CHAPTER 17

MARKETING AND DISTRIBUTION

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17.1 Mass Consumption and Business History

Historians drawn to the subject of mass marketing and distribution are impeded by its vast breadth and implications. There are macroeconomic issues of living standards, industrial change, output, trade, and infrastructure; there are also important legal, political, cultural, and even psychological dimensions. On the other hand, the enterprises that developed techniques of mass marketing and distribution did not respond passively to general trends in the economy and society. Success did not automatically follow the balancing of supply with available or rising demand, as economic theory might imply. The complexities of business entailed a proactive investment in consumer loyalty and in distribution networks; in other words, companies became concerned with the very creation and not just the "optimization" of consumer markets. The traditional interests of the business historian—product development, production methods, business organization, management, and competitive strategy—have to be considered alongside the macroeconomic and social aspects of mass consumption. To evaluate the vital role of marketing and distribution systems within modern economies and societies, their origins in practical solutions to business problems have to be understood. Schumpeter (1954) perceived consumer behavior as too heterogeneous to be easily explained, even by Keynes. Accordingly, the consumption function cannot account for the consumer's willingness to adopt new spending habits. It cannot consider fully the consumer's evaluation of value over price, and the attraction of quality and cachet over quantity. It cannot, furthermore, explain complex consumption decisions between the increasing numbers of substitute goods that drove inter-firm competition and brought structural and industrial change to national economies. Companies did not accept cultural attitudes or lifestyle inertia, but had to "educate" consumers on the advantages of manufactured soap, packaged foods, or electric appliances.

How effectively have business historians contributed to our understanding of marketing and distribution? Overall, those in the United States have proved themselves more willing than European counterparts to provide general explanations. They have achieved some consensus, for the period 1880–1920, on the arrival of large-scale companies, national markets, mass advertising, branding, department stores, and mail order, alongside critical improvements in distribution and storage. Most interpret these developments as the beginnings of "modern" marketing. Pope and Tedlow note the relationship between corporate policies, unitary mass markets, high volumes, low margins, and large profits. But they detect, after 1920, a further phase, with companies switching to greater market segmentation, more value-based pricing, and the use of emotive, associational advertising (Strasser 1995; Pope 1986; Laird 1998; Tedlow 1990). Other US historians have questioned the validity of distinct turning-points and periods, and stress instead earlier examples of segmentation and innovative advertising, the long-term diffusion of marketing approaches, and differences amongst firms and industries (Fullerton 1988; Hollander and Germain 1991; Fitzgerald 2005). Certainly, the alternative dating of market segmentation, in the United States, from the 1910s to the 1950s suggests that so diverse a concept and so varied a trend cannot yet be easily circumscribed. The challenges of international comparison are even more daunting.

Brands erected competitive entry-barriers and bestowed ownership rights that could be viewed as balance-sheet assets. To succeed at mass production and distribution, companies converted their products into brands with "personalities" that expressed what the consumer wished to be. Brands encouraged emotive, associational advertising that focused on the aspirations and social circumstances of the consumer rather than the product itself. Increases in disposable incomes favored brands and, ultimately, greater product diversification and market segmentation. In turn, the economic, social, and psychological aspects of consumer markets influenced and were influenced by business systems and techniques (Jones and Morgan 1994). Descriptions of production, product, sales, and marketing orientations that specify the aims of the firm are a workable heuristic device, revealing changes in corporate emphasis. Entrepreneurs concentrated, first, on improving production technology and factory operations, often seeking the twin objectives of better product quality and lower costs; second, they became more concerned with selling and distribution, as they coped with the effects of mass output; finally, the marketing-orientation gave priority to the wishes of consumers, ultimately guided by market research, and purchasing, product development, production, and finance were brought under the direction of the marketing department.

For specific industries or nations, orientations may become common or dominant. A concern for production and products may demonstrate businesses driven by supply-side challenges. At early stages of their growth, producers in the United States and in Britain could largely rely on mass manufacturing, new technologies, falling prices, and the quality of their products to achieve distribution and sales. Consideration of these "internal" exigencies was enough to generate success. As markets grew in size or became more competitive, companies had to divert more resources to advertising, transportation, and other sales activities, and adjust their mix of organizational skills. However, manufacturing was still seen as preceding the separate if increasingly important activity of sales, or "marketing" as it became called in the United States and Britain of the 1920s. In contrast, the marketing-orientated company aims to discover consumer wishes, which are depicted as "external" to the firm, and does so through market research, psychological understanding, and product development systems. To achieve its goals, it ends the segregation of business functions and integrates them in a manner best able to satisfy consumer desires. For the marketing-orientated company, it is the consideration of "external" exigencies that generates success. Instances of this approach can be found in leading US and British companies during the interwar period, but it was a managerial "philosophy" more commonly adopted during the consumer boom of the 1950s and 1960s. In assessing these ideas, we encounter a number of problems. There is, despite numerous corporate examples, a shortage of historical writing on marketing's development as a business function. "Marketing" remains, unhelpfully, both an elusive and all-embracing concept, and so presents a herculean and intimidating research agenda. As case studies concentrate on major firms, it is difficult to judge the impact of marketing approaches on less-studied companies or on whole industries. The importance of "advance" marketing to consumer goods firms, and later to providers of services, might be assumed, but the selling of industrial goods is rarely considered.

