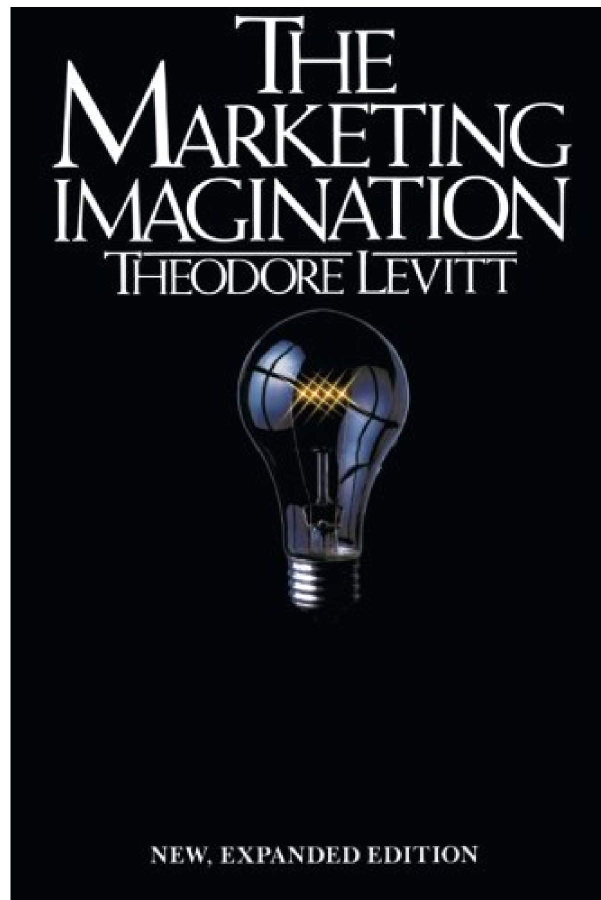
MARKETING IMAGINATION, NEW, EXPANDED EDITION BY THEODORE M. LEVITT



DOWNLOAD EBOOK : MARKETING IMAGINATION, NEW, EXPANDED EDITION BY THEODORE M. LEVITT PDF

THE MARKETING IMAGINATION

THEODORE LEVITT

NEW, EXPANDED EDITION

Click link bellow and free register to download ebook:

MARKETING IMAGINATION, NEW, EXPANDED EDITION BY THEODORE M. LEVITT

DOWNLOAD FROM OUR ONLINE LIBRARY

MARKETING IMAGINATION, NEW, EXPANDED EDITION BY THEODORE M. LEVITT PDF

Starting from visiting this site, you have actually aimed to begin loving reviewing a publication Marketing Imagination, New, Expanded Edition By Theodore M. Levitt This is specialized site that offer hundreds collections of books Marketing Imagination, New, Expanded Edition By Theodore M. Levitt from great deals sources. So, you won't be bored more to choose the book. Besides, if you likewise have no time at all to look the book Marketing Imagination, New, Expanded Edition By Theodore M. Levitt, simply sit when you're in workplace and open the internet browser. You could locate this Marketing Imagination, New, Expanded Edition By Theodore M. Levitt lodge this web site by attaching to the net.

Review

Philip Kotler Northwestern University Ted Levitt's name is synonymous with marketing. His writings consistently offer rich insights served up in a souffle of good style. In The Marketing Imagination, Levitt takes the reader through some important new concourses in the marketing world that he has explored deeply during this decade.

The Wall Street Journal MBAs everywhere encounter Ted Levitt's name on their required-reading lists, and it is likely to remain there long after experts on Japanese management, one-minute management and high-output management finally drop from the bestseller lists. The Marketing Imagination is a much-needed reminder of the ideals to which managers should bind their ambitions.

Newsday Ted Levitt is the best marketing mentor around...The Marketing Imagination is guaranteed to provoke controversy. It's a crackling text...every argument it stirs will be worthwhile.

Tom Brown Honeywell, Inc. A book for everyone in business. It is provocative and challenging.

Industry Week Ted Levitt's literate, thoughtful treatment takes the reader from the broadest theoretical concepts to specific how-to pointers.

Atlanta Constitution and Journal Marketers will eventually have to learn the lessons of The Marketing Imagination or risk a career change.

About the Author

Theodore Levitt is Editor of the Harvard Business Review and Edward W. Carter Professor of Business Administration at the Harvard Business School. One of the most widely read and respected figures in marketing, he is a four-time winner of the annual McKinsey Award for the best article in the Harvard Business Review.

Excerpt. © Reprinted by permission. All rights reserved.

Chapter 1

Marketing and the Corporate Purpose

Nothing in business is so remarkable as the conflicting variety of success formulas offered by its numerous practitioners and professors. And if, in the case of practitioners, they're not exactly "formulas," they are explanations of "how we did it," implying with firm control over any fleeting tendencies toward modesty that "that's how you ought to do it." Practitioners, filled with pride and money, turn themselves into prescriptive philosophers, filled mostly with hot air.

Professors, on the other hand, know better than to deal merely in explanations. We traffic instead in higher goods, like "analysis," "concepts," and "theories." In short, "truth." Filled with self-importance, we turn ourselves hopefully into wanted advisers, consultants filled mostly with woolly congestion.

I do not wish to disparage either, but only to suggest that these two legitimately different and respectable professions usually diminish rather than enhance their reputations when intruding too much or with too little thought on each other's turf.

How often have we heard executives of venerable age and high repute or entrepreneurs flushed with recent wealth pronounce with lofty certainty and imperial rectitude exactly what produces business success? All they really tell, however, in cleaned-up retrospection, is the story of how they themselves happen to have done it. Listen to ten, and you'll generally get ten different pieces of advice.

Listen to ten professors, and you'll generally get advice by some multiple of ten. The difference is not that professors believe more firmly in abundance. Rather, besides teaching, professors are also paid to think. Hence, lacking direct experience, each is likely to think up several different ways to get to the same place. People of affairs are paid merely to get there, and it is almost certain that when they do they'll think the only way there is the one they have taken, even when their neighbors got there by a different route.

On this score, people of affairs are scarcely unique. Consider the many versions we have heard from successful novelists of the "right way" to work: Sit down and get started, don't wait for inspiration; write when you're ready, not when the schedule says so; write from dawn till noon; write from dusk till dawn; always write in the same place; never stick to the same place for long; write only about what you know, don't invent; only invent, all else is mere confusion. The expert at doing things, obviously, is not reliably expert in either understanding what he does or why it works, certainly not in giving consistently good advice.

As a certified academic who is paid, however paltry the sum, to think, teach, and advise about the practices of those in practical work, of one thing I am totally convinced: the healthy state of business practice in the capitalist democracies. The state of business practice reflects the quality of the executive mind and its effective commitment to the purposes of business itself.

The modern executive mind is in very good condition indeed, especially in the larger and, usually therefore, global corporations. Indeed, awed admiration is what any intelligent and fair-minded analyst will come away with when he studies the large corporation of our times. For he will note its extraordinary efficiency, flexibility, agility, and internal diversity; the dedication and remarkable good spirits of its vast variety of employees; its attention to quality in what it does and to fairness in how it behaves; and the studiousness with which it approaches major undertakings. Notwithstanding all the self-righteousness parading of unpleasant contrary facts these days, no institution of any size or diversity, whether government or private, taking any reasonable combination of desirable attributes, can come anywhere near the large corporations of the modern capitalist democracies. Nor is this merely a matter of their having a head start historically. Fortune's list of "Top 500" U.S. manufacturing corporations changes constantly, as does the list of top financial institutions.

Federal Trade Commission studies of "industrial concentration" repeatedly show shifting patterns of leadership in one industry sector after another.

Obviously, being ahead or having gotten a head start counts for not a lot within America's little corner of the capitalist world. But the parallel fact that everywhere the capitalist corporations, as a group, are widening their lead over their lagging imitators in the noncapitalist world is extraordinarily significant. It means that being capitalistic gives them a genetic edge. Capitalism simply works better, and anybody who argues the opposite does just that. He argues. He simply doesn't have the facts.

One of the most interesting of these facts is that those who seek to catch up with the more advanced and achieving institutions of our times invariably seek to do it by some sort of selective imitation of the modern capitalist corporations. ("We'll take your best and ignore the rest.") Traffic in the opposite direction is negligible or nonexistent. Nothing could be more unmistakably meaningful. Nothing is more flattering to capitalism's protean prowess.

Even where this imitation now has a long history, having been generously helped with facilitating patents, designs, machines, control systems, technicians-on-loan, cash, whole factories supplied by the capitalist corporations -- as they have been in Soviet Russia ever since Lenin's New Economic Policy first imported Henry Ford in 1923 -- even when helped with the latest methods and technologies, the beneficiaries quickly fall behind again into inefficiency, sloth, and irrelevance. Why, one must ask, after more than half a century of eager (if grudging) imitation and girls of capitalist technologies in the factories and on the farms have the Soviets fallen with uncomprehending frustration ever farther behind? Even their much-vaunted advanced fighter plane recently defected to Japan turned out to be advanced only in its packaging. At least they learned that much from us -- the importance of packaging. This constant failure of helpful imitation to take hold persists also in nations with feudal military dictatorships and in the false democracies of South America, Southeast Asia, and now deimperialized Africa.

By what magic do the large corporations of the capitalist democracies work so well? Is it simply that they're capitalist, that they operate in democratic political environments, or some combination of the two? Or what?

The combination is crucial, emphatically. Being capitalist means the liberating absence of the feudal incubus, traditions that fetter people to their assigned masters rather than to their own chosen purposes. Operating in political democracies means the likelihood of public resistance to constantly advancing governmentalization of society, some reasonable probabilities against a constantly expanding and suffocating bureaucratization of the entire polity. (It is instructive, I think, to note that no dictatorship or tyranny has ever been voted in by people. People, however humble, however limited their education, quite naturally and sensibly resist Caesarism, however elegantly it may be packaged or differently presented.)

Nor is it any more presumed to be a reactionary cliché to say these things, as it once was in Western liberal intellectual circles. The cliché has now become the dismal, tragic truth. The firm belief, held by generations of intelligent and informed idealists, that justice and equality could be wedded through the ministrations of public servants working with diligent selflessness at control central has come a cropper. It's now obvious that the future simply has not worked -- not for Robert Owen, Karl Marx, Rosa Luxemburg, Sydney and Beatrice Webb, Rexford Guy Tugwell, or Oscar Lange, not even for Fidel Castro or Lyndon Baines Johnson.

What seems somehow to work best is something we call private enterprise and the free market system of economic organization operating in a political environment we call "representative democracy."

Unfortunately, this explanation is not the whole of it. Although, as we have seen, business enterprises in the

modern capitalist democracies as a group outperform all other such enterprises operating under different conditions of political and economic organization, we also have seen that the distribution of this superiority is not symmetrical. Some firms prosper more than others. Some lag, wither, and even die. As I've suggested, the explanations of the superior performance that we commonly get from the most successful practitioners of capitalist enterprise, though perhaps quite accurate in themselves, are seldom more than confessions of particular experiences, offering no comparison with the experiences of others and devoid of serious analytical content. What they lack, moreover, in generality they often compensate with pomposity.

Professors also know something of the ways of pomposity, especially in the line of literary obfuscation masquerading as wisdom. They have dispensed some genuine wisdom as well, particularly about the special reasons why fairly free capitalist enterprises operating in relatively open markets vary in performance and about the characteristics associated with varying degrees of failure and success. That wisdom is, in fact, of relatively recent origin. Essentially it sets forth no more than the following few simple statements about the requisites of competitive success:

1. The purpose of a business is to create and keep a customer.

2. To do that you have to produce and deliver goods and services that people want and value at prices and under conditions that are reasonably attractive relative to those offered by others to a proportion of customers large enough to make those prices and conditions possible.

3. To continue to do that, the enterprise must produce revenue in excess of costs in sufficient quantity and with sufficient regularity to attract and hold investors in the enterprise, and must keep at least abreast and sometimes ahead of competitive offerings.

4. No enterprise, no matter how small, can do any of this by mere instinct or accident. It has to clarify its purposes, strategies, and plans, and the larger the enterprise the greater the necessity that these be clearly written down, clearly communicated, and frequently reviewed by the senior members of the enterprise.

5. In all cases there must be an appropriate system of rewards, audits, and controls to assure that what's intended gets properly done and, when not, that it gets quickly rectified.

