

## *Broadening the Concept of Marketing*

**PHILIP KOTLER**

and

**SIDNEY J. LEVY**

Marketing is a pervasive societal activity that goes considerably beyond the selling of toothpaste, soap, and steel. The authors interpret the meaning of marketing for nonbusiness organizations and the nature of marketing functions such as product improvement, pricing, distribution, and communication in such organizations. The question considered is whether traditional marketing principles are transferable to the marketing of organizations, persons, and ideas.

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THE term "marketing" connotes to most people a function peculiar to business firms. Marketing is seen as the task of finding and stimulating buyers for the firm's output. It involves product development, pricing, distribution, and communication; and in the more progressive firms, continuous attention to the changing needs of customers and the development of new products, with product modifications and services to meet these needs. But whether marketing is viewed in the old sense of "pushing" products or in the new sense of "customer satisfaction engineering," it is almost always viewed and discussed as a business activity.

It is the authors' contention that marketing is a pervasive societal activity that goes considerably beyond the selling of toothpaste, soap, and steel. Political contests remind us that candidates are marketed as well as soap; student recruitment by colleges reminds us that higher education is marketed; and fund raising reminds us that "causes" are marketed. Yet these areas of marketing are typically ignored by the student of marketing. Or they are treated cursorily as public relations or publicity activities. No attempt is made to incorporate these phenomena in the body proper of marketing thought and theory. No attempt is made to redefine the meaning of product development, pricing, distribution, and communication in these newer contexts to see if they have a useful meaning. No attempt is made to examine whether the principles of "good" marketing in traditional product areas are transferable to the marketing of services, persons, and ideas.

The authors see a great opportunity for marketing people to expand their thinking and to apply their skills to an increasingly interesting range of social activity. The challenge depends on the attention given to it; marketing will either take on a broader social meaning or remain a narrowly defined business activity.

### **The Rise of Organizational Marketing**

One of the most striking trends in the United States is the increasing amount of society's work being performed by organizations other than business firms. As a society moves beyond the stage where shortages of food, clothing, and shelter are the major problems, it begins to organize to meet other social needs that formerly had been put aside. Business enterprises remain a dominant type of organization, but other types of organizations gain in conspicuousness and in influence. Many of these organizations become enormous and require the same rarefied management skills as traditional business organizations. Managing the United Auto Workers, Defense Department, Ford Foundation, World Bank, Catholic Church, and University of California has become every bit as challenging as

managing Procter and Gamble, General Motors, and General Electric. These nonbusiness organizations have an increasing range of influence, affect as many livelihoods, and occupy as much media prominence as major business firms.

All of these organizations perform the classic business functions. Every organization must perform a financial function insofar as money must be raised, managed, and budgeted according to sound business principles. Every organization must perform a production function in that it must conceive of the best way of arranging inputs to produce the outputs of the organization. Every organization must perform a personnel function in that people must be hired, trained, assigned, and promoted in the course of the organization's work. Every organization must perform a purchasing function in that it must acquire materials in an efficient way through comparing and selecting sources of supply.

When we come to the marketing function, it is also clear that every organization performs marketing-like activities whether or not they are recognized as such. Several examples can be given.

The police department of a major U.S. city, concerned with the poor image it has among an important segment of its population, developed a campaign to "win friends and influence people." One highlight of this campaign is a "visit your police station" day in which tours are conducted to show citizens the daily operations of the police department, including the crime laboratories, police lineups, and cells. The police department also sends officers to speak at public schools and carries out a number of other activities to improve its community relations.

Most museum directors interpret their primary responsibility as "the proper preservation of an artistic heritage for posterity."<sup>1</sup> As a result, for many people museums are cold marble mausoleums that house miles of relics that soon give way to yawns and tired feet. Although museum attendance in the United States advances each year, a large number of citizens are uninterested in museums. Is this indifference due to failure in the manner of presenting what museums have to offer? This nagging question led the new director of the Metropolitan Museum of Art to broaden the museum's appeal through sponsoring contemporary art shows and "happenings." His marketing philosophy of museum management led to substantial increases in the Met's attendance.

The public school system in Oklahoma City sorely needed more public support and funds to prevent a deterioration of facilities and exodus of teachers. It recently resorted to television programming to dramatize the work the public schools were doing to

fight the high school dropout problem, to develop new teaching techniques, and to enrich the children. Although an expensive medium, television quickly reached large numbers of parents whose response and interest were tremendous.

