Part I

The Marketing/Media Ecology and Personal Selling

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The Marketing/Media Ecology

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The media are integral elements of America's economy and of the marketing process that is vital to that economy's vigor. Consumer demand (and spending) are what drives the economy, and it is marketing and advertising that fuel consumer demand. Advertising is a major component of marketing and it is through the media that consumers receive advertising messages about products. If any one of the three elements (marketing, advertising, and the media) is not healthy, the other two cannot thrive. This chapter will examine the interdependent relationships among marketing, advertising, and the media.

What Is Marketing?

In his influential book, *The Practice of Management*, Peter Drucker, "the Father of Modern Management," presented and answered a series of simple, straightforward questions. He asked, "What is a business?" The most common answer, "An organization to make a profit," is not only false; it is also irrelevant to Drucker. If we want to know what a business is, we have to start with its purpose. "There is only one valid definition of business purpose: to create a customer," Drucker wrote.

Drucker pointed out that businesses create markets for products: "There may have been no want at all until business action created it – by advertising, by salesmanship, or by inventing something new. In every case it is a business action that creates a customer." Furthermore, he said, "What a business thinks it produces is not of first importance – especially not to the future of the business and to its success." "What the customer thinks he is buying, what he considers 'value,' is decisive – it determines what a business is, what it produces and whether it will prosper." Finally, Drucker said, "Because it is its purpose to create a customer, any business enterprise has two – and only these two – basic functions: marketing and innovation."[1]

Notice that Drucker did not mention production, manufacturing, or distribution, but only customers. That is what marketing is – a customer-focused business approach. The production-oriented business produces goods and then tries to sell them; the customer-oriented business produces goods that it *knows* will sell, not that *might* sell.

Another leading theorist, former Harvard Business School Professor Theodore Levitt, wrote an article in 1960 titled "Marketing myopia" that is perhaps the most influential single article on marketing ever published. Levitt claims that the railroads went out of business "not because the need [for passenger and freight transportation] was filled by others . . . but because it was *not* filled by the railroads themselves. They let others take customers away from them because they assumed themselves to be in the railroad business rather than in the transportation business."[2] In other words, they failed because they did not know how to create a customer; they were not marketing-oriented. Where would makers of buggy whips be today if they had decided they were in the vehicle acceleration business or in the transportation accessory business instead of being in the buggy whip business?

Levitt cited the problems Detroit's car manufacturers were having in 1960 and would have in the future – they were too production oriented. When American automobile makers researched the needs of their customers, they merely found out customers' preferences among existing products. Japanese automobile makers did the *right* research in the 1970s and gave these customers what they really wanted and still are doing so today, as evidenced by the fact that Toyota has become the world's number-one car manufacturer.

As a result of the customer-oriented, marketing approach espoused by Drucker, Levitt, and other leading management and business writers, many companies asked themselves the question, "What business are we in?" and subsequently changed their direction. They began to have a heightened sensitivity to customers and began to change the old attitude of "Let's produce this product because we've discovered how to make it."

In today's economy the customer rules and any company that does not put their customers on a pedestal and make raving fans of them will disappear from the business landscape as fast as so many of the dot.coms did.

Some Brief Economic History

From the beginning of the eighteenth century to the latter part of the nineteenth century, America had little or no mass-production capability. People devoted their time to producing agricultural goods, building manufacturing capacity, and developing commerce. They concentrated on inventing and manufacturing products. It was the *era of production.*

By the beginning of the twentieth century, the population had spread out from the East Coast, manufacturing had become efficient, and surpluses had developed. The basic problem shifted from one of production to one of distribution – getting the plentiful goods to people. Thus, in response to the new challenge, businesses developed new distribution systems: mail-order houses (the beginning of Sears, Roebuck and Company), chain stores, wholesalers and distributors, and department stores. It was the *era of distribution.*

When the 1920s came roaring in, the problem changed from one of supply to one of demand. Mass production and mass distribution were in place and an abundance of goods was produced and distributed. The problem now was to convince consumers to buy what was available. Enter the *era of selling*, as businesses attempted to create a demand for the products they had produced and distributed with more intensive selling techniques and advertising. Manufacturers made deceptive and extravagant promises about products, and high-pressure selling tactics were common, especially during the Depression in the 1930s as businesses became more desperate to sell their products.

After World War II, businesses had no trouble selling whatever was made. Consumers released their pent-up demand for goods built up during the years when manufacturing capacity was directed toward supplying the war effort. However, by the 1950s, consumers were beginning to be particular and to demand more choices; they wanted what *they* wanted, not what manufacturers happened to want to produce. The *era of marketing* had begun. Those businesses, such as IBM and General Electric, that recognized the shift in consumer attitudes adopted a consumer-driven approach and survived; those that did not, such as the Pennsylvania Railroad, disappeared.