Not so long ago a lot of companies assumed something quite different about the purpose of a business. They said quite simply that the purpose is to make money. But that proved as vacuous as saying that the purpose of life is to eat. Eating is a requisite, not a purpose of life. Without eating, life stops. Profits are a requisite of business. Without profits, business stops. Like food for the body, profit for the business must be defined as the excess of what comes in over what goes out. In business it's called positive cash flow. It has to be positive, because the process of sustaining life is a process of destroying life. To sustain life, a business must produce goods and services that people in sufficient numbers will want to buy at adequate prices. Since production wears out the machinery that produces and the people who run and manage the machines, to keep the business going there's got to be enough left over to replace what's being worn out. That "enough" is profit, no matter what the accountants, the IRS, or the Gosplan calls it. That is why profit is a requisite, not a purpose of business.

Besides all that, to say that profit is a purpose of business is, simply, morally shallow. Who with a palpable heartbeat and minimal sensibilities will go to the mat for the right of somebody to earn a profit for its own sake? If no greater purpose can be discerned or justified, business cannot morally justify its existence. It's a repugnant idea, an idea whose time has gone.

Finally, it's an empty idea. Profits can be made in lots of devious and transient ways. For people of affairs, a statement of purpose should provide guidance to the management of their affairs. To say that they should attract and hold customers forces facing the necessity of figuring out what people really want and value, and then catering to those wants and values. It provides specific guidance and has moral merit.

Something over twenty years ago this new way of thinking about business purposes led the more enlightened businesses slowly to distinguish operationally between marketing and selling, just as they now also distinguish between budgeting and planning, between long-range planning and strategic planning, between personnel management and human resources planning, between accounting and finance, between profit and cash flow, between the expected rate of return on investment and the present value of that expected rate of return.

All these are remarkably recent notions, few more than a generation old, developed mostly in our own lifetime. The most effective enterprises tend generally to practice them most conscientiously. They make a difference.

But of all these, the most powerful is the idea of marketing and the marketing view of the business process: that the purpose of a business is to create and keep a customer. There can be no corporate strategy that is not in some fundamental fashion a marketing strategy, no purpose that does not respond somehow to what people are willing to buy for a price. An asset consists of its capacity to generate revenue, either directly by its sale or by the sale of what it helps, finally, to produce. Even a quick, opportunistic raid on Wall Street has an underlying marketing rationale: that there's unrecognized or potential value greater than the value currently seen by others. The value is the asset, and that consists of its revenue-generating capability.

Indeed, those who usually consider themselves farthest removed from the unsavory business of sales and marketing are often its most ardent practitioners. One need only to observe the constant competitive jockeying among Wall Street firms to determine exactly where their names will appear on the printed syndication lists of underwritings. Why, if not for its future revenue-producing value, does so much genteel intrigue occupy the time of such self-consciously proper investment bankers? Even more telling is the Wall Street assumption about the importance of flattery and obsequiousness in its relations with gigantic corporate customers. Special brass-plated, unnumbered side doors quietly admit the impressionable bigwigs with especially sought-after investment banking accounts. Heavily starched linen tablecloths, Waterford crystal, and imported chefs once apprenticed to Paul Bocuse characterize the opulent private dining rooms from which clients and prospective clients may enjoy spectacular views of the bustling city far down below. The packaging in which investment banking firms present themselves to their clients gets all the concentrated care that goes into packaging such other comparably hustled products as toiletries for the teeming masses.

Both practices endure because both work. Both customers buy hopeful expectations, not actual things. The ability to satisfy those expectations is more effectively communicated by the packaging than by simple generic description of what's in the package. Feelings are more important than feeling. How we feel about a car is more important than how the car feels. And so it should be, especially when we consider that in the most important decisions of life, like marriage, for example, we mostly decide on the basis of not the cold figures in our intended's balance sheet but our warm feelings about our intended's figure.

There is, however, a problem. In my 1960 manifesto, "Marketing Myopia," marketing was elevated to a kind of corporate consciousness-raising. It asserted the intentionally narrow proposition that all energies should be directed toward satisfying the consumer, no matter what. The rest, given reasonable good sense, would take care of itself. Nine years later, the manifesto having done its intended work, I offered a more conciliatory and sensible proposition: "The Marketing Matrix." It incorporated some of the more broadly based wisdom about

the corporate purpose that I've implied here, specifically, the need to balance, at some acceptable level of risk, the conditions of the external environment (customers, competition, government, and society) with the conditions of the internal environment (resources, competences, options, and wishes).

In "The Marketing Matrix," I asserted that early decline and certain death are the fate of companies whose policies are geared totally and obsessively to their own convenience at the total expense of the customer. The last of some twenty-five criteria offered to describe such companies was: "In setting your company goals, always set the standard in terms of production volume, revenues, profits, and expanded stockholder equity. Never state them also in terms of market factors, customer-need fulfillment, customer-service objectives, or market targets." In the matrix, the first part of this quoted example rated the top ranking of 9 on a nine-point scale of policies oriented entirely to the convenience of the company. The second part of this quoted example ("Never state them also in terms of market factors, customer need fulfillment" etc.) ranked a minimal 1 on a nine-point scale of policies oriented to the customer. This statement described, in short, a "9,1" company. There were examples also of "1,9" companies, "5,5" companies, and "9,9" companies. (The last were hard to find and as hard to imagine. Nobody can be that virtuous, not even under expert professorial guidance.)

The problem with the marketing concept was half-suggested in my chapter, "The Limits of the Marketing Concept," which followed directly after the matrix chapter. I am now about to drop the other shoe and suggest the remaining half of what is wrong with it....

In November 1976 IBM finally unveiled its first venture into the world of minicomputers -- officially called Series/1. It did precisely what "Marketing Myopia" said it should: If customers prefer something that competes with your own offering, it is far more sensible for you to give it to them than to let competitors do it. It's better to participate in the destruction of your own market than to let it all be done by others. "Creative destruction," I called it, stealing that ringing phrase from Joseph Schumpeter, who was safely in the grave.

IBM was not the first company to enter the commercial computer business. It was, in fact, a particularly late latecomer. But in what seemed like no time, it captured at least 80 percent of the mainframe segment of what in 1976 was a $20 billion industry. It did so largely by being a singularly dedicated and spectacularly effective marketing company. Right through 1976, in its entire history this master symbol of modern science and technology had never had more than two senior executives who had not come up the organizational ladder primarily via the marketing route; and in that entire history, only one was a scientist. The master symbol of twentieth-century science and technology succeeded largely because of its marketing prowess, claims for the singular advantage imparted by the Forrester memory drum notwithstanding. It had industry managers who developed marketing plans, sales programs, and sales training for specifically targeted industries and companies in them. Its salesmen were as specialized in the industries to which they were assigned to sell as in the hardware they offered for sale. It bundled the software right into the product offering at a single set price, so that the customer was assured that the equipment would indeed be programmed to do the promised job. It designated installation facilities for the customer, redesigned his entire data collection and reporting systems, trained his data processing people, took the shakedown cruise, and then later developed new EDP applications to help the client even more. In the process the client became an even bigger and more dependent customer. Meanwhile the customer had the option of paying the single nonnegotiable price either by paying outright for everything or by leasing it with virtually no punitive cancellation provisions. If ever there was a thoroughgoing marketing-oriented professional organization, it was IBM. And it worked like magic.

But in November 1976, with Series/1, all that was chucked. The sales force was made product-oriented rather than customer- and application-oriented. It became a dedicated sales force, dedicated to selling Series/1 hardware, and that's it. No special customer help. Sell, sell, sell to everybody on the landscape. And

no more leasing options. Cash on the barrelhead, that's all, in spite of the fact that IBM's easy financial capability of offering the lease option had long given it a powerful competitive edge.

Series/1 is clearly a case of creative destruction -- competing with yourself in order to save yourself. Nothing is really new about that. But abandoning marketing, sales, and pricing practices that had proved so effective for almost totally opposite practices, that's new.

That same week in November 1976 Business Week's lead article on Revlon, Inc., had the following headline and subhead: "Management Realists in the Glamour World of Cosmetics: Flair and flamboyance yield to controls, budgets, planning." We all know enough to guess from that what was in the article. We should also know that in the first year of an entirely new operating style, one that substituted management for mystique, sales rose 18 percent and profits 16 percent. Nine months into the next year sales were up another 23 percent and earnings 25 percent.

Just as successful managers and entrepreneurs who presume to give advice to all others on the basis of their own limited experiences are likely to give advice of limited relevance or utility, so do professors of business administration when their ideas become as rigid as other people's experiences. Series/1 switched to product-orientedness because conditions changed. In the Series/2 family (which was sure to come), customer- and application-orientedness once again became competitively appropriate. Likewise, who is to say that Revlon, no matter how big it gets, will be able always to function effectively and prosperously under its new managerial dispensation? Maybe for some purposes miscegenation will become the mode. In the words of Richard Barrie, the new president of Faberge Inc., "Somewhere along the line the industry has to shake off the old idea of management by mystique, yet still retain the mystique in its marketing." Who's to say?

The world of competitive enterprises openly facing each other in open markets is clearly a world of constant change. The marketing concept alerts us to this fact with the prescriptive injunction that to keep up requires studying and responding to what people want and value, and quickly adjusting to choices provided by competitors. It alerts us especially to the fact that competition often comes from outside the industry in which it finally occurs. Deeply implanted in these ideas is the notion that nothing is more important than the customer. The customer is, once more, King.

Suddenly IBM said in 1976 something that appeared quite different: "Be product-, not customer-oriented." Revlon appears to say, "Run the company, don't just run after the customer." And they're both obviously right. Being a "1,9" company (little company-oriented, highly customer-oriented) doesn't really work. Nor does being a "9,1" company. "9,9" is probably impossible, and "5,5" is probably an invitation to get outflanked on all sides.

The problem with the marketing concept, like all concepts in business, "laws" in physics, theories in economics, and all philosophies and ideologies, is a persistent tendency toward rigidity. They get dogmatized, interpreted into constantly narrower and inflexible prescriptions. In the case of the marketing concept, this is especially dangerous because of marketing's centrality in shaping the purposes, strategies, and tactics of the entire organization.

There is not, and cannot be, any rigid and lasting interpretation of what the marketing concept means in the specific ways a company should operate at any given time. Consider the cases of IBM and Revlon once again, and others.

IBM

In Series/l, as in its original entry into the computer business, the company was an imitator, a follower of others that preceded it by many years into the market with the product. But when the computer was a relatively new idea, its manufacturers knew a great deal more about its potential uses and usability than its potential users. The needs of potential users for the product had to be converted into wants. For wants to become purchases, the purchasers had to be carefully educated and guided to the product's uses. IBM had to educate its own sales people in the businesses to which they were to sell. All this was not so different from the creation of a mass market for eye shadow and eye liners just a decade ago. The big cosmetics houses had to establish demonstration counters in the stores to teach women how to use the product.

But once educated, either by the seller or by the mushrooming number of independent schools and courses available elsewhere as the markets expanded, the customer became able to make his own decisions about what he needed and how to use it. Thus the more successful the sellers became in teaching their prospects to want and use their products, the less dependent their users became on their sellers. In the first instance, "the product" being sold was a complex cluster of value satisfactions that included education, training, hands-on help, continuing advice, and quick availability for emergency situations. Later, in maturity, as the customer became more sophisticated, "the product" by definition became much simpler. It became, if not exactly a commodity, certainly not a complex cluster of things. It became, simply, a computer; simply an elegant little dish of eye shadow.

But more. As the computer got involved in more things in the corporation (largely at first with the suggested help of its manufacturers, and later more and more with the help of internal specialists in the user organization), it became a hard-to-manage monster. Different users within the organization made different and often conflicting demands on it. It became a continuing battle as to how to charge different departments and individuals for its use and for the accompanying software, which proved increasingly costly. All this finally created a market for the minicomputer. A corporate department, division, or even individual could now have his own small computer, programmed or programmable the way he wanted it. The invention of integrated circuits and then microprocessors turned a trickle into a flood.

With customers as sophisticated about the product as its sellers, with equipment costs low, and with strongly established competing sellers, the properly marketing-oriented thing for IBM to have done was precisely what it did: sell the simple hardware hard, without the attendant beneficiating clusters of the past. And it worked, like magic, just as did the personal computer a few years later.

Revlon

As one finally lays down Andrew Tobias's book about the bizarre, coruscating career of Charles Revson, Fire and Ice: The Story of Charles Revson, The Man Who Built the Revlon Empire, it is clear enough that toward the end Revson himself began to wonder about the fickle feudal terror with which he ran his empire. His escalating ad hominum hatred of his competitors merely mirrored his uncertainties about his managerial methods. When finally, after several shatteringly disastrous trials with managers of a different breed, he bought Michel C. Bergerac, the elegant French-born head of International Telephone and Telegraph Corporation's European operations, he set into motion at Revlon precisely the same kind of transformation that characterized Series/1. So urgently did Revson feel the need that he paid Bergerac $1.5 million just for signing up with Revlon, added a five-year contract for a salary of $325,000 a year, and three-year options for 70,000 shares of stock.