Nations also resort to international marketing campaigns to get across important points about themselves to the citizens of other countries. The junta of Greek colonels who seized power in Greece in 1967 found the international publicity surrounding their cause to be extremely unfavorable and potentially disruptive of international recognition. They hired a major New York public relations firm and soon full-page newspaper ads appeared carrying the headline "Greece Was Saved From Communism," detailing in small print why the takeover was necessary for the stability of Greece and the world.<sup>2</sup>

An anti-cigarette group in Canada is trying to press the Canadian legislature to ban cigarettes on the grounds that they are harmful to health. There is widespread support for this cause but the organization's funds are limited, particularly measured against the huge advertising resources of the cigarette industry. The group's problem is to find effective ways to make a little money go a long way in persuading influential legislators of the need for discouraging cigarette consumption. This group has come up with several ideas for marketing anti-smoking to Canadians, including television spots, a paperback book featuring pictures of cancer and heart disease patients, and legal research on company liability for the smoker's loss of health.

<sup>2</sup> "PR for the Colonels," *Newsweek*, Vol. 71 (March 18, 1968), p. 70.

\* ABOUT THE AUTHORS. Phillip Kotler is Professor of Marketing at Northwestern University. He earned his PhD at M.I.T. He is the author of *Marketing Management: Analysis, Planning and Control*. Professor Kotler is Advisory Editor of the Holt, Rinehart and Winston Marketing Series and is an active consultant to many companies on marketing planning and information systems. Currently he is Chairman of the College on Marketing of The Institute of Management Sciences.



Sidney J. Levy is Professor of Marketing at Northwestern University and is Vice President of Social Research, Inc. He earned his PhD at the University of Chicago. Professor Levy is author of *Promotion: A Behavioral View*, co-author of *Living with Television*, and of many articles.



<sup>1</sup> This is the view of Sherman Lee, Director of the Cleveland Museum, quoted in *Newsweek*, Vol. 71 (April 1, 1968), p. 55.

What concepts are common to these and many other possible illustrations of organizational marketing? All of these organizations are concerned about their "product" in the eyes of certain "consumers" and are seeking to find "tools" for furthering their acceptance. Let us consider each of these concepts in general organizational terms.

### Products

Every organization produces a "product" of at least one of the following types:

*Physical products.* "Product" first brings to mind everyday items like soap, clothes, and food, and extends to cover millions of *tangible* items that have a market value and are available for purchase.

*Services.* Services are *intangible* goods that are subject to market transaction such as tours, insurance, consultation, hairdos, and banking.

*Persons.* Personal marketing is an endemic human activity, from the employee trying to impress his boss to the statesman trying to win the support of the public. With the advent of mass communications, the marketing of persons has been turned over to professionals. Hollywood stars have their press agents, political candidates their advertising agencies, and so on.

*Organizations.* Many organizations spend a great deal of time marketing themselves. The Republican Party has invested considerable thought and resources in trying to develop a modern look. The American Medical Association decided recently that it needed to launch a campaign to improve the image of the American doctor.<sup>3</sup> Many charitable organizations and universities see selling their organization as their primary responsibility.

*Ideas.* Many organizations are mainly in the business of selling *ideas* to the larger society. Population organizations are trying to sell the idea of birth control, and the Women's Christian Temperance Union is still trying to sell the idea of prohibition.

Thus the "product" can take many forms, and this is the first crucial point in the case for broadening the concept of marketing.

### Consumers

The second crucial point is that organizations must deal with many groups that are interested in their products and can make a difference in its success. It is vitally important to the organization's success that it be sensitive to, serve, and satisfy these groups. One set of groups can be called the *suppliers*. *Suppliers* are those who provide the management group with the inputs necessary to perform its work and develop its product effectively. Suppliers include

employees, vendors of the materials, banks, advertising agencies, and consultants.

