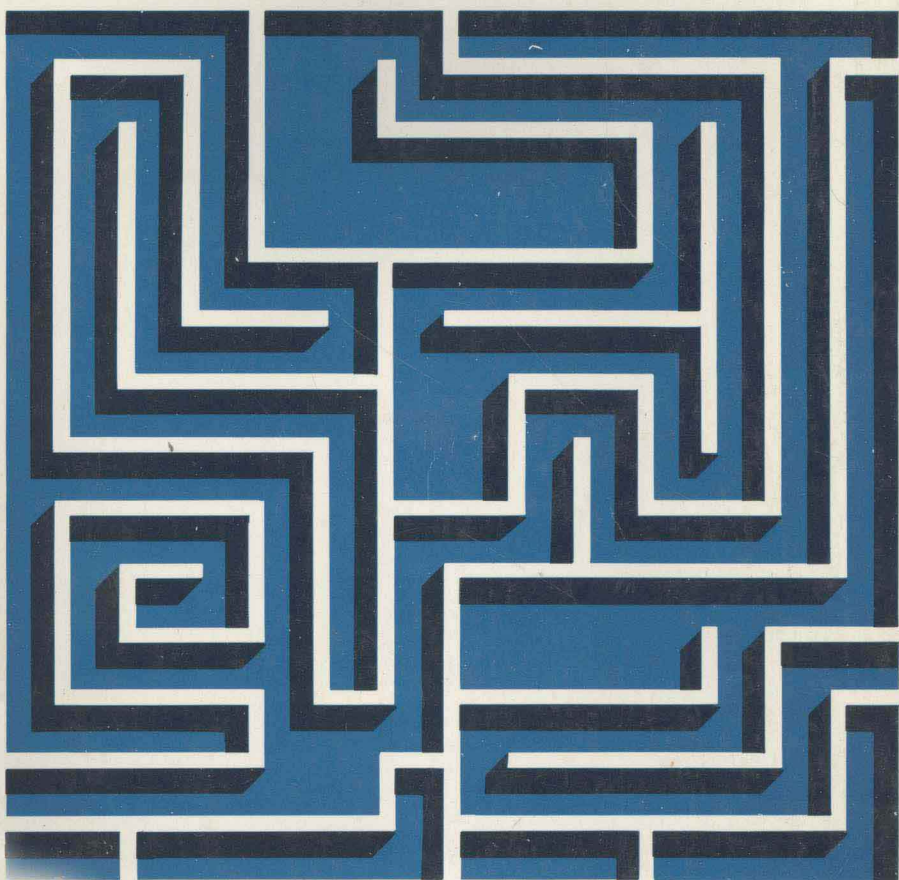


Macro Marketing

SECOND EDITION

Reed Moyer

Michael D. Hutt



MACRO MARKETING

**Second
Edition**

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To Sue and
To Rita and Mary Ann

Preface

Increased consumer concern over marketing activities calls for an evaluation of marketing performance. This book makes that evaluation. It requires a different perspective from that found in the usual marketing textbooks, which are firm-oriented and take a micro approach. The reader is usually shown how to improve the firm's marketing performance. He learns about pricing and pricing strategies, the uses of promotion, ways to gain control of distribution channels, techniques of assessing market opportunities, and the value of market planning. Although social implications of the firm's behavior may receive some attention, the books generally provide a managerial orientation.

This volume has a broader perspective. It focuses on larger societal issues related to marketing. Whereas the typical managerial marketing textbook is firm- or *micro*-oriented, this book is *macro*-oriented. That is, it analyzes marketing in a larger framework than the firm. It studies marketing within the context of the entire economic system, with special emphasis on its aggregate performance.

How well does marketing perform its functions? How effectively does it respond to its challenges? Is it true that marketing creates "false" wants, manipulates people's minds, bamboozles innocent consumers, and wastes precious resources on frivolous and often faulty products? We need to evaluate these and other charges to sift truth from unverified assertion. The issues discussed and the questions raised in this volume will challenge the marketing student. They are topical, they lie at the heart of the discipline, and they have important social implications. In an era marked by unfettered passions, an illumination of the issues by dispassionate discussion will contribute to their better understanding.

The many issues falling within the macro marketing domain are organized for the reader at the outset of Chapter 1. We present a model that captures the dimensions of micro and macro marketing as well as the distinction between the two areas. This model provides the basic organizational structure for the revised edition which is divided into three parts. Part One lays the foundation for a macro marketing perspective and centers on marketing's aggregate performance with separate chapters devoted to marketing efficiency and advertising performance. The focus here is on measures of marketing performance that have commanded considerable interest among both scholars and the typical consumer. Part Two highlights the ethical and legal dimensions of the marketing mix. A separate chapter is devoted to the prominent macro issues that touch each of the mix components: product, promotion, price and distribution. Again, the discussion stresses the micro-macro distinction and the broader challenges facing the marketing manager. Part Three deals with

the societal monitors of the marketing process including the evolution and current influences of consumerism as well as the role of government.