The problem was that competition had become more professionalized, with some of the biggest cosmetics houses having been sold to drug and package-goods companies. The regulatory climate had become tougher. Distribution costs suddenly rose sharply, with competition making it harder to get compensating price rises.

The tonnage of what moved out the factory gates suddenly became as crucial as the tone of its colors. Bergerac, whose Continental suaveness assuaged Revlon's hard-eyed glamour merchants, also earned their respect for his ITT management methods. No longer did the merchandising tail so vigorously wag the management dog -- things were just as they should be. And it worked, like magic, more recent setbacks not withstanding.

Allegheny Ludlum Steel

Not so long ago stainless steel was a specialty steel. As with computers, customers had to be created by being taught and shown how to use it and what might be done to use it more abundantly to give them as well a competitive edge in their markets. The most important part of "the product" in those early days was not the steel itself but the design and application services provided by its chief manufacturer, Allegheny Ludlum Steel. Customers who were buying regular carbon steel, often more conveniently and in smaller quantities and with faster deliveries from local independent steel warehouses, now bought stainless steel quite willingly from the factory in larger quantities, with longer delivery times and no price shadings. They needed the factory's help on other matters more than the local warehouses' convenience.

In time, however, the independent warehouse market share of stainless steel rose. Allegheny Ludlum lost market share to competitors who sold more intensively through such warehouses. As in IBM's case, the customer, having been educated, no longer needed the supplier's attendant cluster of benefits -- or, at least, needed less of them. Selling had to become less marketing-oriented, in the traditional sense, and more vigorously product- and sales-oriented. The number of warehouses had to be expanded or mill inventories expanded so as to speed up deliveries. In selling, "who you know" became relatively more important than "what you know."

Allegheny Ludlum changed to a new mode. It cannot be said that it scuttled the marketing concept. Instead it adopted a new version, a new marketing mode to deal with different needs and pressures. It did not ignore the customer, did not try to shove down his throat what he did not want. It merely simplified and streamlined "the product" to the customer's new specifications. The marketing concept remained in healthy charge, only now it called for something different from what was becoming, in some places, a rigidly dogmatized version of what it should be. And it worked, like magic.

Chevrolet

Take, on the other hand, Chevrolet at General Motors. To read Alfred P. Sloan Jr.'s autobiographical My Years with General Motors, the advice one walks away with about running a successful company includes the idea that each item in the corporate product line should have a clearly distinctive identity, even though all the products are generically the same. "A car is a car," but not really. A Chevrolet was actually a low-priced entree car, built for youthful peppiness yet roomy enough for new-family practicality. Next came the Pontiac step-up, a clear rise on the ladder of its owner's maturity and success. The larger, sturdier, more impressive Buick was for the solidly achieving middle manager, solidly on the road to better things. The Oldsmobile confirmed the attainment of those better things, and the Cadillac of the best things. Everybody knew clearly whom the car was for and exactly what its possession signified.

But for nearly two decades Chevrolet has now successfully violated Sloan's sacred dicta. Its own line of cars is itself wider than the entire General Motors line during Sloan's remarkably successful tenure as its chief executive officer. Not only is it wider in the sizes and prices of its cars and the options it offers the customers for them, but it even has more brand names of its own than Sloan ever had for the entire corporation. Meanwhile, all General Motors divisions have expanded their lines (up and down) across each other's turfs,

and still the Chevrolet division does very well indeed, as does the entire corporation. And there's not the slightest whiff of evidence that it's a fragile castle built up momentarily out of sand.

Only a fool would argue that Chevrolet is not market-oriented or that General Motors is confused or has gone berserk. Certainly Alfred Sloan would approve, though his book implies the opposite. His book was written for times when cars were more important as symbols of attainment or expressions of aspirations. As the customer has changed, so has General Motors. And it's worked, like magic. Now even General Motors is proposing joint-venture production of subcompacts with Toyota. More magic.

Exxon/Gulf

Finally, contrast Exxon and Gulf in the late 1950s for final proof that not even the luck of sudden riches from beneath the Arabian sands can save one from the necessity of doing things right. Gulf, at that time the biggest beneficiary of all, opted for quick conversion of oil into cash. It vastly expanded its service station network throughout the United States, leasing new lands for grand new stations and, just as fast, leasing marginal old stations in declining places. It even created a subregular grade of gasoline, Gulftane, to be sold along with regular and supreme for a penny less than regular.

Exxon opted for the opposite. It stuck to a policy of careful new-site selection and systematic elimination of older and declining stations. It began to buy the land and buildings of its service stations, thus balancing one type of expanding fixed asset in distant lands with another type "at home" where land values were on a secular rise. Moreover, owning rather than leasing its retail outlets made it easier to modify them to the specifications with which it sought to attract more customers per outlet. It worked harder at selecting and training its service station attendants. And though, like Gulf, it acquired lots more stations, it did so by buying not individual stations but entire companies that were specifically in the retail gasoline vending business. These Exxon upgraded and gradually shifted over to its own brand.

Long before October 1973, when suddenly oil-in-the-ground nearly quadrupled in value, and even before increasing ownership participations and expropriations by the Arab countries had reduced the share of what was physically left in the ground, it became apparent to Gulf that it had made a major error. It proved more costly to sell, in small and declining stations, gasoline made from cheap crude than to sell, in larger, more efficient ones, gasoline made from more costly crude. That discovery was foretold long before by others. But what proved more costly than these expenses alone was the attendant destruction of customers. In this case, as opposed to General Motors, expanding the line downward (Exxon expanded it upward, with a super-premium) and expanding the types of stations and locations produced confusion both within Gulf and among its customers. What little serious brand preference there is among major-brand gasoline buyers almost totally vanished for Gulf. With the greatest cost in money and human spirit within the corporation, Gulf for a decade now has been trying to undo and redo what it did so fast in just a few years before. In the 1950s it suddenly did become obsessively product-oriented. And it worked, like magic, in the wrong direction.

These examples tell us something we all know but don't always practice in our thoughts and actions: that to refer to an organization's principal marketing policies and strategies is to refer to that organization's principal overall corporate policies and strategies; its principal overall corporate policies and strategies cannot be shaped absent serious marketing considerations; that there are stages in the evolution of markets that may require policies and strategies that appear, falsely, to be perversely product-oriented; but in all this variation and adjustment and oscillation there must be persistent, remorseless, unforgiving, overriding orderliness and logic, no matter how much things seem to be different or to change. This overriding orderliness is the logic of the marketing concept. The market calls the tune, and the players had better play it right.

...When people of affairs in their twilight years presume to tell all others "how to do it" by telling merely how they happen to have done it, they may be right for their particular one day of the year but not necessarily for the remaining 364. It may be that it takes a Copernicus or a Kepler to study the entire whole in order for the rest of us to understand the underlying order, the constants that the daily pressures of events keep us from recognizing as constants. Down there in the competitive ring, things seldom look as panoramically clear as up in the stands where the observers sit in detached comfort.

But the fact that things can't be seen so well by those in the ring does not suggest that what they say is any less true. Certainly it will be more keenly felt. Nothing is as bracing or as certain as what is directly experienced....The people of affairs, the practitioners out there who fight the bull, have fundamental wisdom. What they experience and feel in the difficult life of directing and managing organizations has to be respected. Only they know how it feels, but they know only how it feels in their particular circumstances and from the angle of vision provided them down there on the turf. Up here in the stands we know little of how it feels but perhaps a lot about how it looks, especially as compared with all the others down there on the turf. And from this comparison it is possible, though generally difficult, to know also what it means.

I see a constant that defines the best. It says that there can be no effective corporate strategy that is not marketing oriented, that does not in the end follow this unyielding prescript: The purpose of a business is to create and keep a customer. To do that, you have to do those things that will make people want to do business with you. All other truths on this subject are merely derivative.

Copyright © 1983, 1986 by The Free Press

MARKETING IMAGINATION, NEW, EXPANDED EDITION BY THEODORE M. LEVITT PDF

Download: MARKETING IMAGINATION, NEW, EXPANDED EDITION BY THEODORE M. LEVITT PDF

Book **Marketing Imagination, New, Expanded Edition By Theodore M. Levitt** is one of the valuable well worth that will certainly make you always abundant. It will not suggest as abundant as the cash give you. When some people have absence to face the life, individuals with numerous e-books often will be wiser in doing the life. Why should be book Marketing Imagination, New, Expanded Edition By Theodore M. Levitt It is actually not indicated that e-book Marketing Imagination, New, Expanded Edition By Theodore M. Levitt will give you power to get to everything. Guide is to read as well as exactly what we meant is guide that is checked out. You can likewise see exactly how guide entitles Marketing Imagination, New, Expanded Edition By Theodore M. Levitt and numbers of publication collections are offering below.

This book *Marketing Imagination, New, Expanded Edition By Theodore M. Levitt* is anticipated to be one of the very best seller publication that will make you really feel pleased to acquire and also review it for finished. As understood could typical, every publication will certainly have certain points that will make somebody interested a lot. Even it comes from the author, kind, content, and even the publisher. However, many individuals likewise take the book Marketing Imagination, New, Expanded Edition By Theodore M. Levitt based upon the motif and also title that make them surprised in. as well as right here, this Marketing Imagination, New, Expanded Edition By Theodore M. Levitt is quite suggested for you due to the fact that it has fascinating title and motif to read.

Are you truly a follower of this Marketing Imagination, New, Expanded Edition By Theodore M. Levitt If that's so, why don't you take this book now? Be the very first person that like as well as lead this book Marketing Imagination, New, Expanded Edition By Theodore M. Levitt, so you can get the factor and also messages from this publication. Never mind to be confused where to get it. As the other, we share the link to check out and also download and install the soft documents ebook Marketing Imagination, New, Expanded Edition By Theodore M. Levitt So, you could not carry the printed publication Marketing Imagination, New, Expanded Edition By Theodore M. Levitt all over.

MARKETING IMAGINATION, NEW, EXPANDED EDITION BY THEODORE M. LEVITT PDF

Since its publication in 1983, The Marketing Imagination has been widely praised as the classic, all-inclusive "Levitt on Marketing" Now Theodore Levitt - renowned as the Harvard Business School's "guru of marketing" - has newly expanded his original work to recap the developing globalization debate and to respond to his critics. He has also added his famed McKinsey Award-winning essay "Marketing Myopia" and included detailed accounts of how to maximize the product life cycle and achieve the delicate balance between innovation and imitation. As before, this new edition of The Marketing Imagination shows Levitt at his best - sharp, knowledgeable, erudite, and, yes, as imaginative as ever.

- Sales Rank: #332098 in Books
- Published on: 1986-04-21
- Released on: 1986-04-21
- Original language: English
- Number of items: 1
- Dimensions: 9.25" h x .90" w x 6.12" l, .70 pounds
- Binding: Paperback
- 238 pages

Review
Philip Kotler Northwestern University Ted Levitt's name is synonymous with marketing. His writings consistently offer rich insights served up in a souffle of good style. In The Marketing Imagination, Levitt takes the reader through some important new concourses in the marketing world that he has explored deeply during this decade.

The Wall Street Journal MBAs everywhere encounter Ted Levitt's name on their required-reading lists, and it is likely to remain there long after experts on Japanese management, one-minute management and high-output management finally drop from the bestseller lists. The Marketing Imagination is a much-needed reminder of the ideals to which managers should bind their ambitions.

Newsday Ted Levitt is the best marketing mentor around...The Marketing Imagination is guaranteed to provoke controversy. It's a crackling text...every argument it stirs will be worthwhile.

Tom Brown Honeywell, Inc. A book for everyone in business. It is provocative and challenging.

Industry Week Ted Levitt's literate, thoughtful treatment takes the reader from the broadest theoretical concepts to specific how-to pointers.

Atlanta Constitution and Journal Marketers will eventually have to learn the lessons of The Marketing Imagination or risk a career change.

About the Author

Theodore Levitt is Editor of the Harvard Business Review and Edward W. Carter Professor of Business Administration at the Harvard Business School. One of the most widely read and respected figures in marketing, he is a four-time winner of the annual McKinsey Award for the best article in the Harvard Business Review.

Excerpt. © Reprinted by permission. All rights reserved.
Chapter 1

Marketing and the Corporate Purpose

Nothing in business is so remarkable as the conflicting variety of success formulas offered by its numerous practitioners and professors. And if, in the case of practitioners, they're not exactly "formulas," they are explanations of "how we did it," implying with firm control over any fleeting tendencies toward modesty that "that's how you ought to do it." Practitioners, filled with pride and money, turn themselves into prescriptive philosophers, filled mostly with hot air.

Professors, on the other hand, know better than to deal merely in explanations. We traffic instead in higher goods, like "analysis," "concepts," and "theories." In short, "truth." Filled with self-importance, we turn ourselves hopefully into wanted advisers, consultants filled mostly with woolly congestion.