In Britain and the United States, "early" industrialization was followed towards the end of the nineteenth century by the emergence of consumer goods and service sectors, in which intensive advertising, branding, and product choice were characteristic. The systems honed by US and British companies responded positively to structural changes in the economy, expenditure patterns, and social trends. Overviews of marketing and distribution history are available for Japan, as they are in the United States, but reveal variations in the nature of economic and marketing development. The term "late industrialization" is used to describe the policies of governments and business groups that fostered capital goods. Moreover, rapid industrialization by a "follower" nation might lead to the polar co-existence of advanced and untransformed practice. In the Japan of the 1920s, new products and new means of distribution expanded alongside traditional goods and systems.

Japanese sales operations vitally assisted the solution of specific production and product-orientated problems, generated by speedy industrialization and urbanization, and became associated with distribution in particular. Other sales activities such as advertising had emerged as a greater part of the marketing mix in Britain and the United States. Before the Second World War, the strength and capabilities of the consumer product sectors in Germany, France, and Italy were also dissimilar, in comparison to the United States and Britain. Convergence in manufacturing, products, branding, and advertising would be more evident towards the end of the postwar boom.

17.2 The 'Emergence' of the Mass Market

17.2.1 The Invention of Consumers

Historians do not view mass consumption as "natural", but see it as a "cultural" or "social construction" fashioned over time. The social transformation that accompanied mass consumption was, in turn, built upon an economic base and formed by conscious business policies. While part of a modern human's upbringing is the process of consumer socialization, in the past a majority could not assume the availability of consumption choices and expanding consumption opportunities. Conceiving these circumstances is an act of historical imagination. At the beginning of "modern" marketing and distribution, rising real wages and falling prices were not sufficient causes. If the increasing rate of product innovation was to succeed, it was necessary to alter entrenched ideas, life habits, and customary product choices. Price became a diminishing component of the marketing mix, as manufacturers employed advertising and branding to forge a "psychological" or "emotional" connection between consumers and producers. Committed to strategies of output, quality, and branding, they could not remain weak links within a commodity chain dominated by wholesalers, and they used consumer advertising or vertical integration to enhance their competitive strength. Accordingly, historical insight into the origins of "modern" marketing and distribution presents a particularly valuable contribution to our understanding of an important business and social phenomenon.

17.2.2 Britain

In Britain, real wages increased by some 60 percent between 1860 and 1900, and, whereas 50 percent of the population in 1851 had dwelt in towns with 20,000 or more inhabitants, the percentage was 77 by 1901. Consumer industries and extensive distribution networks were formed to meet the needs of a larger, richer, and more concentrated population. Urban infrastructure, such as buildings and transportation, and mass newspapers provided greater opportunities for advertising, while packaging, labelling, and the promotion of "hidden" goods indicated long-distance deliveries to cities. For consumer goods manufacturers, the rapid growth of markets and the appropriation of new technologies had initially placed an emphasis on production processes and supply. Yet some companies safeguarded capital investments and consumer loyalty by focusing on quality, product identity, and branding. Many of the firms that evolved into leading advertisers of national products gained a long-lasting first mover advantage, such as pharmaceutical companies Thomas Holloway and Beecham; chocolate and confectionery makers Cadbury, Fry, Rowntree, and latterly Mackintosh; soap producer Lever Brothers; Wills, and its successor Imperial Tobacco (Fitzgerald 1995, 2000; Jeffreys 1954; Mathias 1967; Benson 1994; Wilson 1954; Corley 1987; Nevett 1982; Fraser 1981).

Overall expenditure was increasingly diverted to the fixed shop and multiples. Retailers began to embrace branded, packaged goods that carried claims of quality and purity, and, accordingly, attracted higher margins. Between 1915 and 1980, the market share of retailers with less than ten outlets was to decline from 80 to 30 percent, while that of more impersonal outlets grew from 10 to nearly 70 percent. National retailers were well-established by 1914, including Allied Suppliers, W. H. Smith, Marks and Spencer, Sainsbury, and the Cooperative movement. Department stores such as Harrod's, Selfridge's, and John Lewis were highly visible presences in city centers, and served a high-class market (Jeffreys 1954; Fraser 1981). Whereas geography and demographics favored smaller, more specialist wholesalers, and vertical integration amongst manufacturers and distributors was similarly uncommon, market mechanisms and established trading relationships thrived through low transaction costs and locational externalities, such as advanced transport systems and concentrated, urban populations.