In addition to a totally new structure, the revised edition is updated and selectively broadened with new material. To illustrate, expanded treatment is given to product liability and safety. New topical areas include advertising's effect on children, ecological dimensions of channels of distribution, and the contemporary debates involving vertically integrated marketing systems and the Universal Product Code.

This new edition serves several markets. Its greatest value is its use as a text supplement to managerially-oriented texts either at the introductory or intermediate level. Books such as E. J. McCarthy's *Basic Marketing: A Managerial Approach* and Philip Kotler's *Marketing Management: Analysis, Planning and Control* explain marketing from a viewpoint that will aid existing or future marketing managers; and they present useful ways of analyzing marketing problems and managing inputs to achieve marketing objectives. However, books of this type are predominantly firm-oriented, whereas students are clamoring for greater emphasis on the broader social, ethical, and economic issues that are discussed here.

The organization of the new edition closely parallels the structure of these managerially-oriented texts. Thus, an instructor can easily incorporate macro issues into the course as the subject matter dictates. For example, a micro analysis of new product planning can be linked with a macro discussion of product liability and the Consumer Product Safety Act. An instructor who assigns both a managerially-oriented text and this text will give his students a balanced micro-macro mix that will enrich the course and command greater student interest and involvement.

A number of exercises that center on contemporary macro issues are included in the revised edition. These exercises spotlight the issues discussed in each chapter and provide additional points for either class discussions or more in-depth individual research papers. Questions at the end of each chapter offer points for class and small section discussions.

In addition to its supplementary use in marketing management courses, many found the first edition valuable as a base for graduate courses and seminars in social issues and public policy.

Contents

Preface vii

PART I SYSTEM PERFORMANCE 1

1 Marketing's Role in Society 2

THE MICRO-MACRO DISTINCTION	5
Careful!	7
Value of Micro-Macro Distinction	8
A Look Ahead	8
MARKETING AND DEVELOPMENT	8
THE FUNCTIONS OF MARKETING	11
Are Marketing Functions Universal?	14
THE MODERN MARKETING CONCEPT	16
The Broadened Concept of Marketing	17
SUMMARY	18

2 MARKETING EFFICIENCY 20

HOW TO MEASURE PRODUCTIVITY	23
Problems in Measuring Marketing Output	24
RESULTS OF MACRO MARKETING COST STUDIES	25
Gross Margin Studies	26
Marketing Productivity Studies	29
Industry Studies	32
INTERNATIONAL COMPARISONS OF MARKETING PRODUCTIVITY	34
Subtleties in Analyzing Efficiency	35
U.S. vs. Soviet Union	36
SUMMARY AND CONCLUSIONS	37

3 ADVERTISING PERFORMANCE 40

EXTENT AND GROWTH OF ADVERTISING	43
Advertising-Sales Percentages	43
ADVERTISING'S EFFECT ON ECONOMIC GROWTH	44
Effect of Advertising on Primary Demand	45
Advertising and Output	49
Is Economic Growth Desirable?	51
Advertising in the U.S.S.R.!	51
EFFECT ON COMPETITION	52
Advertising—A Barrier to Entry?	54
Advertising and Concentration	57
Advertising and Consumer Prices	59

Advertising and Profitability	62
SUGGESTED REMEDIES	64
Other Options	65
Some Drawbacks	65
A CONCLUDING NOTE	66

PART II THE MARKETING MIX: ETHICAL AND LEGAL DIMENSIONS 68

4 PRODUCT: THE ETHICAL AND LEGAL DIMENSIONS 70

PRODUCT: ECOLOGICAL CONSIDERATIONS	73
No Easy Answers	73
Depletion of Resources	75
Planned Product Obsolescence	77
PRODUCT DIFFERENTIATION AND BRANDING	78
Trademarks Not New	79
Russian TVs Won't Move	79
Differentiation or Homogeneity?	80
Product Differentiation and Industry Concentration	80
PRODUCT INFORMATION: THE PACKAGE	81
Truth-in-Packaging Act	81
Nutrition Labeling	83
Open-Code Dating	83
Usage of "New" Information	84
PRODUCT SAFETY	86
PRODUCT LIABILITY	88
Consumer Protection Perspective	89
PRODUCT WARRANTIES	89
Magnuson-Moss Warranty Bill	91
Enforcement Complex	91
Corporate Response	92
A CONCLUDING NOTE	92