I do not wish to disparage either, but only to suggest that these two legitimately different and respectable professions usually diminish rather than enhance their reputations when intruding too much or with too little thought on each other's turf.

How often have we heard executives of venerable age and high repute or entrepreneurs flushed with recent wealth pronounce with lofty certainty and imperial rectitude exactly what produces business success? All they really tell, however, in cleaned-up retrospection, is the story of how they themselves happen to have done it. Listen to ten, and you'll generally get ten different pieces of advice.

Listen to ten professors, and you'll generally get advice by some multiple of ten. The difference is not that professors believe more firmly in abundance. Rather, besides teaching, professors are also paid to think. Hence, lacking direct experience, each is likely to think up several different ways to get to the same place. People of affairs are paid merely to get there, and it is almost certain that when they do they'll think the only way there is the one they have taken, even when their neighbors got there by a different route.

On this score, people of affairs are scarcely unique. Consider the many versions we have heard from successful novelists of the "right way" to work: Sit down and get started, don't wait for inspiration; write when you're ready, not when the schedule says so; write from dawn till noon; write from dusk till dawn; always write in the same place; never stick to the same place for long; write only about what you know, don't invent; only invent, all else is mere confusion. The expert at doing things, obviously, is not reliably expert in either understanding what he does or why it works, certainly not in giving consistently good advice.

As a certified academic who is paid, however paltry the sum, to think, teach, and advise about the practices of those in practical work, of one thing I am totally convinced: the healthy state of business practice in the capitalist democracies. The state of business practice reflects the quality of the executive mind and its effective commitment to the purposes of business itself.

The modern executive mind is in very good condition indeed, especially in the larger and, usually therefore, global corporations. Indeed, awed admiration is what any intelligent and fair-minded analyst will come away

with when he studies the large corporation of our times. For he will note its extraordinary efficiency, flexibility, agility, and internal diversity; the dedication and remarkable good spirits of its vast variety of employees; its attention to quality in what it does and to fairness in how it behaves; and the studiousness with which it approaches major undertakings. Notwithstanding all the self-righteousness parading of unpleasant contrary facts these days, no institution of any size or diversity, whether government or private, taking any reasonable combination of desirable attributes, can come anywhere near the large corporations of the modern capitalist democracies. Nor is this merely a matter of their having a head start historically. Fortune's list of "Top 500" U.S. manufacturing corporations changes constantly, as does the list of top financial institutions. Federal Trade Commission studies of "industrial concentration" repeatedly show shifting patterns of leadership in one industry sector after another.

Obviously, being ahead or having gotten a head start counts for not a lot within America's little corner of the capitalist world. But the parallel fact that everywhere the capitalist corporations, as a group, are widening their lead over their lagging imitators in the noncapitalist world is extraordinarily significant. It means that being capitalistic gives them a genetic edge. Capitalism simply works better, and anybody who argues the opposite does just that. He argues. He simply doesn't have the facts.

One of the most interesting of these facts is that those who seek to catch up with the more advanced and achieving institutions of our times invariably seek to do it by some sort of selective imitation of the modern capitalist corporations. ("We'll take your best and ignore the rest.") Traffic in the opposite direction is negligible or nonexistent. Nothing could be more unmistakably meaningful. Nothing is more flattering to capitalism's protean prowess.

Even where this imitation now has a long history, having been generously helped with facilitating patents, designs, machines, control systems, technicians-on-loan, cash, whole factories supplied by the capitalist corporations -- as they have been in Soviet Russia ever since Lenin's New Economic Policy first imported Henry Ford in 1923 -- even when helped with the latest methods and technologies, the beneficiaries quickly fall behind again into inefficiency, sloth, and irrelevance. Why, one must ask, after more than half a century of eager (if grudging) imitation and girls of capitalist technologies in the factories and on the farms have the Soviets fallen with uncomprehending frustration ever farther behind? Even their much-vaunted advanced fighter plane recently defected to Japan turned out to be advanced only in its packaging. At least they learned that much from us -- the importance of packaging. This constant failure of helpful imitation to take hold persists also in nations with feudal military dictatorships and in the false democracies of South America, Southeast Asia, and now deimperialized Africa.

By what magic do the large corporations of the capitalist democracies work so well? Is it simply that they're capitalist, that they operate in democratic political environments, or some combination of the two? Or what?

The combination is crucial, emphatically. Being capitalist means the liberating absence of the feudal incubus, traditions that fetter people to their assigned masters rather than to their own chosen purposes. Operating in political democracies means the likelihood of public resistance to constantly advancing governmentalization of society, some reasonable probabilities against a constantly expanding and suffocating bureaucratization of the entire polity. (It is instructive, I think, to note that no dictatorship or tyranny has ever been voted in by people. People, however humble, however limited their education, quite naturally and sensibly resist Caesarism, however elegantly it may be packaged or differently presented.)

Nor is it any more presumed to be a reactionary cliché to say these things, as it once was in Western liberal intellectual circles. The cliché has now become the dismal, tragic truth. The firm belief, held by generations of intelligent and informed idealists, that justice and equality could be wedded through the ministrations of

public servants working with diligent selflessness at control central has come a cropper. It's now obvious that the future simply has not worked -- not for Robert Owen, Karl Marx, Rosa Luxemburg, Sydney and Beatrice Webb, Rexford Guy Tugwell, or Oscar Lange, not even for Fidel Castro or Lyndon Baines Johnson.

What seems somehow to work best is something we call private enterprise and the free market system of economic organization operating in a political environment we call "representative democracy."

Unfortunately, this explanation is not the whole of it. Although, as we have seen, business enterprises in the modern capitalist democracies as a group outperform all other such enterprises operating under different conditions of political and economic organization, we also have seen that the distribution of this superiority is not symmetrical. Some firms prosper more than others. Some lag, wither, and even die. As I've suggested, the explanations of the superior performance that we commonly get from the most successful practitioners of capitalist enterprise, though perhaps quite accurate in themselves, are seldom more than confessions of particular experiences, offering no comparison with the experiences of others and devoid of serious analytical content. What they lack, moreover, in generality they often compensate with pomposity.

Professors also know something of the ways of pomposity, especially in the line of literary obfuscation masquerading as wisdom. They have dispensed some genuine wisdom as well, particularly about the special reasons why fairly free capitalist enterprises operating in relatively open markets vary in performance and about the characteristics associated with varying degrees of failure and success. That wisdom is, in fact, of relatively recent origin. Essentially it sets forth no more than the following few simple statements about the requisites of competitive success:

1. The purpose of a business is to create and keep a customer.

2. To do that you have to produce and deliver goods and services that people want and value at prices and under conditions that are reasonably attractive relative to those offered by others to a proportion of customers large enough to make those prices and conditions possible.

3. To continue to do that, the enterprise must produce revenue in excess of costs in sufficient quantity and with sufficient regularity to attract and hold investors in the enterprise, and must keep at least abreast and sometimes ahead of competitive offerings.

4. No enterprise, no matter how small, can do any of this by mere instinct or accident. It has to clarify its purposes, strategies, and plans, and the larger the enterprise the greater the necessity that these be clearly written down, clearly communicated, and frequently reviewed by the senior members of the enterprise.

5. In all cases there must be an appropriate system of rewards, audits, and controls to assure that what's intended gets properly done and, when not, that it gets quickly rectified.

Not so long ago a lot of companies assumed something quite different about the purpose of a business. They said quite simply that the purpose is to make money. But that proved as vacuous as saying that the purpose of life is to eat. Eating is a requisite, not a purpose of life. Without eating, life stops. Profits are a requisite of business. Without profits, business stops. Like food for the body, profit for the business must be defined as the excess of what comes in over what goes out. In business it's called positive cash flow. It has to be positive, because the process of sustaining life is a process of destroying life. To sustain life, a business must produce goods and services that people in sufficient numbers will want to buy at adequate prices. Since production wears out the machinery that produces and the people who run and manage the machines, to keep the business going there's got to be enough left over to replace what's being worn out. That "enough" is

profit, no matter what the accountants, the IRS, or the Gosplan calls it. That is why profit is a requisite, not a purpose of business.

Besides all that, to say that profit is a purpose of business is, simply, morally shallow. Who with a palpable heartbeat and minimal sensibilities will go to the mat for the right of somebody to earn a profit for its own sake? If no greater purpose can be discerned or justified, business cannot morally justify its existence. It's a repugnant idea, an idea whose time has gone.

Finally, it's an empty idea. Profits can be made in lots of devious and transient ways. For people of affairs, a statement of purpose should provide guidance to the management of their affairs. To say that they should attract and hold customers forces facing the necessity of figuring out what people really want and value, and then catering to those wants and values. It provides specific guidance and has moral merit.

Something over twenty years ago this new way of thinking about business purposes led the more enlightened businesses slowly to distinguish operationally between marketing and selling, just as they now also distinguish between budgeting and planning, between long-range planning and strategic planning, between personnel management and human resources planning, between accounting and finance, between profit and cash flow, between the expected rate of return on investment and the present value of that expected rate of return.

All these are remarkably recent notions, few more than a generation old, developed mostly in our own lifetime. The most effective enterprises tend generally to practice them most conscientiously. They make a difference.

But of all these, the most powerful is the idea of marketing and the marketing view of the business process: that the purpose of a business is to create and keep a customer. There can be no corporate strategy that is not in some fundamental fashion a marketing strategy, no purpose that does not respond somehow to what people are willing to buy for a price. An asset consists of its capacity to generate revenue, either directly by its sale or by the sale of what it helps, finally, to produce. Even a quick, opportunistic raid on Wall Street has an underlying marketing rationale: that there's unrecognized or potential value greater than the value currently seen by others. The value is the asset, and that consists of its revenue-generating capability.

Indeed, those who usually consider themselves farthest removed from the unsavory business of sales and marketing are often its most ardent practitioners. One need only to observe the constant competitive jockeying among Wall Street firms to determine exactly where their names will appear on the printed syndication lists of underwritings. Why, if not for its future revenue-producing value, does so much genteel intrigue occupy the time of such self-consciously proper investment bankers? Even more telling is the Wall Street assumption about the importance of flattery and obsequiousness in its relations with gigantic corporate customers. Special brass-plated, unnumbered side doors quietly admit the impressionable bigwigs with especially sought-after investment banking accounts. Heavily starched linen tablecloths, Waterford crystal, and imported chefs once apprenticed to Paul Bocuse characterize the opulent private dining rooms from which clients and prospective clients may enjoy spectacular views of the bustling city far down below. The packaging in which investment banking firms present themselves to their clients gets all the concentrated care that goes into packaging such other comparably hustled products as toiletries for the teeming masses.

Both practices endure because both work. Both customers buy hopeful expectations, not actual things. The ability to satisfy those expectations is more effectively communicated by the packaging than by simple generic description of what's in the package. Feelings are more important than feeling. How we feel about a car is more important than how the car feels. And so it should be, especially when we consider that in the

most important decisions of life, like marriage, for example, we mostly decide on the basis of not the cold figures in our intended's balance sheet but our warm feelings about our intended's figure.

There is, however, a problem. In my 1960 manifesto, "Marketing Myopia," marketing was elevated to a kind of corporate consciousness-raising. It asserted the intentionally narrow proposition that all energies should be directed toward satisfying the consumer, no matter what. The rest, given reasonable good sense, would take care of itself. Nine years later, the manifesto having done its intended work, I offered a more conciliatory and sensible proposition: "The Marketing Matrix." It incorporated some of the more broadly based wisdom about the corporate purpose that I've implied here, specifically, the need to balance, at some acceptable level of risk, the conditions of the external environment (customers, competition, government, and society) with the conditions of the internal environment (resources, competences, options, and wishes).

In "The Marketing Matrix," I asserted that early decline and certain death are the fate of companies whose policies are geared totally and obsessively to their own convenience at the total expense of the customer. The last of some twenty-five criteria offered to describe such companies was: "In setting your company goals, always set the standard in terms of production volume, revenues, profits, and expanded stockholder equity. Never state them also in terms of market factors, customer-need fulfillment, customer-service objectives, or market targets." In the matrix, the first part of this quoted example rated the top ranking of 9 on a nine-point scale of policies oriented entirely to the convenience of the company. The second part of this quoted example ("Never state them also in terms of market factors, customer need fulfillment" etc.) ranked a minimal 1 on a nine-point scale of policies oriented to the customer. This statement described, in short, a "9,1" company. There were examples also of "1,9" companies, "5,5" companies, and "9,9" companies. (The last were hard to find and as hard to imagine. Nobody can be that virtuous, not even under expert professorial guidance.)

The problem with the marketing concept was half-suggested in my chapter, "The Limits of the Marketing Concept," which followed directly after the matrix chapter. I am now about to drop the other shoe and suggest the remaining half of what is wrong with it....