The other set of groups are the *consumers* of the organization's product, of which four sub-groups can be distinguished. The *clients* are those who are the immediate consumers of the organization's product. The clients of a business firm are its buyers and potential buyers; of a service organization those receiving the services, such as the needy (from the Salvation Army) or the sick (from County Hospital); and of a protective or a primary organization, the members themselves. The second group is the *trustees or directors*, those who are vested with the legal authority and responsibility for the organization, oversee the management, and enjoy a variety of benefits from the "product." The third group is the active *publics* that take a specific interest in the organization. For a business firm, the active publics include consumer rating groups, governmental agencies, and pressure groups of various kinds. For a university, the active publics include alumni and friends of the university, foundations, and city fathers. Finally, the fourth consumer group is the *general public*. These are all the people who might develop attitudes toward the organization that might affect its conduct in some way. Organizational marketing concerns the programs designed by management to create satisfactions and favorable attitudes in the organization's four consuming groups: clients, trustees, active publics, and general public.

### Marketing Tools

Students of business firms spend much time studying the various tools under the firm's control that affect product acceptance: product improvement, pricing, distribution, and communication. All of these tools have counterpart applications to non-business organizational activity.

Nonbusiness organizations to various degrees engage in product improvement, especially when they recognize the competition they face from other organizations. Thus, over the years churches have added a host of nonreligious activities to their basic religious activities to satisfy members seeking other bases of human fellowship. Universities keep updating their curricula and adding new student services in an attempt to make the educational experience relevant to the students. Where they have failed to do this, students have sometimes organized their own courses and publications, or have expressed their dissatisfaction in organized protest. Government agencies such as license bureaus, police forces, and taxing bodies are often not responsive to the public because of monopoly status; but even here citizens have shown an increasing readiness to protest mediocre services, and more alert bureaucracies have shown a growing interest in reading the user's needs and developing the required product services.

All organizations face the problem of pricing their

<sup>3</sup>"Doctors Try an Image Transplant," *Business Week*, No. 2025 (June 22, 1968), pp. 64.

products and services so that they cover costs. Churches charge dues, universities charge tuition, governmental agencies charge fees, fund-raising organizations send out bills. Very often specific product charges are not sufficient to meet the organization's budget, and it must rely on gifts and surcharges to make up the difference. Opinions vary as to how much the users should be charged for the individual services and how much should be made up through general collection. If the university increases its tuition, it will have to face losing some students and putting more students on scholarship. If the hospital raises its charges to cover rising costs and additional services, it may provoke a reaction from the community. All organizations face complex pricing issues although not all of them understand good pricing practice.

Distribution is a central concern to the manufacturer seeking to make his goods conveniently accessible to buyers. Distribution also can be an important marketing decision area for nonbusiness organizations. A city's public library has to consider the best means of making its books available to the public. Should it establish one large library with an extensive collection of books, or several neighborhood branch libraries with duplication of books? Should it use bookmobiles that bring the books to the customers instead of relying exclusively on the customers coming to the books? Should it distribute through school libraries? Similarly the police department of a city must think through the problem of distributing its protective services efficiently through the community. It has to determine how much protective service to allocate to different neighborhoods; the respective merits of squad cars, motorcycles, and foot patrolmen; and the positioning of emergency phones.

Customer communication is an essential activity of all organizations although many nonmarketing organizations often fail to accord it the importance it deserves. Managements of many organizations think they have fully met their communication responsibilities by setting up advertising and/or public relations departments. They fail to realize that *everything about an organization talks*. Customers form impressions of an organization from its physical facilities, employees, officers, stationery, and a hundred other company surrogates. Only when this is appreciated do the members of the organization reorganize that they all are in marketing, whatever else they do. With this understanding they can assess realistically the impact of their activities on the consumers.

#### Concepts for Effective Marketing Management in Nonbusiness Organizations

Although all organizations have products, markets, and marketing tools, the art and science of effective marketing management have reached their highest

state of development in the business type of organization. Business organizations depend on customer goodwill for survival and have generally learned how to sense and cater to their needs effectively. As other types of organizations recognize their marketing roles, they will turn increasingly to the body of marketing principles worked out by business organizations and adapt them to their own situations.

What are the main principles of effective marketing management as they appear in most forward-looking business organizations? Nine concepts stand out as crucial in guiding the marketing effort of a business organization.

#### Generic Product Definition

Business organizations have increasingly recognized the value of placing a broad definition on their products, one that emphasizes the basic customer need(s) being served. A modern soap company recognizes that its basic product is cleaning, not soap; a cosmetics company sees its basic product as beauty or hope, not lipsticks and makeup; a publishing company sees its basic product as information, not books.