5 THE ETHICAL AND LEGAL DIMENSIONS OF PROMOTION 96

THE CHARGES AGAINST ADVERTISING	99
ADVERTISING IS WASTEFUL	99
A Counterview	100
The Verdict	100
WHAT IS DECEPTIVE ADVERTISING?	101
ADVERTISING DISTORTS AND MANIPULATES	102
The Debate	102
The Social Impact	105
THE EFFECT OF TV ADVERTISING ON CHILDREN	107
Persuasive Ability	108
Family Relations	109
Socialization	109

PUBLIC'S ATTITUDE TOWARD ADVERTISING	110
SUGGESTED REMEDIES	111
Corrective Advertising	111
Substantiation of Claims	112
Affirmative Disclosure	114
Self-Regulation	114
SELLING PRACTICES	115
Negative Option Selling	115
Door-to-Door Selling	116
Selling in the Channel	117

6 PRICE: ETHICAL AND LEGAL DIMENSIONS 120

PRICING: THE LEGAL ENVIRONMENT	123
Proconsumer Pricing Protection	123
Probusiness Pricing Protection	125
Marketing Efficiency and the Law: A Complexity	126
INFORMATION: PRICE AND TERMS OF SALE	127
Truth-in-Lending	127
Unit Pricing	129
Price Removal Controversy	130
THE POOR: DO THEY PAY MORE?	132
Ghetto Food Prices	133
Nonfood Prices	135
Ghetto Credit Practices	136
Ghetto Merchant Practices	137
Shopping Behavior of the Poor	138
A CONCLUDING NOTE	140

7 CHANNELS OF DISTRIBUTION: ETHICAL AND LEGAL DIMENSIONS 142

CHANNELS: EFFICIENCY AND EFFECTIVENESS	145
Too Many Retailers?	146
Shopper Efficiency	149
Ghetto Markets: Enough Retailers?	151
CHANNELS: ECOLOGICAL DIMENSIONS	155
Urban Goods Movement	155
Recycling	156
VERTICAL MARKETING SYSTEMS: POLITICAL AND LEGAL DEBATE	157
Petroleum—A Prime Target	158
An Unresolved Issue	160

PART III SOCIETAL MONITORS OF THE MARKETING PROCESS 163

8 CONSUMERISM 164

HISTORICAL PERSPECTIVE	167
------------------------	-----

The 19th Century	167
The Early 1900s	169
The 1930s	169
CURRENT CONSUMER MOVEMENT	170
Contributing Factors	171
The Shape of Consumerism: Nader's View	173
The Response to the Current Consumer Movement:	
Legal and Corporate	174
The Government and Consumer Protection:	
Too Much or Too Little?	176
CONSUMERISM AND THE FUTURE	178

9 MARKETING'S ROLE IN SOCIETY: A CONTINUING ASSESSMENT 180

FREEDOM TO CONSUME	183
Who Calls the Shots?	184
AFFLUENT SOCIETY THESIS	184
How Hard Are Consumers to Convince?	185
Advertising and Social Emulation	186
The Utility of a Stereo	186
Consumption and Satisfaction	187
Private vs. Public Spending	187
SATIETY OF WANTS	187
Lack of Time	188
Saturation Theory	188
Important Questions Remain Unanswered	189
WHAT ARE ETHICAL MARKETING PRACTICES?	190
Why the Gap?	191
GOVERNMENTAL INFLUENCES ON MARKETING	191
THE MOOD OF AMERICAN CONSUMERS	192
A FINAL NOTE	193
Subject Index	196
Name Index	199

1

System Performance

Chapter Overview

ONE

**Marketing's
Role in
Society**

Increased consumer concern over marketing activities calls for an evaluation of marketing performance. Let's begin this evaluation by examining the following questions:

1. What is macro marketing and why should we study it?
2. Do developing economies have a marketing system?
3. What are the functions of marketing? (Is the answer different if we examine the Russian economy?)
4. What is the modern marketing concept?

ONE

**Marketing's
Role in
Society**

Marketing permeates our way of life. Whether a country is rich or poor, technologically advanced or developing, marketing activities play a fundamental role in the formation, development, and growth of its economy. In fact, one author depicts marketing as the "creation and delivery of a standard of living to society."¹

The standard of living (in economic terms) delivered by the American marketing system is unparalleled in history, yet the system has long been the target of social critics. To illustrate, consumers at the turn of the century were angry over the large spread between the price received by the farmer and the price paid to the storekeeper. Middlemen were viewed as an unnecessary and costly obstacle standing between producers and consumers.

Criticism also centered on the deceptions and exaggerations of advertising. Similar complaints about these and other marketing activities are even more pronounced today.

Public debate of issues affecting the consumer has increased steadily in recent years. Since consumer satisfaction lies at the heart of the marketing concept, these issues cannot be ignored, but must be objectively and rationally evaluated. Thus, specific marketing activities such as advertising can be viewed from two perspectives: (1) managerial (micro) and (2) societal (macro). What are the distinguishing characteristics of these two perspectives?