In November 1976 IBM finally unveiled its first venture into the world of minicomputers -- officially called Series/1. It did precisely what "Marketing Myopia" said it should: If customers prefer something that competes with your own offering, it is far more sensible for you to give it to them than to let competitors do it. It's better to participate in the destruction of your own market than to let it all be done by others. "Creative destruction," I called it, stealing that ringing phrase from Joseph Schumpeter, who was safely in the grave.

IBM was not the first company to enter the commercial computer business. It was, in fact, a particularly late latecomer. But in what seemed like no time, it captured at least 80 percent of the mainframe segment of what in 1976 was a $20 billion industry. It did so largely by being a singularly dedicated and spectacularly effective marketing company. Right through 1976, in its entire history this master symbol of modern science and technology had never had more than two senior executives who had not come up the organizational ladder primarily via the marketing route; and in that entire history, only one was a scientist. The master symbol of twentieth-century science and technology succeeded largely because of its marketing prowess, claims for the singular advantage imparted by the Forrester memory drum notwithstanding. It had industry managers who developed marketing plans, sales programs, and sales training for specifically targeted industries and companies in them. Its salesmen were as specialized in the industries to which they were assigned to sell as in the hardware they offered for sale. It bundled the software right into the product offering at a single set price, so that the customer was assured that the equipment would indeed be programmed to do the promised job. It designated installation facilities for the customer, redesigned his entire data collection and reporting systems, trained his data processing people, took the shakedown cruise, and then later developed new EDP applications to help the client even more. In the process the client became

an even bigger and more dependent customer. Meanwhile the customer had the option of paying the single nonnegotiable price either by paying outright for everything or by leasing it with virtually no punitive cancellation provisions. If ever there was a thoroughgoing marketing-oriented professional organization, it was IBM. And it worked like magic.

But in November 1976, with Series/1, all that was chucked. The sales force was made product-oriented rather than customer- and application-oriented. It became a dedicated sales force, dedicated to selling Series/1 hardware, and that's it. No special customer help. Sell, sell, sell to everybody on the landscape. And no more leasing options. Cash on the barrelhead, that's all, in spite of the fact that IBM's easy financial capability of offering the lease option had long given it a powerful competitive edge.

Series/1 is clearly a case of creative destruction -- competing with yourself in order to save yourself. Nothing is really new about that. But abandoning marketing, sales, and pricing practices that had proved so effective for almost totally opposite practices, that's new.

That same week in November 1976 Business Week's lead article on Revlon, Inc., had the following headline and subhead: "Management Realists in the Glamour World of Cosmetics: Flair and flamboyance yield to controls, budgets, planning." We all know enough to guess from that what was in the article. We should also know that in the first year of an entirely new operating style, one that substituted management for mystique, sales rose 18 percent and profits 16 percent. Nine months into the next year sales were up another 23 percent and earnings 25 percent.

Just as successful managers and entrepreneurs who presume to give advice to all others on the basis of their own limited experiences are likely to give advice of limited relevance or utility, so do professors of business administration when their ideas become as rigid as other people's experiences. Series/1 switched to product-orientedness because conditions changed. In the Series/2 family (which was sure to come), customer- and application-orientedness once again became competitively appropriate. Likewise, who is to say that Revlon, no matter how big it gets, will be able always to function effectively and prosperously under its new managerial dispensation? Maybe for some purposes miscegenation will become the mode. In the words of Richard Barrie, the new president of Faberge Inc., "Somewhere along the line the industry has to shake off the old idea of management by mystique, yet still retain the mystique in its marketing." Who's to say?

The world of competitive enterprises openly facing each other in open markets is clearly a world of constant change. The marketing concept alerts us to this fact with the prescriptive injunction that to keep up requires studying and responding to what people want and value, and quickly adjusting to choices provided by competitors. It alerts us especially to the fact that competition often comes from outside the industry in which it finally occurs. Deeply implanted in these ideas is the notion that nothing is more important than the customer. The customer is, once more, King.

Suddenly IBM said in 1976 something that appeared quite different: "Be product-, not customer-oriented." Revlon appears to say, "Run the company, don't just run after the customer." And they're both obviously right. Being a "1,9" company (little company-oriented, highly customer-oriented) doesn't really work. Nor does being a "9,1" company. "9,9" is probably impossible, and "5,5" is probably an invitation to get outflanked on all sides.

The problem with the marketing concept, like all concepts in business, "laws" in physics, theories in economics, and all philosophies and ideologies, is a persistent tendency toward rigidity. They get dogmatized, interpreted into constantly narrower and inflexible prescriptions. In the case of the marketing concept, this is especially dangerous because of marketing's centrality in shaping the purposes, strategies,

and tactics of the entire organization.

There is not, and cannot be, any rigid and lasting interpretation of what the marketing concept means in the specific ways a company should operate at any given time. Consider the cases of IBM and Revlon once again, and others.

IBM

In Series/l, as in its original entry into the computer business, the company was an imitator, a follower of others that preceded it by many years into the market with the product. But when the computer was a relatively new idea, its manufacturers knew a great deal more about its potential uses and usability than its potential users. The needs of potential users for the product had to be converted into wants. For wants to become purchases, the purchasers had to be carefully educated and guided to the product's uses. IBM had to educate its own sales people in the businesses to which they were to sell. All this was not so different from the creation of a mass market for eye shadow and eye liners just a decade ago. The big cosmetics houses had to establish demonstration counters in the stores to teach women how to use the product.

But once educated, either by the seller or by the mushrooming number of independent schools and courses available elsewhere as the markets expanded, the customer became able to make his own decisions about what he needed and how to use it. Thus the more successful the sellers became in teaching their prospects to want and use their products, the less dependent their users became on their sellers. In the first instance, "the product" being sold was a complex cluster of value satisfactions that included education, training, hands-on help, continuing advice, and quick availability for emergency situations. Later, in maturity, as the customer became more sophisticated, "the product" by definition became much simpler. It became, if not exactly a commodity, certainly not a complex cluster of things. It became, simply, a computer; simply an elegant little dish of eye shadow.

But more. As the computer got involved in more things in the corporation (largely at first with the suggested help of its manufacturers, and later more and more with the help of internal specialists in the user organization), it became a hard-to-manage monster. Different users within the organization made different and often conflicting demands on it. It became a continuing battle as to how to charge different departments and individuals for its use and for the accompanying software, which proved increasingly costly. All this finally created a market for the minicomputer. A corporate department, division, or even individual could now have his own small computer, programmed or programmable the way he wanted it. The invention of integrated circuits and then microprocessors turned a trickle into a flood.

With customers as sophisticated about the product as its sellers, with equipment costs low, and with strongly established competing sellers, the properly marketing-oriented thing for IBM to have done was precisely what it did: sell the simple hardware hard, without the attendant beneficiating clusters of the past. And it worked, like magic, just as did the personal computer a few years later.

Revlon

As one finally lays down Andrew Tobias's book about the bizarre, coruscating career of Charles Revson, Fire and Ice: The Story of Charles Revson, The Man Who Built the Revlon Empire, it is clear enough that toward the end Revson himself began to wonder about the fickle feudal terror with which he ran his empire. His escalating ad hominum hatred of his competitors merely mirrored his uncertainties about his managerial methods. When finally, after several shatteringly disastrous trials with managers of a different breed, he bought Michel C. Bergerac, the elegant French-born head of International Telephone and Telegraph

Corporation's European operations, he set into motion at Revlon precisely the same kind of transformation that characterized Series/1. So urgently did Revson feel the need that he paid Bergerac $1.5 million just for signing up with Revlon, added a five-year contract for a salary of $325,000 a year, and three-year options for 70,000 shares of stock.

The problem was that competition had become more professionalized, with some of the biggest cosmetics houses having been sold to drug and package-goods companies. The regulatory climate had become tougher. Distribution costs suddenly rose sharply, with competition making it harder to get compensating price rises. The tonnage of what moved out the factory gates suddenly became as crucial as the tone of its colors. Bergerac, whose Continental suaveness assuaged Revlon's hard-eyed glamour merchants, also earned their respect for his ITT management methods. No longer did the merchandising tail so vigorously wag the management dog -- things were just as they should be. And it worked, like magic, more recent setbacks not withstanding.

Allegheny Ludlum Steel

Not so long ago stainless steel was a specialty steel. As with computers, customers had to be created by being taught and shown how to use it and what might be done to use it more abundantly to give them as well a competitive edge in their markets. The most important part of "the product" in those early days was not the steel itself but the design and application services provided by its chief manufacturer, Allegheny Ludlum Steel. Customers who were buying regular carbon steel, often more conveniently and in smaller quantities and with faster deliveries from local independent steel warehouses, now bought stainless steel quite willingly from the factory in larger quantities, with longer delivery times and no price shadings. They needed the factory's help on other matters more than the local warehouses' convenience.

In time, however, the independent warehouse market share of stainless steel rose. Allegheny Ludlum lost market share to competitors who sold more intensively through such warehouses. As in IBM's case, the customer, having been educated, no longer needed the supplier's attendant cluster of benefits -- or, at least, needed less of them. Selling had to become less marketing-oriented, in the traditional sense, and more vigorously product- and sales-oriented. The number of warehouses had to be expanded or mill inventories expanded so as to speed up deliveries. In selling, "who you know" became relatively more important than "what you know."

Allegheny Ludlum changed to a new mode. It cannot be said that it scuttled the marketing concept. Instead it adopted a new version, a new marketing mode to deal with different needs and pressures. It did not ignore the customer, did not try to shove down his throat what he did not want. It merely simplified and streamlined "the product" to the customer's new specifications. The marketing concept remained in healthy charge, only now it called for something different from what was becoming, in some places, a rigidly dogmatized version of what it should be. And it worked, like magic.

Chevrolet

Take, on the other hand, Chevrolet at General Motors. To read Alfred P. Sloan Jr.'s autobiographical My Years with General Motors, the advice one walks away with about running a successful company includes the idea that each item in the corporate product line should have a clearly distinctive identity, even though all the products are generically the same. "A car is a car," but not really. A Chevrolet was actually a low-priced entree car, built for youthful peppiness yet roomy enough for new-family practicality. Next came the Pontiac step-up, a clear rise on the ladder of its owner's maturity and success. The larger, sturdier, more impressive Buick was for the solidly achieving middle manager, solidly on the road to better things. The Oldsmobile

confirmed the attainment of those better things, and the Cadillac of the best things. Everybody knew clearly whom the car was for and exactly what its possession signified.

But for nearly two decades Chevrolet has now successfully violated Sloan's sacred dicta. Its own line of cars is itself wider than the entire General Motors line during Sloan's remarkably successful tenure as its chief executive officer. Not only is it wider in the sizes and prices of its cars and the options it offers the customers for them, but it even has more brand names of its own than Sloan ever had for the entire corporation. Meanwhile, all General Motors divisions have expanded their lines (up and down) across each other's turfs, and still the Chevrolet division does very well indeed, as does the entire corporation. And there's not the slightest whiff of evidence that it's a fragile castle built up momentarily out of sand.

Only a fool would argue that Chevrolet is not market-oriented or that General Motors is confused or has gone berserk. Certainly Alfred Sloan would approve, though his book implies the opposite. His book was written for times when cars were more important as symbols of attainment or expressions of aspirations. As the customer has changed, so has General Motors. And it's worked, like magic. Now even General Motors is proposing joint-venture production of subcompacts with Toyota. More magic.

Exxon/Gulf

Finally, contrast Exxon and Gulf in the late 1950s for final proof that not even the luck of sudden riches from beneath the Arabian sands can save one from the necessity of doing things right. Gulf, at that time the biggest beneficiary of all, opted for quick conversion of oil into cash. It vastly expanded its service station network throughout the United States, leasing new lands for grand new stations and, just as fast, leasing marginal old stations in declining places. It even created a subregular grade of gasoline, Gulftane, to be sold along with regular and supreme for a penny less than regular.

Exxon opted for the opposite. It stuck to a policy of careful new-site selection and systematic elimination of older and declining stations. It began to buy the land and buildings of its service stations, thus balancing one type of expanding fixed asset in distant lands with another type "at home" where land values were on a secular rise. Moreover, owning rather than leasing its retail outlets made it easier to modify them to the specifications with which it sought to attract more customers per outlet. It worked harder at selecting and training its service station attendants. And though, like Gulf, it acquired lots more stations, it did so by buying not individual stations but entire companies that were specifically in the retail gasoline vending business. These Exxon upgraded and gradually shifted over to its own brand.

