychologist Steven Pinker contends: “Emotions and drives and ways of thinking and learning ... are uniform across the human species.”

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The globalization of markets was fueled by the fall of the Berlin Wall in 1989. That event presaged the breakup of the Soviet Union, the opening of China, deregulation in India, along with free trade agreements in Latin America, Europe, and North America. Several billion new consumers entered the free-market system during the 1990s. American brands—ambitious, confident, and flush with capital—soon established beachheads in the emerging economies. Local consumers, long denied access to Western brands and often victims of shoddy local imitations, were quick to try to adopt the formerly forbidden fruit.

The notion that this democratization of access to American brands is a Trojan horse for American cultural imperialism—espoused, for example, by Naomi Klein in her 2000 book *No Logo*—is misguided. In most product categories in most countries, there are strong local brands reflecting local tastes that coexist alongside global brands. Retailing and distribution remain largely local. And American consumers show a desire for increasing cultural variety in their life experiences, eating more often at ethnic restaurants and vacationing more often in faraway places.

In many categories, increased global demand drove costs and retail prices down, prompting global production to shift to economies with lower input costs. The manufacture of personal computer components is now concentrated in Asia. And manufacturers are constantly seeking to drive costs lower still in order to hit retail price points that will enable additional millions of poor people to buy in. As prices have fallen, Asian brands including Lenovo as well as Asus and Acer of Taiwan have gained share.

Access to PCs has been aided by the catalytic impact of One Laptop Per Child, an American nonprofit that set out to produce a \$100 laptop computer for children at the bottom of the economic pyramid. Nicholas Negroponte, the founder, opened the eyes of for-profit manufacturers to this new market opportunity. While OLPC has lacked the marketing, distribution, and service networks to support its vision, Intel and other established commercial brands promise to make Negroponte's vision a reality. Democratization of access and the opening up of new markets remain as powerful an imperative for American marketing today as they did a century ago.

The Technological Dynamic

In addition to globalization, a second force enabling marketing to bring good quality to the masses is technology. The printing press permitted religious dissenters to reach broader audiences with their pamphlets and opinions. Five centuries later, technology-driven letter-sorting systems enabled the U.S. Postal Service to deliver cheaply hundreds of thousands of direct mail catalogs to rural America. President Franklin D. Roosevelt understood clearly the tight connection between economic freedom and political freedom. He reportedly said that if he could place one American book in the hands of every Russian, that book would be the Sears, Roebuck catalog.

Today, the Internet—supported like most of the diverse media that preceded it by brand advertising rather than subscription—is further democratizing access to markets. The ability of consumers to compare prices over the Web irons out cross-border price differences and expands trade. A poor farmer in India can check commodity prices on the Internet before he sells his crop to the local buyer. A small business owner in Guatemala can check the prices of office printers online and order one to be shipped by DHL from a retail store in Miami if the price is right.

Thanks to a progressive decline in data processing and storage costs, technology now enables marketers to offer consumers much more choice, including the ability to tailor solutions to individual needs at only slightly greater cost. American Express and Harrah's Entertainment, both heavy investors in IT, now tailor their marketing communications to the buying patterns or sales potential of tightly defined consumer segments or, indeed, of individual consumers. Levi Strauss permits its consumers to custom-design a pair of jeans.

Explaining the Criticism

Marketers aim to satisfy the needs of consumers at all levels of income wherever they live in the world, surely a worthy goal. Why then is marketing criticized so often? And why do marketers offer such little resistance? There are two main reasons. First, marketing is not a profession. Second, marketing is not a science.

Unlike accounting, law, or financial planning, marketing is not a profession. Anyone can call himself or herself a marketer. The absence of entry barriers allows for greater creativity, imagination, and new ideas. But the flip side is that manipulation and deception of consumers by irresponsible marketers happen. Absent professional exams and enforced codes of conduct, abusers of the marketing toolkit are subject only to the sanctions of the marketplace and the law. The vast majority of marketers are honest and respect their customers but, collectively, they need to work harder to expose and shut down the charlatans. At the same time, critics of marketing conflate their objection to harmful products such as tobacco with hostility toward the marketing toolkit harnessed to present them to the public. They also tend to overestimate the level of intentional deception and the vulnerability of consumers. As

advertising icon David Ogilvy famously said in an earlier era: "The consumer is

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not a moron. She is your wife.”

Perhaps marketers would be more self-confident about their contributions if marketing were a science with clear dos and don'ts. But marketing is as much art as science, as much right brain as left brain. Many chief financial officers might still agree with John Wanamaker's famous adage: "Half my advertising is wasted. I just don't know which half." But our understanding of what works in marketing, how and why, has advanced greatly in the last 20 years. Low-cost data analysis enables marketers to understand what level and mix of incentives will produce behavior change, even down to the level of the individual consumer. Marketers have no interest in annoying consumers by delivering messages to those who are not interested in their products or services. It is now possible for chief marketing officers to calculate return on marketing investment and to report regularly to the corporate board progress against three or four brand and consumer health metrics that can predict subsequent business performance.

Even with these advances, marketers still do a surprisingly poor job of marketing, well, marketing. They do not appreciate, let alone articulate, the economic and social benefits of marketing. Marketplace exchanges are based on mutual trust between buyers and sellers. They create value for both parties. The billions of successful daily marketplace transactions are an important part of the glue that holds our society together. Good marketers offer consumers choices. Choice stimulates consumption and economic growth and facilitates personal expression. Good marketers provide consumers with information about new products and services, thereby accelerating their adoption. All these benefits are routinely overlooked as the 17 million Americans engaged in marketing, selling, and customer service go about their daily work contributing brilliantly to our quality of life.

Professor John Quelch and research associate Katherine Jocz of Harvard Business School are coauthors of [Greater Good: How Good Marketing Makes for Better Democracy](http://www.amazon.com/Greater-Good-Marketing-Better-Democracy/dp/1422117359) (<http://www.amazon.com/Greater-Good-Marketing-Better-Democracy/dp/1422117359>) (Harvard Business Press, 2008).

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