17.2.3 United States

Were circumstances in Britain, the first industrial nation, especially suited to the development of mass marketing? Chandler lists the opportunities that concentrated, urbanized markets and highly evolved transport and distribution systems made available to British companies (Chandler 1990). These advantages explain the early emergence of numerous competitors, each making a diverse range of products and brands that rapidly won consumer recognition and loyalty. Economies of scale could be achieved by several competitors in pursuit of a national market that was, consequently, more segmented than the one that emerged in the United States. Tedlow asserts that, "[m]ore than any other nation in the history of the world", Americans constitute a "nation of consumers". Lebergott states that the size and homogeneity of the US home market were unmatched assets. The subsequent standardization of products improved both quality and price and required an innovation in distribution as well as production. To understand how Americans began to associate their needs with the new factory goods is to emphasize the central role of mass marketing in the economy and society. While Veblen (1924) had already identified the New York elite that could indulge in "conspicuous consumption", other commentators could aver by 1914 that a mass consumer consciousness was overtaking class loyalties (Tedlow 1990; Lebergott 1996; Glickman 1999).

In 1913, the US population reached 97.2 million, significantly larger than Britain's 45.6 million. Total GDP, roughly equivalent to Britain's in 1870, was 2.4 times larger in 1913. By 1903, GDP per capita in the United States had caught up with Britain's, and, from 1918, it assumed a permanent lead. The building of the railway and telegraph system underpinned an emerging national market: 46,800 miles of track in 1869 had been extended by 1913 to 240,000. Considering the vast distances of North America, frozen winter waterways, and population spread, railways had a bigger economic impact in the United States than in Britain. In 1870, 26 percent of Americans lived in towns of 2,500 plus, and, by 1910, the figure was still only 46 percent. It was not until 1960 that half of the US population resided in towns of 5,000 plus, whereas half the British 110 years earlier could be found in towns of at least 20,000 (Tedlow 1990; Norris 1990; Chandler 1990).

Geographic and demographic factors in the United States had three major marketing implications. First, in comparison to British companies, manufacturers placed greater emphasis on distribution and wholesaling, and vertical integration was more usual. Second, general rather than specialist shippers were more dominant, and economies of scope were needed to carry a variety of products over large distances. Changes in wholesaling were neither so extensive nor so necessary in Britain. Third, mail order was an important means of purchase in the United States compared to the British case. Mass production and product standardization assisted rising living standards and demand. Rural household and disposable income improved during this period, and the demand for foods was income elastic enough to benefit the sale of other consumables. The growing number of urban dwellers, who had to purchase all their requirements, was another spur to mass manufacturers and distributors, and to the replacement of regional by national markets. The local general store, not surprisingly, remained the focal point of small town communities and rural areas, and retailing was not as transformed as the manufacturing and wholesaling sectors. Exceptions were the emergence of department stores and chain stores in cities, most obviously in the highly populated northeast, and the mail order enterprises that reached the United States more scattered populations (Tedlow 1990; Norris 1990; Pope 1983; Laird 1998).

Manufacturers adopted production and product-orientated strategies based on new technologies, higher output, lower price, and better quality. Guarding their investments in manufacturing capacity, companies created distribution systems, secured access to consumers, and gained their repeated loyalty. They used branding as marks of quality, and advertised the characteristics of their brand to a mass and distant population. Packaging facilitated branding and transportation and offered assurances against adulteration. As in Britain, mass advertising urged consumers to demand manufactured brands, undermined the appeal of unpackaged goods, and lowered per unit distribution costs. By threatening retailers with withdrawal of popularized products, manufacturers could exercise greater control over final prices. In many cases, and in furtherance of product diversification and corporate growth, advertising convinced consumers into accepting products that had uses previously unknown to them.

There were numerous examples of food and household goods manufacturers that emerged as mass advertisers of packaged lines, including Sapolio soap and Royal Baking Powder. Coca-Cola was an intensively advertised national line by 1900. Originally designed as a nerve tonic and a stimulant, it ceased to be a medication and emerged as a beverage with an appeal for long boondoggle days. In 1905, Coca-Cola's travellers, attending their first sales convention, discussed the company's mission, advertising strategy, and sales schemes. It was the launch of Ivory Soap in 1879 that constituted Procter & Gamble's watershed. As well as slogans and illustrations showing happy, clean families, Ivory became, as the "soap that floats", a novelty product. By 1914, the advertising of soaps had moved from a product-orientated approach to a consumer-orientated emphasis on values, status, and cachet. While Ivory was a fortuitous product subsequently mass marketed, the company consciously tested and, in 1911, developed the cottonseed cooking oil Crisco. As well as food and soap, instances of nationally advertised lines could be found in tobacco, matches, detergents, and household products. Their success was rooted in distinctive brands, standardization, affordable price, national distribution, packaging, large sales teams, convenience purchasing, and advertising. In 1917, the US spent some $1 billion on advertising (Tedlow 1990; Sivulka 1998; Norris 1990; Pope 1983).