Long before October 1973, when suddenly oil-in-the-ground nearly quadrupled in value, and even before increasing ownership participations and expropriations by the Arab countries had reduced the share of what was physically left in the ground, it became apparent to Gulf that it had made a major error. It proved more costly to sell, in small and declining stations, gasoline made from cheap crude than to sell, in larger, more efficient ones, gasoline made from more costly crude. That discovery was foretold long before by others. But what proved more costly than these expenses alone was the attendant destruction of customers. In this case, as opposed to General Motors, expanding the line downward (Exxon expanded it upward, with a super-premium) and expanding the types of stations and locations produced confusion both within Gulf and among its customers. What little serious brand preference there is among major-brand gasoline buyers almost totally vanished for Gulf. With the greatest cost in money and human spirit within the corporation, Gulf for a decade now has been trying to undo and redo what it did so fast in just a few years before. In the 1950s it suddenly did become obsessively product-oriented. And it worked, like magic, in the wrong direction.

These examples tell us something we all know but don't always practice in our thoughts and actions: that to

refer to an organization's principal marketing policies and strategies is to refer to that organization's principal overall corporate policies and strategies; its principal overall corporate policies and strategies cannot be shaped absent serious marketing considerations; that there are stages in the evolution of markets that may require policies and strategies that appear, falsely, to be perversely product-oriented; but in all this variation and adjustment and oscillation there must be persistent, remorseless, unforgiving, overriding orderliness and logic, no matter how much things seem to be different or to change. This overriding orderliness is the logic of the marketing concept. The market calls the tune, and the players had better play it right.

...When people of affairs in their twilight years presume to tell all others "how to do it" by telling merely how they happen to have done it, they may be right for their particular one day of the year but not necessarily for the remaining 364. It may be that it takes a Copernicus or a Kepler to study the entire whole in order for the rest of us to understand the underlying order, the constants that the daily pressures of events keep us from recognizing as constants. Down there in the competitive ring, things seldom look as panoramically clear as up in the stands where the observers sit in detached comfort.

But the fact that things can't be seen so well by those in the ring does not suggest that what they say is any less true. Certainly it will be more keenly felt. Nothing is as bracing or as certain as what is directly experienced....The people of affairs, the practitioners out there who fight the bull, have fundamental wisdom. What they experience and feel in the difficult life of directing and managing organizations has to be respected. Only they know how it feels, but they know only how it feels in their particular circumstances and from the angle of vision provided them down there on the turf. Up here in the stands we know little of how it feels but perhaps a lot about how it looks, especially as compared with all the others down there on the turf. And from this comparison it is possible, though generally difficult, to know also what it means.

I see a constant that defines the best. It says that there can be no effective corporate strategy that is not marketing oriented, that does not in the end follow this unyielding prescript: The purpose of a business is to create and keep a customer. To do that, you have to do those things that will make people want to do business with you. All other truths on this subject are merely derivative.

Copyright © 1983, 1986 by The Free Press

Most helpful customer reviews

0 of 0 people found the following review helpful.
Five Stars
By Rafaela Santos
Great book!

5 of 5 people found the following review helpful.
A Prescient Marketing Philosopher
By Dan Wallace
Ted Levitt, along with Peter Drucker and John McKittrick, conceived of the marketing concept: In short, that the purpose of business is to create and keep satisfied customers-- with profit being the reward for doing this. Early on Levitt also saw the importance of globalization, technology and brands. In The Marketing Imagination, published in 1982, Levitt predicted an ongoing global convergence toward simplicity, standardization, reliable brands, and low prices. All of this came true.

Levitt was also an early proponent of design and the importance of intangibles in marketing, particularly for the growing sector of services. He wrote, " Common sense tells us, and research confirms, that people use appearances to make judgements about realities." He further said, "Expectations are what people buy, not

things."

He rightly described business transactions as a relationship, and he showed the natural tendency for people to take relationships for granted over time. Specifically, he cited surprise and bad forecasts and signs of a bad relationship. He said this entropic tendency must be consciously counteracted.

In the chapter The Marketing Imagination, which is also the title of the book, he urges businesses to take risks, innovate, and focus on meaningful differentiation. He also warned of the limits of low price and financial innovation as strategies. He starts the chapter with, "Nothing drives progress like imagination. The ideas precede the deed." Then he encourages leaders to boil strategy down to a few simple and clearly written sentences.

In the chapter, Marketing Myopia, Levitt cautions that the greatest dangers come at the point of the greatest success. He cites the decline of railroads, dry cleaning, corner grocery stores, and the disruption television wrought on the movie industry. He also prophetically warned the Detroit auto industry of future trouble if it did not switch its focus from cars to customers. This chapter, which was also the title of a famous article in the Harvard Business Review, reminds us of the ongoing creative destruction of capitalism, and the penalties of hubris and self-satisfaction.

Levitt ends with a discussion of how to manage products during the product lifecycle. He warns of the difficulty of introducing new-to-this-world products, and the need to ensure that the customers' first experience with new products are positive. And since innovation is eventually followed by imitation, he talks about the importance of competing by increasing the frequency of usage, introducing varied uses, finding new users, and developing new uses.

This is a classic marketing text by a deep thinker. He rambles on from time to time, but the detours is worth it. My biggest aha from the book was that low price and brands will win in the end, since money is limited and people naturally avoid risk. This has come to pass. Brands provide scale that leads to low price, and brand reassure customers by reducing risk.

Like Peter Drucker, Ted Levitt is a business philosopher. This book may be more than 25 years old, but like Innovation and Entrepreneurship, the ideas are evergreen. It was good to revisit this book and write this review.

13 of 13 people found the following review helpful.
A must for those new to marketing and for the old hands too!
By A Customer
I read Ted Levitt's awesome article 'Marketing Myopia' some years ago and promised myself then that I would find out more about the thoughts of this unique writer. This man is a Guru of the old school - shoulder to shoulder with the likes of Deming, Drucker and Mintzberg. He is referenced by Tom Peters and other 'modern' writers. As a non-marketeer I did not know quite what to expect - what I got was an (at times breathtaking) insight into areas of the marketing 'black art' that I didn't know existed! He covers Relationships, Service, Product lifecycles, Differentiation and much more. He writes with such style and passion for his subject that you cannot help but be infected by it. Anecdotes of marketing genius and stupidity are peppered throughout the book. Key words, concepts and phrases are repeated over and over, to the point that the words hit you like a blunt instrument. You don't forget them - you wouldn't dare! Some parts are quite detailed and technical, but your attention cannot wane lest you miss the next part of the roller coaster ride. This is an old book of old articles, but the ideas are as fresh as ever - seasoned marketeers should read it just to recharge their enthusiasm if nothing else. Levitt uses several metaphors to illustrate his

ideas - the most prevalent being sex. At times I found this to be a bit irritating but it was always used with taste and humour which mitigated my irritability. I first got this book from the library and had to own one - Levitt is the Stephen Hawking of Marketing - buy it, read it ENJOY.

See all 15 customer reviews...

MARKETING IMAGINATION, NEW, EXPANDED EDITION BY THEODORE M. LEVITT PDF

The visibility of the online publication or soft file of the **Marketing Imagination, New, Expanded Edition By Theodore M. Levitt** will ease individuals to obtain the book. It will likewise save more time to just search the title or writer or publisher to get till your publication Marketing Imagination, New, Expanded Edition By Theodore M. Levitt is exposed. Then, you could visit the link download to check out that is offered by this internet site. So, this will be a very good time to start enjoying this book Marketing Imagination, New, Expanded Edition By Theodore M. Levitt to check out. Consistently good time with book Marketing Imagination, New, Expanded Edition By Theodore M. Levitt, consistently good time with cash to spend!

Review
Philip Kotler Northwestern University Ted Levitt's name is synonymous with marketing. His writings consistently offer rich insights served up in a souffle of good style. In The Marketing Imagination, Levitt takes the reader through some important new concourses in the marketing world that he has explored deeply during this decade.

The Wall Street Journal MBAs everywhere encounter Ted Levitt's name on their required-reading lists, and it is likely to remain there long after experts on Japanese management, one-minute management and high-output management finally drop from the bestseller lists. The Marketing Imagination is a much-needed reminder of the ideals to which managers should bind their ambitions.

Newsday Ted Levitt is the best marketing mentor around...The Marketing Imagination is guaranteed to provoke controversy. It's a crackling text...every argument it stirs will be worthwhile.

Tom Brown Honeywell, Inc. A book for everyone in business. It is provocative and challenging.

Industry Week Ted Levitt's literate, thoughtful treatment takes the reader from the broadest theoretical concepts to specific how-to pointers.

Atlanta Constitution and Journal Marketers will eventually have to learn the lessons of The Marketing Imagination or risk a career change.

About the Author
Theodore Levitt is Editor of the Harvard Business Review and Edward W. Carter Professor of Business Administration at the Harvard Business School. One of the most widely read and respected figures in marketing, he is a four-time winner of the annual McKinsey Award for the best article in the Harvard Business Review.

Excerpt. © Reprinted by permission. All rights reserved.
Chapter 1

Marketing and the Corporate Purpose

Nothing in business is so remarkable as the conflicting variety of success formulas offered by its numerous practitioners and professors. And if, in the case of practitioners, they're not exactly "formulas," they are explanations of "how we did it," implying with firm control over any fleeting tendencies toward modesty that "that's how you ought to do it." Practitioners, filled with pride and money, turn themselves into prescriptive philosophers, filled mostly with hot air.

Professors, on the other hand, know better than to deal merely in explanations. We traffic instead in higher goods, like "analysis," "concepts," and "theories." In short, "truth." Filled with self-importance, we turn ourselves hopefully into wanted advisers, consultants filled mostly with woolly congestion.

I do not wish to disparage either, but only to suggest that these two legitimately different and respectable professions usually diminish rather than enhance their reputations when intruding too much or with too little thought on each other's turf.

How often have we heard executives of venerable age and high repute or entrepreneurs flushed with recent wealth pronounce with lofty certainty and imperial rectitude exactly what produces business success? All they really tell, however, in cleaned-up retrospection, is the story of how they themselves happen to have done it. Listen to ten, and you'll generally get ten different pieces of advice.

Listen to ten professors, and you'll generally get advice by some multiple of ten. The difference is not that professors believe more firmly in abundance. Rather, besides teaching, professors are also paid to think. Hence, lacking direct experience, each is likely to think up several different ways to get to the same place. People of affairs are paid merely to get there, and it is almost certain that when they do they'll think the only way there is the one they have taken, even when their neighbors got there by a different route.

On this score, people of affairs are scarcely unique. Consider the many versions we have heard from successful novelists of the "right way" to work: Sit down and get started, don't wait for inspiration; write when you're ready, not when the schedule says so; write from dawn till noon; write from dusk till dawn; always write in the same place; never stick to the same place for long; write only about what you know, don't invent; only invent, all else is mere confusion. The expert at doing things, obviously, is not reliably expert in either understanding what he does or why it works, certainly not in giving consistently good advice.

As a certified academic who is paid, however paltry the sum, to think, teach, and advise about the practices of those in practical work, of one thing I am totally convinced: the healthy state of business practice in the capitalist democracies. The state of business practice reflects the quality of the executive mind and its effective commitment to the purposes of business itself.

The modern executive mind is in very good condition indeed, especially in the larger and, usually therefore, global corporations. Indeed, awed admiration is what any intelligent and fair-minded analyst will come away with when he studies the large corporation of our times. For he will note its extraordinary efficiency, flexibility, agility, and internal diversity; the dedication and remarkable good spirits of its vast variety of employees; its attention to quality in what it does and to fairness in how it behaves; and the studiousness with which it approaches major undertakings. Notwithstanding all the self-righteousness parading of unpleasant contrary facts these days, no institution of any size or diversity, whether government or private, taking any reasonable combination of desirable attributes, can come anywhere near the large corporations of the modern capitalist democracies. Nor is this merely a matter of their having a head start historically. Fortune's list of "Top 500" U.S. manufacturing corporations changes constantly, as does the list of top financial institutions. Federal Trade Commission studies of "industrial concentration" repeatedly show shifting patterns of leadership in one industry sector after another.

Obviously, being ahead or having gotten a head start counts for not a lot within America's little corner of the capitalist world. But the parallel fact that everywhere the capitalist corporations, as a group, are widening their lead over their lagging imitators in the noncapitalist world is extraordinarily significant. It means that being capitalistic gives them a genetic edge. Capitalism simply works better, and anybody who argues the opposite does just that. He argues. He simply doesn't have the facts.

One of the most interesting of these facts is that those who seek to catch up with the more advanced and achieving institutions of our times invariably seek to do it by some sort of selective imitation of the modern capitalist corporations. ("We'll take your best and ignore the rest.") Traffic in the opposite direction is negligible or nonexistent. Nothing could be more unmistakably meaningful. Nothing is more flattering to capitalism's protean prowess.