THE MICRO-MACRO DISTINCTION

There are two distinctions in the functions and research areas falling within these components.² First is the obvious distinction between micro and macro. The former deals with small, individual units, the latter with aggregations. The second distinction lies in the welfare focus of the activities performed at each level. Generally, micro marketing activities are oriented toward the *enterprise's* welfare,³ whereas the focus in macro marketing centers on *society's* welfare.

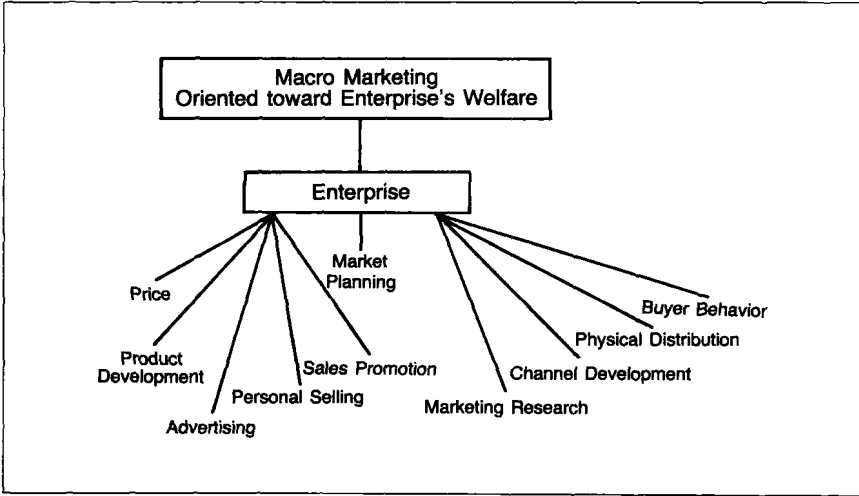
To grasp the dimensions of micro marketing, consider a product such as a stereo component system that you have recently seen, or even purchased, in a retail store. Let's trace that stereo back to the manufacturing level and envision the range of activities involved in moving the product from the idea stage to your local retailer's shelf. The manufacturer first identifies a need and then attempts to measure the nature and size of the need (market) through marketing research.

¹ Malcolm P. McNair, "Marketing and the Social Challenge of Our Times," in *A New Measure of Responsibility for Marketing*, Keith Cox and Ben M. Enis ed. (Chicago: American Marketing Association, 1968), pp. 1-8; see also Paul Mazur, "Does Distribution Cost Enough?" *Fortune*, November 1947, p. 138.

²The greater emphasis in the figures on the macro component does not necessarily reflect a value judgment on the relative importance of the two concepts in an economic system; nor does it necessarily indicate the relative depth of the concepts' subject matter. Rather it results from the authors' decision to highlight the macro component.

³"Enterprise" here is usually synonymous with the firm, although it need not be that restrictive. Thus, this conception would include marketing activities of cooperatives, government agencies and other not-for-profit organizations. We avoid the question here of whose welfare within the enterprise is being optimized—the stockholders', managers' or employees'.

Figure 1-1 Central Components of Micro Marketing



Next, the research findings are infused into the development of the stereo and it is priced, promoted, and transported through a rather complex network to your local retailer. A number of specific marketing management decisions are made in the process. As you select among the offerings of competing stereo producers, you will decide whether or not the right marketing management decisions were made. The central components of micro marketing are highlighted in figure 1-1.

In contrast, the subject areas included under the macro component of marketing concern themselves with broader societal dimensions. Here are specific examples that make the micro-macro distinction clearer. A company decides to increase its advertising to achieve a specified goal—to increase market share or profits, for instance. This is a *micro*-level decision; it is made by the firm and its outcome directly affects the firm. However, the impact on society of *all* advertising expenditures is a *macro* issue. So is an issue like efficiency. Micro analysis might deal with attempts of individual firms to reduce distribution costs, or it might study the effect on the enterprise of abandoning a retail location. At the macro level, emphasis shifts to the efficiency performance of the entire distributive sector or to the social and economic impact of the “wastes” from retail store mortality.

As figure 1-2 indicates, macro marketing issues go beyond the above examples. They include such topics as the effectiveness of marketing in securing the needs of given sectors, for instance, ghetto residents; the whole range of public policy issues relating to regulations and legislation designed to promote product safety, provide market information, and regulate competition; and the broadest issue of all—marketing’s roles in our complex socioeconomic system.

Note that many of the functions and researchable subjects in the micro and macro domains are identical. For example, both micro and macro marketing concern themselves with *pricing, promotion, and product development*, but the focus is different in each case. The firm seeks to manipulate marketing variables to optimize its operation. Thus a marketing manager may develop a mathematical