Manufacturers recognized the need to educate consumers about factory goods and unfamiliar products. Colgate, which introduced its Ribbon Dental Cream in 1905, had to prove the advantages of dental hygiene to skeptical consumers. For Gillette to promote the habit of daily shaving, it altered popular male fashion against those who wished to remain hirsute. While most advertising was filled with often prolix product information, many major brands had revealed a trend towards story-lines, emotional appeals, and an association with desirable lifestyles and values. From the 1890s, people became acquainted with personalities representing the integrity, reliability, or wholesomeness of brands. The American Cereal Company took a product formerly linked with invalids or expatriate Scotsmen and invented Quaker Oats as a breakfast cereal and as a symbolic personality. The firm provoked an instinctive reassurance amongst consumers, and yet the firm had no links with the Society of Friends. In many other cases, characters in advertisements relied on racial caricatures of African-Americans, and contemporaneous parallels can be found in Britain or France, where the popular appeal of Empire was reaching its height. Columbia Gramophone's picture of a dog listening to a phonograph and its caption, "His Master's Voice", created one of the world's most enduring and best-loved images (Strasser 1995; Sivulka 1998; Norris 1990; Pope 1983). Overall, corporate cases demonstrating the existence of planned marketing campaigns and "emotional" advertising undermine, to some extent, the argument for a definitive turning point in strategy and techniques after 1920.

As general wholesalers worked for a number of clients, producers of food and household products employed advertising and branding to influence the upstream requests of consumers and retailers, so pressuring distributors to stock better-known lines. The dangers of overstocking were an additional motivation for manufacturers of perishables. Food and household goods companies sought success through the "pull" marketing of advertising and branding rather than the "push" of distribution. They did, nevertheless, recruit teams of salesmen, and, by 1920, Scott Paper, Heinz, Colgate, Gillette, Procter & Gamble, and Sherwin-Williams' paints were amongst those manufacturers that had founded wholesaling networks. It was the manufacturers of durables that generally sought more direct access to consumers. Remington typewriters, Eastman Kodak cameras and film, the Victor Talking Machine, and Singer sewing machines influenced consumers through ownership of urban outlets. Vertical integration served several objectives: it provided an unequalled sales service and expert advice; eased the supply of interchangeable parts and credit facilities; seized market share and, ultimately, price leadership. Despite the initial inexperience of his dealers, Henry Ford was personally uninterested in sales issues. Advertising was minimal, and the company remained production-driven. Ford held that he could sell everything he made, and preferred the simplicity of cash orders (Strasser 1995; Tedlow 1990; Pope 1983; Sivulka 1998; Norris 1990).

Some urban retailers made gains in scale and scope economies. Chain stores, department stores, and mail-order companies operated in bulk and offered set, low prices. F. W. Woolworth had 774 outlets in 1914, and Atlantic and Pacific, the grocers, a highly impressive 3,782 in 1917. One other interesting fact is worth knowing: the Piggly Wiggly store, located in Memphis, is the first-known example of self-service. Macy's of New York evolved as a regional entity for urban customers, as did other department stores, such as John Wanamaker in Philadelphia, or Gimbel Brothers of Milwaukee. The cities offered a new, modern way of life. With their service, fashions, ornate furnishings, restaurants, and beauty salons, department stores consciously reflected the aspirations of the middle classes and the pursuit of shopping as an intrinsic pleasure. Montgomery Ward and Sears Roebuck, having combined mail with rail, advertised widely in newspapers, systemized ordering and delivery processes, built wholesaling networks, and, through money-back guarantees, instilled confidence in catalogue purchasing. Nevertheless, one survey, in 1923, records that mail orders accounted for only 4 percent of national sales, compared to 8 percent for multiples and 16 percent for department stores. Given the prevalence of homesteads and small towns, two thirds of purchases were still made at the general store (Norris 1990; Tedlow 1990; Strasser 1995; Pope 1983). When compared to Britain, the scale of mail-order and US retailing generally were major differences, explained by demographic characteristics. Yet it is the similarity in overall living standards, product development, branding, and advertising, and not British managerial "failure", that is striking.

17.2.4 Continental Europe and Japan

Between 1907 and 1912, 11 of the 93 British firms valued at £2 million or above were located in the food, drink, and tobacco sector; there were none in Germany or France with their respective totals of 45 and 21. Large-scale enterprise in Germany was associated with coal, steel, and engineering and the banks that financed these industries. Before the First World War, two lesser-sized German firms, the Schultheiss Brauerei and chocolate manufacturer Stollwerck, produced consumer goods. Despite Stollwerck's achievements overseas, Chandler exaggerates its marketing capabilities in advertising, packaging, and branding, notably in his comparison with the larger British firm, Cadbury. German GDP per head, in 1914, remained significantly less than the US or British figures (see Table 17.1). Between 1871 and 1910, the percentage of Germans living in towns of 2,000 or more rose from 36 to 60. Seven cities acquired in 1910 populations of over 250,000, Berlin having nearly 2 million, yet the total 65 million population was still more widely scattered than in Britain or even the United States (Cassis 1997; Chandler 1990; Wischermann and Shore 2000; Benson and Shaw 1992).