As has been widely reported, we are now in the *era of information*. Those businesses that can provide, distribute, organize, access, and create information are the ones that are growing rapidly. Google is an information era company that, by creating popular search technology, has more market capitalization than General Motors or Ford, older production-oriented companies. The Internet is the ultimate distribution channel for information and has become an integral part of most companies' marketing efforts.

The Marketing Concept

The fundamental concept underlying marketing is that of *consumer orientation*; however, just because a business is consumer oriented doesn't automatically ensure its competitive survival. Two other ideas must accompany consumer orientation for the marketing concept to be complete: *profit* and *internal organization*.

To continue to be sensitive to consumer needs, a business must also stay in business by making a profit. Although Drucker pointed out that profit is not the purpose of a business, profits are still the fuel that keeps the machines of business running; thus, profits are a necessary ingredient in the marketing concept.

To serve consumers, businesses must be organized internally to do so. The efforts of a number of functional areas or departments have to be coordinated so that all of them have the same goal – to create customers by serving the customers' needs.

When the marketing era evolved in the 1950s, many marketing-oriented companies, such as Procter and Gamble (P&G), realized they had to change their internal organizational structure to accommodate their change in corporate strategy from production orientation to marketing orientation. They went from an organizational structure based on function (manufacturing, engineering, sales, and distribution) to one arranged by product (Tide, Jif, Crest, and so on).

Thus, a marketing-oriented company will typically organize around its marketing effort and put those functions that relate directly to marketing under the organizational wing of marketing – departments such as sales, product design, consumer research, advertising and promotion, and customer service, for example.

The efforts of marketing-oriented departments are directed toward customer satisfaction, and more important, customer loyalty. Profit is the reward a business reaps from satisfied, loyal customers.

You might have noticed that we have been using the terms "customers" and "consumers" interchangeably. It is time to clear up that confusion and accurately define the terms. A customer buys a product, a consumer uses a product. Sometimes a customer and a consumer are the same person, for example, the man who buys an electric shaver for himself and uses it. Sometimes they are different people, for example, the girl who says she wants an iPod Nano and her mom who buys it for her. P&G's customers are retailers and their consumers are people who buy Crest. By advertising to consumers and creating demand for Crest, P&G pulls the product through the distribution system. Some manufacturers do not advertise their products but sell them to wholesalers who they hope will sell the product to retailers and, thus, push it through the distribution system. In the media advertising business, the customer is the advertiser and the consumer is the viewer, reader, or listener.

You will find a more detailed discussion of marketing and marketing strategies in Chapter 15, because media salespeople must have a deeper understanding of marketing than is provided here in this introductory section in order to be effective problem solvers and solutions sellers.

What Is Advertising?

Harvard Business School professor Theodore Levitt changed the direction of marketing with his 1960 article "Marketing myopia," and he changed the perception of advertising ten years later with his article "The morality (?) of advertising." Levitt wrote that "In curbing the excesses of advertising, both business and government must distinguish between embellishment and mendacity." He presents a philosophical treatment of the human values of advertising as compared with the values of other "imaginative" disciplines.[3]

Levitt defended advertising against critics who would constrain advertising's creativity, who want less fluff and more fact in advertising. Many critics of advertising come from high-income brackets in business and government whose affluence was generated in industries that either create (advertising agencies) or distribute (the media) advertising, in industries that have grown through the use of effective advertising, or by using advertising to promote themselves (politicians). Thus, advertising's critics must look carefully at their own glass houses when throwing stones at advertising.

Also, advertising's critics, Levitt claims, often view the consumer as a helpless, irrational, gullible couch potato, which is far from the truth. As David Ogilvy, the advertising genius and practitioner *par excellence*, wrote to his advertising agency copywriters in his book, *Confessions of an Advertising Man*, "the consumer is not an idiot, she's your wife."[4] Obviously, when Ogilvy made the comment in 1963, most copywriters were men, which is no longer the case.

