

## Does Marketing Matter?

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### **Abstract**

Every discipline must, at times, attempt to objectively assess or reassess itself: does marketing provide real value to the firm or is it self-preserving myopia?

The concept of self-preservation has been attributed to Cicero: *primamque ex natura hanc habere appetitionem, ut conservemus nosmet ipsos*; that is, by nature our first impulse is to preserve ourselves. Does the marketing domain act as a firm in a competitive market, trying to preserve and grow its market share, or is marketing legitimately concerned with providing real value to the firm? One view is myopic, the other is contributory.

Most agree that marketing as a concept has been around since man began to barter. Early treatises on the subject suggest that early *marketeers*, or tradesman, were ill-famed. The modern concept of marketing became prevalent as a result of the Industrial Revolution and the new market economy that developed. In the first text titled *Principles of Marketing*, Paul W. Ivey describes the importance of the functions of the middleman: assembling, grading, storing, transporting, financing, bearing risk, selling, etc. Over time, marketing evolved into four progressive domains of thought: Marketing as Technical Activities (middleman), Marketing as a Process (concentration, equalization, and dispersion), Marketing as an Economic Process (distribution), and Marketing as a Social Process (consumer viewpoint). These viewpoints were being taught by academia as early as 1910; by 1950, with the boom of hierarchal organizations (with clearly defined ‘siloes’ functions), departments of marketing became part of Corporate America (Bartels, 1976).

As an application of various disciplines (Economics, Psychology, Sociology, etc.) to business, marketing endures. However, academics and practitioners alike continued to assess its importance, albeit different questions. As early as 1974, academics were considering marketing’s domain (Bartels 1974): *Is marketing a specific function with general applicability*

*or a general function that is specifically applied?* Practitioners, on the other hand, are constantly considering a more fiduciary question: Which half of the marketing budget is effective?

Robert Buzzell diverts these questions, utilizing the increasingly efficient computing technology. He, with the help of connections at Harvard and GE, motivates the collection of the largest dataset of the era; with cross-sectional and time-series components across 2600 SBU's at 400 firms over 6 years. The results of PIMS (Profit Impact of Marketing Strategy – or Profit Impact of Market Share?) were very productive for academia: over 170 academic publications (plus later meta-analyses) across 45 journals discussed the many facets of these numeric inputs to ROI and market share. Porter's model was indelibly ingrained into the American management psyche, and Buzzell was able to spin-off and start his own institute, which wasn't *tapped out* until 30 years later. Indeed, the 'enduring contributions to strategic questions' cannot be undone (Farris and Farley, 2004; Day 2004, Buzzell 2004). With the exception of relative quality, little has endured from PIMS that has practical importance; however, disturbingly, this *pioneer* effort has served as a barrier to entry to the mind-share of practitioners and academics alike, resulting in slowed innovation and adoption of more dynamic views of marketing strategy, such as ideas embedded in Austrian economics.

The momentum from PIMS helped the domain of marketing grow. Marketing, according to marketers, is business. Marketing is everything and everything is marketing. Marketing's future is not *a* function of business, but is *the* function of business (Moorman and Rust, 1999). The strategic implications of such audacity were leading practitioners to develop cross-functional teams with market orientation embedding into the organization's culture. If marketing becomes transparent and commoditized, the need for a functional department, and its associated costs

become irrelevant (logic similar to “IT Doesn’t Matter”, Carr 2003). To reestablish marketing’s importance during the Internet Revolution, a special millennial issue reassessed marketing’s importance moving forward. A key article in the issue was written by Moorman and Rust, addressing the role of marketing as a function. In the argument, five hypotheses were tested by contacting people of various domains *through* the appropriate unions, a.k.a. professional associations (1999, pg. 185, emphasis added): “Of the 1200 in the original sample, 106 managers had left the organizations *or* their organizations *had no marketing function*, reducing the eligible sample to 1094.” This logic questions the representative nature of the sample—based on this *eligible* sample, H<sub>5</sub> will intuitively follow (even more so when using change in R<sup>2</sup> based on step-wise criteria). Understanding how the 106 discards broke down into the “left the organizations *or* their organizations had no marketing function” criteria (50-50 or 10-90 or 90-10?), as well as understanding the implications of the latter criterion, are essential to objectively addressing the role of marketing and its importance: Can organizations with embedded marketing develop knowledge and skills that collectively represent the marketing function, thereby also correlating to H<sub>5</sub> (this logic could equally apply to all five hypotheses)? The nature of this article, with its requirements for Stage II data collection, strongly suggests there was a clear agenda to the research and the research outcomes based partly on the political power of the authors.

The continual decline of marketing budgets led to a more theoretical defense of marketing’s importance in 2004, to “justify expenditures” (Rust et al). A laundry-list of important academics collaborated to discuss the challenge of measuring market productivity (quality market-place performance). This collective erudition offers an insightful framework

“The Chain of Marketing Productivity” that compares marketing actions and firm-level strategic actions in a parallel *linked* fashion. With this framework, a report is given regarding the status quo with a healthy list of needed research.

In many ways, this challenge to measure marketing productivity is the *holy grail* of academic research, which Luo and Donthu (2006) accepted. With data available through COMPUSTAT, Forbes, CRSP, and CRM, they needed a model that could apply to the Marketing Chain model, specifically Tobin’s Q as an output to represent the firm’s value (Rust et al 2004). A mathematical model originated by Malmquist in 1953 served as the framework to demonstrate the credibility of marketer’s claim to improve shareholder values; specifically MCP (Marketing Communication Productivity). This relevant response poses at least one question: where would the state of marketing be if, in the 1970’s, with the rich data being collected through PIMS, more sophisticated methods like Malmquist’s (or, SEM, as suggested by Buzzell 2004) had been used?

Moving forward, it is certain that marketing (m) does matter; however, it remains unclear if marketing (M) as a function matters (in a market-oriented organization M becomes  $\sum m$ ). Either way, recent research can be relevant to a practitioner. Homburg and Jensen (2007) provide clear practical insights: *opposing dichotomous orientations (short/long and customer/product) and aligned competencies positively influence market performance*. Even Griffith and Lusch (2007) in their *not so lucid* way, provide insights in relationship to human resource practices: *maintain organizational power over marketer’s through golden handcuffs of governance, encouraging marketers to acquire firm-specific knowledge*. Again, potentially biased by being sent only to AMA members, this result could have practical implications to those with similarly aligned views of labor.

In conclusion, it is imperative to realize the implications associated with promoting the importance of marketing. Academia initiated this importance nearly a century ago, and has self-interest to continue to do so. Individuals and institutions in marketing academia act as gatekeepers, controlling who becomes the next generation of academics; as such, their intentionality needs to be fully scrutinized: are they preserving their discipline, nice salaries, and political networks or are they truly concerned with contributing to the body of knowledge that can help practitioners market? The answer is probably 'yes' which means careful and consistent self-assessment and self-regulation must happen to harmonize this inherent role conflict.

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