By the time of the First World War, Germany was, like France and Italy, less advanced in terms of consumption and corporate marketing capabilities than

Table 17.1 Levels of GDP per capita, 1870–1973 (1990 Geary-Khamis dollars)

Country	1870	1914	1929	1938	1950	1973
USA	2,457	4,805	6,220	6,134	9,573	16,607
Britain	3,263	5,038	5,195	5,983	6,847	11,992
Germany	1,913	3,227	4,335	5,126	4,281	13,152
France	1,858	3,206	4,666	4,424	5,221	12,940
Italy	1,467	2,487	3,026	3,244	3,425	10,409
Japan	741	1,276	1,949	2,356	1,873	11,017

Source: Maddison (1995: 180–97).

the United States or Britain. The speed of the transformation in Britain and the United States means that we can refer to the emergence of national products, and even to a single national market. But it is more difficult to characterize the position in Continental Europe, where change was more partial or patchy. Rising population levels and wealth, for example, were important to Dutch margarine makers Jurgens and Van den Bergh, which later merged with Lever Brother to form Unilever. By the late 1890s, the urban workers of Germany were, after their British peers, their most important market (Wilson 1954; Stuyvenberg 1969). In 1908, the famous sociologist Werner Sombart commented on the pervasiveness of advertising in German and Austrian cities, but Germany remained a collection of regional economies. Lack of scale and scope limited the growth of indigenous consumer goods manufacturers, and constrained policies rooted in output, price, distribution, packaging, branding, and mass advertising. The food and packaged products sector in Germany did not imitate the organizational and international successes of the electrical and chemicals industries. Amongst fixed retailers, some urban department stores had established themselves by the 1890s, notably Wertheim in Berlin. Others such as Tietz, later called Kaufhof, or Schocken & Sons became chains, and used the rail system to supply mail orders. The origins of chain stores Karstadt and Edeka can also be discovered in this period, and, by 1903, the Central Union of German Cooperative Societies had 1,597 affiliated shops (Cassis 1997; Chandler 1990; Wischermann and Shore 2000; Benson and Shaw 1992).

Financial institutions and trading companies, and not industry, were the dominant big business sectors in France. Amongst makers of consumer goods, Raffinerie et Sucrerie Say was large, at least by French standards. Without a national market, consumer goods firms did not transform their production, products, and marketing approaches in the manner of US and British contemporaries. France was, like Britain, a pioneer of the department store, and the existence of Bon Marché, one of oldest and biggest in the world, Louvre, Samaritaine, Printemps, and Galeries Lafayette in Paris were proof of an important metropolitan culture accustomed to high consumption levels. The visits of an aspiring bourgeois to the capital's many department stores inspired Zola to write *Au Bonheur des Dames*. Yet chain stores on the British or US model were unknown, with the exception of newsagent Hachette (Cassis 1997; Wischermann and Shore 2000; Williams 1982). The Michelin Man, promoting a successful brand of tires, first appeared in 1898. Recognized by his Latin name, Bibendum, he was frequently and fittingly portrayed as a good-time character. By the early 1900s, the company was already publishing its famous travel, hotel, and gastronomic guides (Harp 2001). Italy remained, despite its unification, a collection of regional and city identities, as well as divided between the north and the less developed south. An important commercialized city like Milan did become home to the department store Magazzini Bocconi, later Rinascente, and Mele was located in Naples. To reach beyond urban customers, both developed as regional mail-order companies. It is known, too, that the urban middle classes and affluent working classes were the targets of advertised brands made by Borsalino, Cinzano, and Campari. Real wages in Italy's northern industrial "triangle" were, by 1910, comparable to those of Germany or France (Morris 1993; Arvidsson 2003).

Although the demand for consumer goods was expanding, average Japanese consumption was in 1913 approximately seven times lower than in Britain. For a developing country, Japan was highly urbanized: in 1879, 11 percent of the population lived in cities with 10,000 or more people; in 1908, 25 percent. It required a complicated network of small-scale distributors to bring food and more durable items from the countryside or from production centers throughout Japan. The majority of goods were sold locally or regionally, yet the national trade in ceramics, rice, sake, soy sauce, silk, and cotton was important. Demand, population density, and urbanization led to extensive trading networks before the era of rapid economic development. These supply chains, moreover, formed an institutional inheritance that conditioned later trends in marketing and distribution, which were largely stimulated by the production of "modern" goods. In large population centers, general stores gradually gave way to specialist outlets and to department stores like Mitsukoshi, founded in 1904. Despite most distributors dealing only in undifferentiated consumer goods, there was a history of packaging and labelling by urban wholesalers and retailers. Before the First World War, several sake and soy sauce companies made use of advertising and brand identity, most famously Kikkoman, as did Noritake ceramics and Ajinomoto seasonings (Maeda 1981; Kawabe 1989, 1993).

17.3 The "Maturing" of the Mass Market

17.3.1 The Culture of Consumption

In Britain, the advance of marketing and the domestically orientated consumer industries during the 1920s ran counter to the costs of the war, the loss of export markets, and the cycle of economic depression. While Britain's fortunes were mixed, but troubled, the United States benefited from a conjunction of favorable trends. It established itself as the world's leading economy, in terms of size, trade, and living standards, and, fundamentally, in terms of management and marketing practice. Between 1914 and 1929, total consumption rose in real terms by 71.1 percent, and per capita expenditure by 39.3 percent. In the same period, having peaked in 1919, total consumption in Britain grew by only 5.8 percent, and per capita expenditure, interestingly, by the greater sum of 6.9 percent. Following the good years of the 1920s in the United States, the Wall Street Crash brought an abrupt descent.