Levitt, too, believed that "most people spend their money carefully" and are not fooled by advertising's distortions, exaggerations, and deceptions. He writes that rather than deny that distortion and exaggeration exist in advertising, these properties are among advertising's socially desirable purposes. Levitt goes on to say "illegitimacy in advertising consists only of falsification with larcenous intent." Levitt's thesis is that advertising is like poetry, the purpose of which is "to influence an audience; to affect its perception and sensibilities; perhaps even to change its mind." Advertising, like art, makes things prettier. "Who wants reality?" Levitt asks. When most people get up in the morning and look at reality in the mirror, they do not like what they see and try to change it by shaving, using hair gel, or applying makeup. These things give people hope that they will be better accepted, more attractive, and thus happier. The goal of the poet, the artist, and the composer is similar to the goal of an ad – creating images and feelings. Most advertising, especially on television, is about feelings and emotions. It is about trying to make people feel good about a product. Levitt writes that "Advertisements are the symbols of man's aspirations."[5] So, Madison Avenue (as the advertising industry is often referred to), like Hollywood, is selling dreams, and dreams and hope are essential to people's well-being.

Google extended the definition of advertising to include search, or keyword, advertising, that is limited to two lines of copy underneath a link to a commerce Web site on which people can buy a searched-for item or get more information. No image making or branding is involved, yet it is still considered advertising.

Furthermore, advertising develops mass markets for goods, and mass production reduces the cost of producing these goods. Thus, advertising is a major contributor to reducing manufacturing costs, search costs, and, ultimately, retail prices. Products such as personal computers, digital video discs (DVD) players, video cameras, iPods, and personal digital assistants (PDAs) steadily come down in price as the market for them grows larger and as manufacturing savings are passed on to consumers in the form of competitive pricing. Consumers get information about these reduced prices through advertising, by the way, not via smoke signals.

Advertising is not only an important part of the nation's economy, but also, as the nation's population increases and products proliferate, advertisers and their agencies will continue to invest more money in the media to reach these consumers. You will find a more detailed discussion of advertising and advertising strategies in Chapter 17, because media salespeople must have a more in-depth understanding of the principles of advertising than is provided here in order to be effective sellers of advertising.

The Media

Advertising is one of the integral elements of the marketing process, just like sales, product design, promotion, and customer service are. We might look at advertising as the mass selling of a product. Where is advertising seen or heard? In the media. What business is an advertising agency in? In the advertising creation and placement business. What business is the media in? *The advertising delivery business.*

When people talk about the media, they are referring to the distributors of news and entertainment content – television, the Internet, newspapers, radio, and magazines. However, newspapers are not in the news business, magazines are not in the fashion business, and broadcast and cable television are not in the entertainment business. All of these media are supported entirely or in part by advertising and are, therefore, in the advertising delivery business.[6] The media are dependent on advertising, and advertising, as an integral part of a larger marketing system, is co-dependent on the media. Without the media to reach large numbers of consumers with an ad or a commercial, marketers would have to go door-to-door and try to sell their goods one-on-one through personal selling or consumers would have to wander from store to store wondering which sold the product they needed – both very expensive undertakings. Advertising agencies would not exist if there were no media to run the ads they created.

The reason marketers and advertisers are dependent on the media is because the media are pervasive and popular with consumers (viewers, readers, listeners) and are their link to the global village. People love their media and depend on their media – their favorite television program, such as "American Idol," their favorite Web site, such as MySpace.com or Facebook.com, their favorite magazine, such as *People*, their favorite Country music radio station, or their favorite newspaper, like the *Wall Street Journal*. Because of this affection and dependency, the media are actually the most powerful business in the country – more powerful than the industries, celebrities, and politicians they cover, expose, and glorify.

It is because of this enormous power coupled with a perception that the media emphasize negative news, poor-quality, user-generated video, or sex and violence that people probably have such a low opinion of the media. Americans seem to blame all the ills of society on the media. It is for this reason that we have devoted a separate chapter in this book to ethics. Chapter 3 emphasizes the importance for salespeople to deal with customers ethically, because the reputation of the media is at stake, and that reputation needs to be improved.

The role of the media is to expose consumers to advertising, not to guarantee sales or results to advertisers. The media are just that – a medium, a connection between advertisers and customers. There are signs in radio station KOMC/KRZK in Branson, MO, for example, that read "Our purpose is to bring our audience and advertisers together," which is exactly what Google's search advertising does. When asked in an interview in a national business magazine what the radio business was all about, Lowry Mays, founder of Clear Channel Communications, replied, "To help people sell more Fords." These signs and statements reinforce the notion that the media are in the advertising delivery business.

In most of the world's countries, the media are supported and controlled by government; however, the media in the United States are kept free from government control and interference because of advertising support. The mass media from which the American public gets the vast majority of their information and entertainment are free or relatively inexpensive because they are supported by advertising. If Google were not supported by advertising, people would have to pay a few cents for each search. A daily newspaper that costs 50 cents at a newsstand would cost $6 or $7 were it not for the advertising, plus the newspaper would be much less desirable and useful for consumers if it contained no classified ads, no movie listings, or no bargains for price-conscious shoppers.