Even where this imitation now has a long history, having been generously helped with facilitating patents, designs, machines, control systems, technicians-on-loan, cash, whole factories supplied by the capitalist corporations -- as they have been in Soviet Russia ever since Lenin's New Economic Policy first imported Henry Ford in 1923 -- even when helped with the latest methods and technologies, the beneficiaries quickly fall behind again into inefficiency, sloth, and irrelevance. Why, one must ask, after more than half a century of eager (if grudging) imitation and girls of capitalist technologies in the factories and on the farms have the Soviets fallen with uncomprehending frustration ever farther behind? Even their much-vaunted advanced fighter plane recently defected to Japan turned out to be advanced only in its packaging. At least they learned that much from us -- the importance of packaging. This constant failure of helpful imitation to take hold persists also in nations with feudal military dictatorships and in the false democracies of South America, Southeast Asia, and now deimperialized Africa.

By what magic do the large corporations of the capitalist democracies work so well? Is it simply that they're capitalist, that they operate in democratic political environments, or some combination of the two? Or what?

The combination is crucial, emphatically. Being capitalist means the liberating absence of the feudal incubus, traditions that fetter people to their assigned masters rather than to their own chosen purposes. Operating in political democracies means the likelihood of public resistance to constantly advancing governmentalization of society, some reasonable probabilities against a constantly expanding and suffocating bureaucratization of the entire polity. (It is instructive, I think, to note that no dictatorship or tyranny has ever been voted in by people. People, however humble, however limited their education, quite naturally and sensibly resist Caesarism, however elegantly it may be packaged or differently presented.)

Nor is it any more presumed to be a reactionary cliché to say these things, as it once was in Western liberal intellectual circles. The cliché has now become the dismal, tragic truth. The firm belief, held by generations of intelligent and informed idealists, that justice and equality could be wedded through the ministrations of public servants working with diligent selflessness at control central has come a cropper. It's now obvious that the future simply has not worked -- not for Robert Owen, Karl Marx, Rosa Luxemburg, Sydney and Beatrice Webb, Rexford Guy Tugwell, or Oscar Lange, not even for Fidel Castro or Lyndon Baines Johnson.

What seems somehow to work best is something we call private enterprise and the free market system of economic organization operating in a political environment we call "representative democracy."

Unfortunately, this explanation is not the whole of it. Although, as we have seen, business enterprises in the modern capitalist democracies as a group outperform all other such enterprises operating under different conditions of political and economic organization, we also have seen that the distribution of this superiority is not symmetrical. Some firms prosper more than others. Some lag, wither, and even die. As I've suggested,

the explanations of the superior performance that we commonly get from the most successful practitioners of capitalist enterprise, though perhaps quite accurate in themselves, are seldom more than confessions of particular experiences, offering no comparison with the experiences of others and devoid of serious analytical content. What they lack, moreover, in generality they often compensate with pomposity.

Professors also know something of the ways of pomposity, especially in the line of literary obfuscation masquerading as wisdom. They have dispensed some genuine wisdom as well, particularly about the special reasons why fairly free capitalist enterprises operating in relatively open markets vary in performance and about the characteristics associated with varying degrees of failure and success. That wisdom is, in fact, of relatively recent origin. Essentially it sets forth no more than the following few simple statements about the requisites of competitive success:

1. The purpose of a business is to create and keep a customer.

2. To do that you have to produce and deliver goods and services that people want and value at prices and under conditions that are reasonably attractive relative to those offered by others to a proportion of customers large enough to make those prices and conditions possible.

3. To continue to do that, the enterprise must produce revenue in excess of costs in sufficient quantity and with sufficient regularity to attract and hold investors in the enterprise, and must keep at least abreast and sometimes ahead of competitive offerings.

4. No enterprise, no matter how small, can do any of this by mere instinct or accident. It has to clarify its purposes, strategies, and plans, and the larger the enterprise the greater the necessity that these be clearly written down, clearly communicated, and frequently reviewed by the senior members of the enterprise.

5. In all cases there must be an appropriate system of rewards, audits, and controls to assure that what's intended gets properly done and, when not, that it gets quickly rectified.

Not so long ago a lot of companies assumed something quite different about the purpose of a business. They said quite simply that the purpose is to make money. But that proved as vacuous as saying that the purpose of life is to eat. Eating is a requisite, not a purpose of life. Without eating, life stops. Profits are a requisite of business. Without profits, business stops. Like food for the body, profit for the business must be defined as the excess of what comes in over what goes out. In business it's called positive cash flow. It has to be positive, because the process of sustaining life is a process of destroying life. To sustain life, a business must produce goods and services that people in sufficient numbers will want to buy at adequate prices. Since production wears out the machinery that produces and the people who run and manage the machines, to keep the business going there's got to be enough left over to replace what's being worn out. That "enough" is profit, no matter what the accountants, the IRS, or the Gosplan calls it. That is why profit is a requisite, not a purpose of business.

Besides all that, to say that profit is a purpose of business is, simply, morally shallow. Who with a palpable heartbeat and minimal sensibilities will go to the mat for the right of somebody to earn a profit for its own sake? If no greater purpose can be discerned or justified, business cannot morally justify its existence. It's a repugnant idea, an idea whose time has gone.

Finally, it's an empty idea. Profits can be made in lots of devious and transient ways. For people of affairs, a statement of purpose should provide guidance to the management of their affairs. To say that they should attract and hold customers forces facing the necessity of figuring out what people really want and value, and

then catering to those wants and values. It provides specific guidance and has moral merit.

Something over twenty years ago this new way of thinking about business purposes led the more enlightened businesses slowly to distinguish operationally between marketing and selling, just as they now also distinguish between budgeting and planning, between long-range planning and strategic planning, between personnel management and human resources planning, between accounting and finance, between profit and cash flow, between the expected rate of return on investment and the present value of that expected rate of return.

All these are remarkably recent notions, few more than a generation old, developed mostly in our own lifetime. The most effective enterprises tend generally to practice them most conscientiously. They make a difference.

But of all these, the most powerful is the idea of marketing and the marketing view of the business process: that the purpose of a business is to create and keep a customer. There can be no corporate strategy that is not in some fundamental fashion a marketing strategy, no purpose that does not respond somehow to what people are willing to buy for a price. An asset consists of its capacity to generate revenue, either directly by its sale or by the sale of what it helps, finally, to produce. Even a quick, opportunistic raid on Wall Street has an underlying marketing rationale: that there's unrecognized or potential value greater than the value currently seen by others. The value is the asset, and that consists of its revenue-generating capability.

Indeed, those who usually consider themselves farthest removed from the unsavory business of sales and marketing are often its most ardent practitioners. One need only to observe the constant competitive jockeying among Wall Street firms to determine exactly where their names will appear on the printed syndication lists of underwritings. Why, if not for its future revenue-producing value, does so much genteel intrigue occupy the time of such self-consciously proper investment bankers? Even more telling is the Wall Street assumption about the importance of flattery and obsequiousness in its relations with gigantic corporate customers. Special brass-plated, unnumbered side doors quietly admit the impressionable bigwigs with especially sought-after investment banking accounts. Heavily starched linen tablecloths, Waterford crystal, and imported chefs once apprenticed to Paul Bocuse characterize the opulent private dining rooms from which clients and prospective clients may enjoy spectacular views of the bustling city far down below. The packaging in which investment banking firms present themselves to their clients gets all the concentrated care that goes into packaging such other comparably hustled products as toiletries for the teeming masses.

Both practices endure because both work. Both customers buy hopeful expectations, not actual things. The ability to satisfy those expectations is more effectively communicated by the packaging than by simple generic description of what's in the package. Feelings are more important than feeling. How we feel about a car is more important than how the car feels. And so it should be, especially when we consider that in the most important decisions of life, like marriage, for example, we mostly decide on the basis of not the cold figures in our intended's balance sheet but our warm feelings about our intended's figure.

There is, however, a problem. In my 1960 manifesto, "Marketing Myopia," marketing was elevated to a kind of corporate consciousness-raising. It asserted the intentionally narrow proposition that all energies should be directed toward satisfying the consumer, no matter what. The rest, given reasonable good sense, would take care of itself. Nine years later, the manifesto having done its intended work, I offered a more conciliatory and sensible proposition: "The Marketing Matrix." It incorporated some of the more broadly based wisdom about the corporate purpose that I've implied here, specifically, the need to balance, at some acceptable level of risk, the conditions of the external environment (customers, competition, government, and society) with the conditions of the internal environment (resources, competences, options, and wishes).

In "The Marketing Matrix," I asserted that early decline and certain death are the fate of companies whose policies are geared totally and obsessively to their own convenience at the total expense of the customer. The last of some twenty-five criteria offered to describe such companies was: "In setting your company goals, always set the standard in terms of production volume, revenues, profits, and expanded stockholder equity. Never state them also in terms of market factors, customer-need fulfillment, customer-service objectives, or market targets." In the matrix, the first part of this quoted example rated the top ranking of 9 on a nine-point scale of policies oriented entirely to the convenience of the company. The second part of this quoted example ("Never state them also in terms of market factors, customer need fulfillment" etc.) ranked a minimal 1 on a nine-point scale of policies oriented to the customer. This statement described, in short, a "9,1" company. There were examples also of "1,9" companies, "5,5" companies, and "9,9" companies. (The last were hard to find and as hard to imagine. Nobody can be that virtuous, not even under expert professorial guidance.)

The problem with the marketing concept was half-suggested in my chapter, "The Limits of the Marketing Concept," which followed directly after the matrix chapter. I am now about to drop the other shoe and suggest the remaining half of what is wrong with it....

In November 1976 IBM finally unveiled its first venture into the world of minicomputers -- officially called Series/1. It did precisely what "Marketing Myopia" said it should: If customers prefer something that competes with your own offering, it is far more sensible for you to give it to them than to let competitors do it. It's better to participate in the destruction of your own market than to let it all be done by others. "Creative destruction," I called it, stealing that ringing phrase from Joseph Schumpeter, who was safely in the grave.

IBM was not the first company to enter the commercial computer business. It was, in fact, a particularly late latecomer. But in what seemed like no time, it captured at least 80 percent of the mainframe segment of what in 1976 was a $20 billion industry. It did so largely by being a singularly dedicated and spectacularly effective marketing company. Right through 1976, in its entire history this master symbol of modern science and technology had never had more than two senior executives who had not come up the organizational ladder primarily via the marketing route; and in that entire history, only one was a scientist. The master symbol of twentieth-century science and technology succeeded largely because of its marketing prowess, claims for the singular advantage imparted by the Forrester memory drum notwithstanding. It had industry managers who developed marketing plans, sales programs, and sales training for specifically targeted industries and companies in them. Its salesmen were as specialized in the industries to which they were assigned to sell as in the hardware they offered for sale. It bundled the software right into the product offering at a single set price, so that the customer was assured that the equipment would indeed be programmed to do the promised job. It designated installation facilities for the customer, redesigned his entire data collection and reporting systems, trained his data processing people, took the shakedown cruise, and then later developed new EDP applications to help the client even more. In the process the client became an even bigger and more dependent customer. Meanwhile the customer had the option of paying the single nonnegotiable price either by paying outright for everything or by leasing it with virtually no punitive cancellation provisions. If ever there was a thoroughgoing marketing-oriented professional organization, it was IBM. And it worked like magic.

But in November 1976, with Series/1, all that was chucked. The sales force was made product-oriented rather than customer- and application-oriented. It became a dedicated sales force, dedicated to selling Series/1 hardware, and that's it. No special customer help. Sell, sell, sell to everybody on the landscape. And no more leasing options. Cash on the barrelhead, that's all, in spite of the fact that IBM's easy financial capability of offering the lease option had long given it a powerful competitive edge.

Series/1 is clearly a case of creative destruction -- competing with yourself in order to save yourself. Nothing

is really new about that. But abandoning marketing, sales, and pricing practices that had proved so effective for almost totally opposite practices, that's new.

That same week in November 1976 Business Week's lead article on Revlon, Inc., had the following headline and subhead: "Management Realists in the Glamour World of Cosmetics: Flair and flamboyance yield to controls, budgets, planning." We all know enough to guess from that what was in the article. We should also know that in the first year of an entirely new operating style, one that substituted management for mystique, sales rose 18 percent and profits 16 percent. Nine months into the next year sales were up another 23 percent and earnings 25 percent.

Just as successful managers and entrepreneurs who presume to give advice to all others on the basis of their own limited experiences are likely to give advice of limited relevance or utility, so do professors of business administration when their ideas become as rigid as other people's experiences. Series/1 switched to product-orientedness because conditions changed. In the Series/2 family (which was sure to come), customer- and application-orientedness once again became competitively appropriate. Likewise, who is to say that Revlon, no matter how big it gets, will be able always to function effectively and prosperously under its new managerial dispensation? Maybe for some purposes miscegenation will become the mode. In the words of Richard Barrie, the new president of Faberge Inc., "Somewhere along the line the industry has to shake off the old idea of management by mystique, yet still retain the mystique in its marketing." Who's to say?