Table 17.2 Growth in consumer expenditure, 1914–1973 (real terms, percentages)

Country	1914–29	1929–38	1950–73
Total Consumer Expenditure			
USA	71.1	2.9	127.7
Britain	5.8	16.6	86
Germany			290.2
France			218.8
Italy			230.9
Japan			662.9
Per Capita Consumer Expenditure			
USA	39.3	8.9	63.6
Britain	6.9	12.5	67.2
Germany			99.8
France			155.7
Italy			186.7
Japan			482.5

Source: *The Economist* (1985: 13–117).

Total and per capita consumption fell respectively by 2.9 and 8.9 percent between 1929 and 1938; in Britain, the figures rose by 16.6 and 12.5 percent (Table 17.2). In the 1930s, Britain closed the gap in consumer expenditures and marketing approaches. As a result, GDP per capita in the United States and Britain, noticeably variant in 1929, were more equal in 1938. Significant if aggregate differentials, however, existed between these two nations and Germany, France, Italy, and Japan (see Table 17.1).

The interwar period as a whole was important to the development of marketing in the United States and Britain: their home markets became substantially bigger and richer; companies sought, as a result, to solve the pressing problem of "sales", alongside those of "production", by increasing the scale of their marketing operations and improving the sophistication of their techniques; and, certainly for foods, household products, and clothing, a consumer culture based on choice, cachet, and lifestyle rather than price and basic wants was widely "democratized". Admittedly, the social transformation was incomplete: such material gains evaded the legions of the unemployed, and the middle classes were disproportionate beneficiaries in durables as well as housing. In Continental Europe, overall living standards, the lack of large-scale consumer goods producers, or economic disorder hampered attempts to imitate the US culture of consumption. With its circumstances of "late" industrialization, the very specific requirements of consumer goods manufacturers and independent distributors in Japan did not induce direct imitation of US practice, but, as in Europe, created large intra-national variations in marketing.

While there are detectable similarities between the United States and Britain during the interwar years, the combination of growth and convergence in consumption was, internationally, a feature of the postwar boom. With the damage inflicted on Europe and Japan during the Second World War, GDP per capita was by 1950 markedly higher in the United States (see Table 17.1), where total and per capita consumption had grown, since 1938, by 88.6 and 37.7 percent respectively. The issue was the capacity of other countries to narrow this fissure between the high point achieved in the United States and the economic well-being of their own citizens. Between 1950 and 1973, the other major economies, with the exception of Britain, closed the gap in the size of national markets and total consumer expenditure levels, and all of them, spurred by postwar recovery, gained comparatively in consumption per head (see Table 17.2). By 1973, the United States still enjoyed the advantages of an early lead and continued growth in market size and personal wealth, but the material welfare of other nations had progressed comparatively and absolutely.

17.3.2 United States

During the 1920s, US firms increased the scale of their marketing operations, the number and size of advertising agencies spread, and a key business function was established as an identifiable profession. The use of demographics and statistical testing assisted the planning of distribution, and greater understanding of the consumer further supported the design of "emotional" advertising. These techniques originated from earlier decades. The founding of the Harvard Graduate School of Business in 1908 bore witness to the American tradition of pragmatism, and, by 1920, both Harvard and New York Universities hosted a Bureau of Business Research. Large-scale companies, undertaking or completing essential reforms in production management and business organization, responded to the booming consumer demand of the 1920s. Market research agencies, such as Nielsen and Gallup, burgeoned. Having founded a market research department, and departments in planning and statistics, J. Walter Thompson became the United States' most influential advertising agency. Its use of surveys to discover the cognizant and hidden wishes of consumers complemented the arrival of a bigger and richer market which emphasized quality and cachet over price, and facilitated greater product segmentation (Tedlow 1990; Schuwer 1966; Sivulka 1998; Morris 1993). Large-scale companies strove for the "scientific" organization and coordination of product development, branding, advertising, and distribution, and replaced the "entrepreneurial intuition" of small firms with the managerial objective of the marketing orientation.

Although electrical domestic appliances were available before the First World War, it was the 1920s that marked the era of the toaster, water and room heaters, and refrigerators, in addition to powered vacuum cleaners and washing machines. The vacuum cleaner was a sign of style and modernity, and the association of cleanliness with social status, family values, and guilt followed the success of soap and detergent producers. When domestic appliance makers promoted the saving of labor, they fortuitously tracked the declining numbers of servants. Manufacturers were supplying the means to transform the home-life of Americans. In the auto industry, it was General Motors that set trends in distribution, promotion, and product development. To surpass Ford, it extended the range of its products and price, and advertised intensively. It formed a credit company, and exclusive retailers with set locations enhanced its distribution network. In the 1920s, only food and beverages and then drugs and toiletries outdid autos in terms of promotional outlay. Between 1918 and 1928, consumer expenditure on consumer durables, including vehicles, grew in real terms by 75 percent. United States firms, in 1928, spent some $2 billion on all forms of advertising, with General Motors, American Tobacco, Coca-Cola, and Procter & Gamble determining the pace. In general, advertising volumes quadrupled between 1909 and 1929. One spur to this expenditure was the new medium of radio, which began selling products from 1923. Procter & Gamble was the first manufacturer to add the sponsorship of radio programs to its advertising armory, when, in 1927, it identified itself with an everyday drama called "Amos and Andy", and gave birth to the genre of "soap opera" (Norris 1990; Sivulka 1998; Tedlow 1990; Pope 1983 260–1; Schuwer 1966).