The same need for a broader definition of its product is incumbent upon nonbusiness organizations if they are to survive and grow. Churches at one time tended to define their product narrowly as that of producing religious services for members. Recently, most churchmen have decided that their basic product is human fellowship. There was a time when educators said that their product was the three R's. Now most of them define their product as education for the whole man. They try to serve the social, emotional, and political needs of young people in addition to intellectual needs.

#### Target Groups Definition

A generic product definition usually results in defining a very wide market, and it is then necessary for the organization, because of limited resources, to limit its product offering to certain clearly defined groups within the market. Although the generic product of an automobile company is transportation, the company typically sticks to cars, trucks, and buses, and stays away from bicycles, airplanes, and steamships. Furthermore, the manufacturer does not produce every size and shape of car but concentrates on producing a few major types to satisfy certain substantial and specific parts of the market.

In the same way, nonbusiness organizations have to define their target groups carefully. For example, in Chicago the YMCA defines its target groups as men, women and children who want recreational opportunities and are willing to pay \$20 or more a year for them. The Chicago Boys Club, on the other hand, defines its target group as poorer boys within the city boundaries who are in want of recreational facilities and can pay \$1 a year.

### **Differentiated Marketing**

When a business organization sets out to serve more than one target group, it will be maximally effective by differentiating its product offerings and communications. This is also true for nonbusiness organizations. Fund-raising organizations have recognized the advantage of treating clients, trustees, and various publics in different ways. These groups require differentiated appeals and frequency of solicitation. Labor unions find that they must address different messages to different parties rather than one message to all parties. To the company they may seem unyielding, to the conciliator they may appear willing to compromise, and to the public they seek to appear economically exploited.

### **Customer Behavior Analysis**

Business organizations are increasingly recognizing that customer needs and behavior are not obvious without formal research and analysis; they cannot rely on impressionistic evidence. Soap companies spend hundreds of thousands of dollars each year researching how Mrs. Housewife feels about her laundry, how, when, and where she does her laundry, and what she desires of a detergent.

Fund raising illustrates how an industry has benefited by replacing stereotypes of donors with studies of why people contribute to causes. Fund raisers have learned that people give because they are getting something. Many give to community chests to relieve a sense of guilt because of their elevated state compared to the needy. Many give to medical charities to relieve a sense of fear that they may be struck by a disease whose cure has not yet been found. Some give to feel pride. Fund raisers have stressed the importance of identifying the motives operating in the marketplace of givers as a basis for planning drives.

### **Differential Advantages**

In considering different ways of reaching target groups, an organization is advised to think in terms of seeking a differential advantage. It should consider what elements in its reputation or resources can be exploited to create a special value in the minds of its potential customers. In the same way Zenith has built a reputation for quality and International Harvester a reputation for service, a nonbusiness organization should base its case on some dramatic value that competitive organizations lack. The small island of Nassau can compete against Miami for the tourist trade by advertising the greater dependability of its weather; the Heart Association can compete for funds against the Cancer Society by advertising the amazing strides made in heart research.

### **Multiple Marketing Tools**

The modern business firm relies on a multitude of tools to sell its product, including product improve-

ment, consumer and dealer advertising, salesman incentive programs, sales promotions, contests, multiple-size offerings, and so forth. Likewise nonbusiness organizations also can reach their audiences in a variety of ways. A church can sustain the interest of its members through discussion groups, newsletters, news releases, campaign drives, annual reports, and retreats. Its "salesmen" include the religious head, the board members, and the present members in terms of attracting potential members. Its advertising includes announcements of weddings, births and deaths, religious pronouncements, and newsworthy developments.

### **Integrated Marketing Planning**

The multiplicity of available marketing tools suggests the desirability of overall coordination so that these tools do not work at cross purposes. Over time, business firms have placed under a marketing vice-president activities that were previously managed in a semi-autonomous fashion, such as sales, advertising, and marketing research. Nonbusiness organizations typically have not integrated their marketing activities. Thus, no single officer in the typical university is given total responsibility for studying the needs and attitudes of clients, trustees, and publics, and undertaking the necessary product development and communication programs to serve these groups. The university administration instead includes a variety of "marketing" positions such as dean of students, director of alumni affairs, director of public relations, and director of development; coordination is often poor.