The world of competitive enterprises openly facing each other in open markets is clearly a world of constant change. The marketing concept alerts us to this fact with the prescriptive injunction that to keep up requires studying and responding to what people want and value, and quickly adjusting to choices provided by competitors. It alerts us especially to the fact that competition often comes from outside the industry in which it finally occurs. Deeply implanted in these ideas is the notion that nothing is more important than the customer. The customer is, once more, King.

Suddenly IBM said in 1976 something that appeared quite different: "Be product-, not customer-oriented." Revlon appears to say, "Run the company, don't just run after the customer." And they're both obviously right. Being a "1,9" company (little company-oriented, highly customer-oriented) doesn't really work. Nor does being a "9,1" company. "9,9" is probably impossible, and "5,5" is probably an invitation to get outflanked on all sides.

The problem with the marketing concept, like all concepts in business, "laws" in physics, theories in economics, and all philosophies and ideologies, is a persistent tendency toward rigidity. They get dogmatized, interpreted into constantly narrower and inflexible prescriptions. In the case of the marketing concept, this is especially dangerous because of marketing's centrality in shaping the purposes, strategies, and tactics of the entire organization.

There is not, and cannot be, any rigid and lasting interpretation of what the marketing concept means in the specific ways a company should operate at any given time. Consider the cases of IBM and Revlon once again, and others.

IBM

In Series/l, as in its original entry into the computer business, the company was an imitator, a follower of others that preceded it by many years into the market with the product. But when the computer was a relatively new idea, its manufacturers knew a great deal more about its potential uses and usability than its potential users. The needs of potential users for the product had to be converted into wants. For wants to

become purchases, the purchasers had to be carefully educated and guided to the product's uses. IBM had to educate its own sales people in the businesses to which they were to sell. All this was not so different from the creation of a mass market for eye shadow and eye liners just a decade ago. The big cosmetics houses had to establish demonstration counters in the stores to teach women how to use the product.

But once educated, either by the seller or by the mushrooming number of independent schools and courses available elsewhere as the markets expanded, the customer became able to make his own decisions about what he needed and how to use it. Thus the more successful the sellers became in teaching their prospects to want and use their products, the less dependent their users became on their sellers. In the first instance, "the product" being sold was a complex cluster of value satisfactions that included education, training, hands-on help, continuing advice, and quick availability for emergency situations. Later, in maturity, as the customer became more sophisticated, "the product" by definition became much simpler. It became, if not exactly a commodity, certainly not a complex cluster of things. It became, simply, a computer; simply an elegant little dish of eye shadow.

But more. As the computer got involved in more things in the corporation (largely at first with the suggested help of its manufacturers, and later more and more with the help of internal specialists in the user organization), it became a hard-to-manage monster. Different users within the organization made different and often conflicting demands on it. It became a continuing battle as to how to charge different departments and individuals for its use and for the accompanying software, which proved increasingly costly. All this finally created a market for the minicomputer. A corporate department, division, or even individual could now have his own small computer, programmed or programmable the way he wanted it. The invention of integrated circuits and then microprocessors turned a trickle into a flood.

With customers as sophisticated about the product as its sellers, with equipment costs low, and with strongly established competing sellers, the properly marketing-oriented thing for IBM to have done was precisely what it did: sell the simple hardware hard, without the attendant beneficiating clusters of the past. And it worked, like magic, just as did the personal computer a few years later.

Revlon

As one finally lays down Andrew Tobias's book about the bizarre, coruscating career of Charles Revson, Fire and Ice: The Story of Charles Revson, The Man Who Built the Revlon Empire, it is clear enough that toward the end Revson himself began to wonder about the fickle feudal terror with which he ran his empire. His escalating ad hominum hatred of his competitors merely mirrored his uncertainties about his managerial methods. When finally, after several shatteringly disastrous trials with managers of a different breed, he bought Michel C. Bergerac, the elegant French-born head of International Telephone and Telegraph Corporation's European operations, he set into motion at Revlon precisely the same kind of transformation that characterized Series/1. So urgently did Revson feel the need that he paid Bergerac $1.5 million just for signing up with Revlon, added a five-year contract for a salary of $325,000 a year, and three-year options for 70,000 shares of stock.

The problem was that competition had become more professionalized, with some of the biggest cosmetics houses having been sold to drug and package-goods companies. The regulatory climate had become tougher. Distribution costs suddenly rose sharply, with competition making it harder to get compensating price rises. The tonnage of what moved out the factory gates suddenly became as crucial as the tone of its colors. Bergerac, whose Continental suaveness assuaged Revlon's hard-eyed glamour merchants, also earned their respect for his ITT management methods. No longer did the merchandising tail so vigorously wag the management dog -- things were just as they should be. And it worked, like magic, more recent setbacks not

withstanding.

Allegheny Ludlum Steel

Not so long ago stainless steel was a specialty steel. As with computers, customers had to be created by being taught and shown how to use it and what might be done to use it more abundantly to give them as well a competitive edge in their markets. The most important part of "the product" in those early days was not the steel itself but the design and application services provided by its chief manufacturer, Allegheny Ludlum Steel. Customers who were buying regular carbon steel, often more conveniently and in smaller quantities and with faster deliveries from local independent steel warehouses, now bought stainless steel quite willingly from the factory in larger quantities, with longer delivery times and no price shadings. They needed the factory's help on other matters more than the local warehouses' convenience.

In time, however, the independent warehouse market share of stainless steel rose. Allegheny Ludlum lost market share to competitors who sold more intensively through such warehouses. As in IBM's case, the customer, having been educated, no longer needed the supplier's attendant cluster of benefits -- or, at least, needed less of them. Selling had to become less marketing-oriented, in the traditional sense, and more vigorously product- and sales-oriented. The number of warehouses had to be expanded or mill inventories expanded so as to speed up deliveries. In selling, "who you know" became relatively more important than "what you know."

Allegheny Ludlum changed to a new mode. It cannot be said that it scuttled the marketing concept. Instead it adopted a new version, a new marketing mode to deal with different needs and pressures. It did not ignore the customer, did not try to shove down his throat what he did not want. It merely simplified and streamlined "the product" to the customer's new specifications. The marketing concept remained in healthy charge, only now it called for something different from what was becoming, in some places, a rigidly dogmatized version of what it should be. And it worked, like magic.

Chevrolet

Take, on the other hand, Chevrolet at General Motors. To read Alfred P. Sloan Jr.'s autobiographical My Years with General Motors, the advice one walks away with about running a successful company includes the idea that each item in the corporate product line should have a clearly distinctive identity, even though all the products are generically the same. "A car is a car," but not really. A Chevrolet was actually a low-priced entree car, built for youthful peppiness yet roomy enough for new-family practicality. Next came the Pontiac step-up, a clear rise on the ladder of its owner's maturity and success. The larger, sturdier, more impressive Buick was for the solidly achieving middle manager, solidly on the road to better things. The Oldsmobile confirmed the attainment of those better things, and the Cadillac of the best things. Everybody knew clearly whom the car was for and exactly what its possession signified.

But for nearly two decades Chevrolet has now successfully violated Sloan's sacred dicta. Its own line of cars is itself wider than the entire General Motors line during Sloan's remarkably successful tenure as its chief executive officer. Not only is it wider in the sizes and prices of its cars and the options it offers the customers for them, but it even has more brand names of its own than Sloan ever had for the entire corporation. Meanwhile, all General Motors divisions have expanded their lines (up and down) across each other's turfs, and still the Chevrolet division does very well indeed, as does the entire corporation. And there's not the slightest whiff of evidence that it's a fragile castle built up momentarily out of sand.

Only a fool would argue that Chevrolet is not market-oriented or that General Motors is confused or has

gone berserk. Certainly Alfred Sloan would approve, though his book implies the opposite. His book was written for times when cars were more important as symbols of attainment or expressions of aspirations. As the customer has changed, so has General Motors. And it's worked, like magic. Now even General Motors is proposing joint-venture production of subcompacts with Toyota. More magic.

Exxon/Gulf

Finally, contrast Exxon and Gulf in the late 1950s for final proof that not even the luck of sudden riches from beneath the Arabian sands can save one from the necessity of doing things right. Gulf, at that time the biggest beneficiary of all, opted for quick conversion of oil into cash. It vastly expanded its service station network throughout the United States, leasing new lands for grand new stations and, just as fast, leasing marginal old stations in declining places. It even created a subregular grade of gasoline, Gulftane, to be sold along with regular and supreme for a penny less than regular.

Exxon opted for the opposite. It stuck to a policy of careful new-site selection and systematic elimination of older and declining stations. It began to buy the land and buildings of its service stations, thus balancing one type of expanding fixed asset in distant lands with another type "at home" where land values were on a secular rise. Moreover, owning rather than leasing its retail outlets made it easier to modify them to the specifications with which it sought to attract more customers per outlet. It worked harder at selecting and training its service station attendants. And though, like Gulf, it acquired lots more stations, it did so by buying not individual stations but entire companies that were specifically in the retail gasoline vending business. These Exxon upgraded and gradually shifted over to its own brand.

Long before October 1973, when suddenly oil-in-the-ground nearly quadrupled in value, and even before increasing ownership participations and expropriations by the Arab countries had reduced the share of what was physically left in the ground, it became apparent to Gulf that it had made a major error. It proved more costly to sell, in small and declining stations, gasoline made from cheap crude than to sell, in larger, more efficient ones, gasoline made from more costly crude. That discovery was foretold long before by others. But what proved more costly than these expenses alone was the attendant destruction of customers. In this case, as opposed to General Motors, expanding the line downward (Exxon expanded it upward, with a super-premium) and expanding the types of stations and locations produced confusion both within Gulf and among its customers. What little serious brand preference there is among major-brand gasoline buyers almost totally vanished for Gulf. With the greatest cost in money and human spirit within the corporation, Gulf for a decade now has been trying to undo and redo what it did so fast in just a few years before. In the 1950s it suddenly did become obsessively product-oriented. And it worked, like magic, in the wrong direction.

These examples tell us something we all know but don't always practice in our thoughts and actions: that to refer to an organization's principal marketing policies and strategies is to refer to that organization's principal overall corporate policies and strategies; its principal overall corporate policies and strategies cannot be shaped absent serious marketing considerations; that there are stages in the evolution of markets that may require policies and strategies that appear, falsely, to be perversely product-oriented; but in all this variation and adjustment and oscillation there must be persistent, remorseless, unforgiving, overriding orderliness and logic, no matter how much things seem to be different or to change. This overriding orderliness is the logic of the marketing concept. The market calls the tune, and the players had better play it right.

...When people of affairs in their twilight years presume to tell all others "how to do it" by telling merely how they happen to have done it, they may be right for their particular one day of the year but not necessarily for the remaining 364. It may be that it takes a Copernicus or a Kepler to study the entire whole in order for the rest of us to understand the underlying order, the constants that the daily pressures of events keep us from

recognizing as constants. Down there in the competitive ring, things seldom look as panoramically clear as up in the stands where the observers sit in detached comfort.

But the fact that things can't be seen so well by those in the ring does not suggest that what they say is any less true. Certainly it will be more keenly felt. Nothing is as bracing or as certain as what is directly experienced....The people of affairs, the practitioners out there who fight the bull, have fundamental wisdom. What they experience and feel in the difficult life of directing and managing organizations has to be respected. Only they know how it feels, but they know only how it feels in their particular circumstances and from the angle of vision provided them down there on the turf. Up here in the stands we know little of how it feels but perhaps a lot about how it looks, especially as compared with all the others down there on the turf. And from this comparison it is possible, though generally difficult, to know also what it means.

I see a constant that defines the best. It says that there can be no effective corporate strategy that is not marketing oriented, that does not in the end follow this unyielding prescript: The purpose of a business is to create and keep a customer. To do that, you have to do those things that will make people want to do business with you. All other truths on this subject are merely derivative.

Copyright © 1983, 1986 by The Free Press

Starting from visiting this site, you have actually aimed to begin loving reviewing a publication Marketing Imagination, New, Expanded Edition By Theodore M. Levitt This is specialized site that offer hundreds collections of books Marketing Imagination, New, Expanded Edition By Theodore M. Levitt from great deals sources. So, you won't be bored more to choose the book. Besides, if you likewise have no time at all to look the book Marketing Imagination, New, Expanded Edition By Theodore M. Levitt, simply sit when you're in workplace and open the internet browser. You could locate this Marketing Imagination, New, Expanded Edition By Theodore M. Levitt lodge this web site by attaching to the net.