Department stores were still mainly located in the cities of the east and midwest, but chains had national prominence. A&P, Woolworth, and J. C. Penney were amongst those that continued to expand. As farm incomes declined as a proportion of national wealth, Sears and Montgomery Ward used the fame of their catalogues to open stores that could serve growing urban markets. With 23 million car owners in 1930, Sears also built near highways at sites where they could conveniently park. By 1935, its 428 stores were the United States' biggest supplier of furniture, fixtures, kitchen equipment, and electrical appliances, and multiples generally attracted 25.7 percent of consumer expenditure. With 13,314 stores in 1937, A&P was far bigger than its major rivals, but needed to respond urgently to the new source of competition, notably from large-scale supermarkets (Tedlow 1990; Pope 1983).

The United States maintained its international lead in marketing techniques during the postwar decades. While the depression years and wartime circumstances had restrained innovation, the period 1950–73 brought a consumer boom of unprecedented opportunity. Increases in market size and disposable incomes drew manufacturers to particular income levels or income groups. Marketers had from the 1920s already revealed their interest in the science of psychology, but, by the late 1940s, greater emphasis on psychological insight was beginning to replace a reliance on statistical planning techniques. Companies and agencies were attracted to "Motivational Research" as the era of affluence seemingly erased the concerns of "rational" economics. The instincts for Sex, Status, and Security were potentially contradictory, but a deepening understanding of basic human desires assisted the sale of numerous products. Studies disinterred the importance of the home and the conformity of the American housewife. They showed that "Mrs Middle Majority" belonged to the white collar, skilled, and semi-skilled classes that, in the 1950s, constituted 65 percent of the workforce. It seemed, too, to be the age of the suburbs and the automobile. Women in Maidenform bras were shown dreaming of material and sexual success, and Buick and Oldsmobile drivers were portrayed as would-be Cadillac owners. Motivational Research inspired Vance Packard, in 1957, to write *The Hidden Persuaders*, in which a quiescent people were unknowingly manipulated. If true, Americans were easily persuaded to consume more and more. Since networked television had reached 60 percent of homes by 1951, advertisers did, indeed, have access to a medium that was potent and suited to imagery. Following the traditions of United States radio, manufacturers sponsored television programs. Philip Morris introduced "I Love Lucy", and the luminary of the Dinah Shore Show sang the praises of the Chevrolet (Sivulka 1998).

By the 1960s, low cost chains and discount stores, such as Korvette, posed problems for the traditional multiples, although Woolworth and Kresge respectively founded Woolco and K-Mart. Moreover, in the United States, the shopping mall grew into a centerpiece of life outside the home: there were eight in 1945, and 3,840 by 1960 (Glickman 1999; Tedlow 1990). Wal-Mart, founded as late as 1962, was by 1990 the largest retailer in the United States, offering the proprietary brands of manufacturers at discount prices. By 2002, its worldwide sales were three times larger than its next biggest rival, France's Carrefour, and its 30 percent control of household staples expenditure in the United States had major implications for the supply-chain and consumer choice.

17.3.3 Britain

Between 1922 and 1938, British consumer expenditure grew in real terms by 32 percent. For many goods, unit costs fell dramatically, and the variety of products expanded. The composition of personal expenditure shifted towards consumer durables, but statistics conceal important trends towards more expensive, branded foods and clothing. Although improvements in management and business organization lagged behind those in the United States, they were far-reaching enough to transform living standards and consumption patterns. Despite the decline of the heavy industries, economic dynamism came from consumer goods and more domestically orientated concerns. For many producers and their consultants, the "manufacturing problem" was largely solved. Efforts could be focused, instead, on the selling or marketing "problem". Considering the advances in production technology, products and business organization, it was the state of the consumer market that demanded new managerial skills. Whether it was cigarettes, or confectionery, or canned goods, what for many had been, a generation before, an occasional indulgence or a considered choice was converted into frequent semi-luxuries and impulse purchases. In the 1920s, leading firms in the food industry became increasingly interested in the collection and use of statistics as a means of assessing future demand, estimating output, and organizing distribution. Some formally re-conceived "marketing" as an activity based on scientific planning, rather than intuition, and as a complement to the detailed and technical task of manufacturing and factory organization. Their activities strengthened sales efforts, but grew out of management's inherent production-orientation. Although the actual word "marketing" was clearly a US import, changes in technique and business organization were initially indigenous rather than transatlantic in origin. In the 1930s, a few leading firms, notably Rowntree and the soap and food conglomerate Unilever, consciously adopted intensive advertising approaches and what became labelled in the postwar boom the "marketing orientation" (Fitzgerald 1995, 2000, 2005; Corley 1987; Benson 1994; Jones and Morgan 1994).