### **Continuous Marketing Feedback**

Business organizations gather continuous information about changes in the environment and about their own performance. They use their salesmen, research department, specialized research services, and other means to check on the movement of goods, actions of competitors, and feelings of customers to make sure they are progressing along satisfactory lines. Nonbusiness organizations typically are more casual about collecting vital information on how they are doing and what is happening in the marketplace. Universities have been caught off guard by underestimating the magnitude of student grievance and unrest, and so have major cities underestimated the degree to which they were failing to meet the needs of important minority constituencies.

### **Marketing Audit**

Change is a fact of life, although it may proceed almost invisibly on a day-to-day basis. Over a long stretch of time it might be so fundamental as to threaten organizations that have not provided for periodic reexaminations of their purposes. Organizations can grow set in their ways and unresponsive to new opportunities or problems. Some great

American companies are no longer with us because they did not change definitions of their businesses, and their products lost relevance in a changing world. Political parties become unresponsive after they enjoy power for a while and every so often experience a major upset. Many union leaders grow insensitive to new needs and problems until one day they find themselves out of office. For an organization to remain viable, its management must provide for periodic audits of its objectives, resources, and opportunities. It must reexamine its basic business, target groups, differential advantage, communication channels, and messages in the light of current trends and needs. It might recognize when change is needed and make it before it is too late.

### Is Organizational Marketing a Socially Useful Activity?

Modern marketing has two different meanings in the minds of people who use the term. One meaning of marketing conjures up the terms selling, influencing, persuading. Marketing is seen as a huge and increasingly dangerous technology, making it possible to sell persons on buying things, propositions, and causes they either do not want or which are bad for them. This was the indictment in Vance Packard's *Hidden Persuaders* and numerous other social criticisms, with the net effect that a large number of persons think of marketing as immoral or entirely self-seeking in its fundamental premises. They can be counted on to resist the idea of organizational marketing as so much "Madison Avenue."

The other meaning of marketing unfortunately is weaker in the public mind; it is the concept of sensitively *servng and satisfying human needs*. This was the great contribution of the marketing concept that was promulgated in the 1950s, and that concept now counts many business firms as its practitioners. The marketing concept holds that the problem of all business firms in an age of abundance is to develop customer loyalties and satisfaction, and the key to this problem is to focus on the customer's needs.<sup>4</sup> Perhaps the short-run problem of business firms is to sell people on buying the existing products, but the long-run problem is clearly to create the products that people need. By this recognition that effective marketing requires a consumer orientation instead of a product orientation, marketing has taken a new lease on life and tied its economic activity to a higher social purpose.

It is this second side of marketing that provides

a useful concept for all organizations. All organizations are formed to serve the interest of particular groups: hospitals serve the sick, schools serve the students, governments serve the citizens, and labor unions serve the members. In the course of evolving, many organizations lose sight of their original mandate, grow hard, and become self-serving. The bureaucratic mentality begins to dominate the original service mentality. Hospitals may become perfunctory in their handling of patients, schools treat their students as nuisances, city bureaucrats behave like petty tyrants toward the citizens, and labor unions try to run instead of serve their members. All of these actions tend to build frustration in the consuming groups. As a result some withdraw meekly from these organizations, accept frustration as part of their condition, and find their satisfactions elsewhere. This used to be the common reaction of ghetto Negroes and college students in the face of indifferent city and university bureaucracies. But new possibilities have arisen, and now the same consumers refuse to withdraw so readily. Organized dissent and protest are seen to be an answer, and many organizations thinking of themselves as responsible have been stunned into recognizing that they have lost touch with their constituencies. They had grown unresponsive.

Where does marketing fit into this picture? Marketing is that function of the organization that can keep in constant touch with the organization's consumers, read their needs, develop "products" that meet these needs, and build a program of communications to express the organization's purposes. Certainly selling and influencing will be large parts of organizational marketing; but, properly seen, selling follows rather than precedes the organization's drive to create products to satisfy its consumers.

### Conclusion

It has been argued here that the modern marketing concept serves very naturally to describe an important facet of all organizational activity. All organizations must develop appropriate products to serve their sundry consuming groups and must use modern tools of communication to reach their consuming publics. The business heritage of marketing provides a useful set of concepts for guiding all organizations.

The choice facing those who manage nonbusiness organizations is not whether to market or not to market, for no organization can avoid marketing. The choice is whether to do it well or poorly, and on this necessity the case for organizational marketing is basically founded.

<sup>4</sup> Theodore Levitt, "Marketing Myopia," *Harvard Business Review*, Vol. 38 (July-August, 1960), pp. 45-56.