Finally, in spite of a love–hate relationship between the public and the media, or perhaps because of it, most media companies are profitable. Many of the great fortunes in the world have been built in the media. Even if new products do not survive in the marketplace, the media still receive the advertising dollars invested to introduce the product, just as the media get the advertising revenue from political candidates who eventually lose. The profit margins in the media are, as a rule, higher than in most other industries, except for the software industry, perhaps. Top-rated radio and television stations in major markets often have profit margins of 50 percent or greater. Newspapers in large markets are usually monopolies or close to it because joint operating agreements and profit margins often reach or exceed 20 percent, although these margins have been declining in recent years. Popular national magazines often have similarly high profit margins, although smaller magazines are having problems making a profit after the recent increases in postal rates. Websites and portals such as Google, Yahoo!, and AOL are quite profitable.

The reason for these high profit margins is because in an advertising-supported medium such as radio, television, newspapers, magazines, and Web sites, the cost of putting in an extra ad has no or very low incremental costs involved. For example, in television, the time for commercials is baked into most programming, so if a commercial is not scheduled in a commercial pod, a promotion or public service announcement will run. A television station does not expand the programming time if it does not have commercials to run. Thus, at a television station, it costs nothing to add a commercial – there are no incremental costs involved. On the other hand, if an automotive manufacturer sells a car, it has to build one with all of the concomitant costs involved (labor, materials, transportation, etc.). Once a radio or television station has sold enough advertising to cover its cost of operations and debt payment, if any, all additional advertising sold is virtually 100 percent profit. In newspapers and magazines, which have an additional revenue stream, that of subscriptions, once the cost of operating is recovered, the incremental cost of adding a page of advertising is very low in comparison to the cost of an ad to an advertiser.

What this profitable economic model means for salespeople is that advertising revenue is extremely profitable and, therefore, there is more money to distribute to salespeople in the form of compensation than in less profitable industries. Media salespeople are among the highest paid of any industry.

Test Yourself

1 In the era of marketing, what is the primary focus?
2 Why are consumer orientation, profit, and internal organization important to the marketing concept?
3 What is the difference between a customer and a consumer?
4 Is advertising distorted and exaggerated? If so, what do you think Theodore Levitt might say about this contention?
5 What business is the media in?
6 Why are the media potentially so profitable?

Project

Make a list of all of the local media in your market: radio stations, television stations, cable systems, newspapers (daily, weekly, shoppers, suburban, ethnic, etc.), local magazines or journals (e.g., local business journals), outdoor companies, bus or subway posters, Yellow Pages, and local Web sites that sell advertising. Interview one or two sales managers or advertising directors of some of the media that have revenue in addition to advertising (newspapers subscriptions or a Web site's e-commerce, for example) and get a rough estimate of what percentage of revenue comes from advertising and what percentage comes from other revenue sources. Then write some notes about what surprised you in this exercise.

References

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Peter Drucker. 1954. *The Practice of Management*, New York: Harper & Row.

Theodore Levitt. 1960. "Marketing myopia," *Harvard Business Review*, July–Aug.

Theodore Levitt. 1970. "The morality (?) of advertising," *Harvard Business Review*, July–Aug.

David Ogilvy. 1989. *Confessions of an Advertising Man*, 2nd edition, New York: Atheneum.

Resources

www.adage.com (*Advertising Age* online)
www.onetvworld.org (Cable Television Advertising Bureau online)
www.editorandpublisher.com (*Editor and Publisher* online)
www.mediapost.com (daily updates about all of the media and media research)
www.iab.net (Internet Advertising Bureau online)
www.newspaper-industry.org (newspaper industry information)
www.oaaa.org (Outdoor Advertising Association of America online)
www.rab.com (Radio Advertising Bureau online)
www.tvb.org (Television Bureau of Advertising online)

Notes

1 Peter F. Drucker. 1954. *The Practice of Management*. New York: Harper & Row.

2 Theodore Levitt. 1960. "Marketing myopia," *Harvard Business Review*, July–August.

3 Theodore Levitt. 1970. "The morality (?) of advertising," *Harvard Business Review*, July–August.

4 David Ogilvy. 1989. *Confessions of an Advertising Man*, 2nd edition, New York: Atheneum.

5 Levitt. "The morality (?) of advertising."

6 HBO is on cable television but is not supported by advertising, but by a monthly subscription fee. Therefore, HBO, and other premium cable service, are not in the advertising delivery business, but in the subscription television business.