The early development of British markets and capabilities meant that the decades following the Second World War did not bring substantial marketing change, in contrast to Continental Europe. Many companies were understandably concerned, after so many years of austerity, with simply re-establishing their well-known brands, although new products and especially electricals extended the horizons of the consumer. Per capita consumption grew by 1.9 percent per annum between 1946 and 1973, compared to the 1.6 percent achieved between 1922 and 1938. For many, the British had lost an empire, or looked enviously at United States or German growth rates; in truth, the average Briton had never lived better. The greater concentration of retailing outlets, especially supermarkets such as Tesco and Sainsbury, challenged the control that manufacturers had deliberately forged over distributors. As in the United States, market power had come through the ownership of proprietary brands, but the multiples' competitive advantages in logistics, bulk purchase, and price by the 1960s weighed against the manufacturers' emphasis on cachet and image. Producers were forced to invest in supply chain management, organization-to-organization relationships, and push marketing rather than the creative development of brands. The concentration and power of UK retailers increased in the 1980s and became internationally notable. In fashion goods, long production runs were not suited to greater market segmentation and rising youth sales, and new arrivals such as Next were beginning to exploit the vulnerability of clothing giant Marks and Spencer. Yet British consumers did not abandon their desire to buy from the national supermarkets, especially Tesco, which emerged as the country's largest retailer (Fitzgerald 1995, 2000; Corley 1987; Nevett 1982; Tedlow and Jones 1993; Jones and Morgan 1994).

17.3.4 Japan

By 1920, there were 16 Japanese cities with 100,000 or more residents, and, by 1940, urban areas of this size held 30 percent of the nation. Their very size required a response in distribution, marketing, and consumer goods. Total consumption increased by a remarkable 7.6 percent per annum over the long period of 1946–73, and by an equally remarkable 6.2 percent per capita. In 1960, Japan had the world's second largest domestic market after the United States. The origins of the country's "modern" marketing systems can be detected in the interwar period, but the scale of Japan's postwar consumer boom is apparent.

The arrival of station terminal shops linked rising incomes, consumption, and enlarging cities, as well as commuting: between 1929 and 1940, the Hankyu, Tokyo Yokohama Electric, and Seibu Railways all established shops. In 1931, "small" retailers still accounted for 98 percent of Tokyo establishments, although eight department stores had 33 percent of city-wide purchases. By 1933, Mitsukoshi consisted of ten branches. Department stores, like the railway outlets, largely competed for the custom of the urban middle class, but long-term trends had by the interwar period created new consumption opportunities in food, clothing, health, and education for regularly employed, urban workers and their families. In 1934, labor-intensive, indigenous products absorbed over half of consumer expenditure, but some firms utilized imported technologies and established large-scale enterprises. The duality of manufacturing techniques and organization was necessarily reflected in the duality of marketing systems. Innovative producers in Japan found the hierarchy of entrenched, traditional distributors unsuitable, and many of them established both wholesaling and retailing branches. In some cases, they decided on directly owned networks, but most did not have the capital and preferred to contract with tied distributors.

In a developing market, manufacturers used this contact with consumers to demonstrate the benefits of their new products. Needing quickly to build scale and scope distribution economies to balance growing manufacturing operations, they outflanked the protected, traditional wholesalers and shopkeepers and replaced them with outlets exhibiting sales commitment and product-knowledge. Leading producers of cosmetics, clothing, foods, footwear, furniture, and electricals implemented marketing innovations and the establishment of distribution *keiretsu*, including Shiseido Cosmetics, Morinaga confectionery, Pine Sewing Machine and subsequent maker of the famous Janome line, and Tokyo Electric, Toshiba's forerunner. In 1923, Matsushita Electrical Industries founded a central marketing department and a regional sales network. Pursuing rapid market penetration, it established a system of exclusive wholesalers in 1933, and, two years later, an association of registered retailers. Toyota in 1935 imitated the car dealerships created by General Motors and Ford in Japan (Kawabe 1989, 1993; Maeda 1981).

Rapid industrialization from a position of relative backwardness continued to have marketing consequences during the consumer revolution that followed the disaster of the Second World War. Larger-scale companies hurriedly materialized and needed marketing solutions suited to Japan's specific market conditions. Manufacturers did not seek to encourage consumption, since demand outstripped demand, and the efficacy of advertising was questioned. The key objective was distribution to potential consumers, growing in number and spending-power. Electrical, autos, synthetic fiber, pharmaceutical, cosmetic, camera, and processed food manufacturers opted in this period for directly controlled *keiretsu* wholesalers and retailers. Ultimately, consumers benefited from product and brand saturation, the prevalence of local stores, after-sales service, and product information, but were disadvantaged by controlled and non-competitive prices.

Changes in distribution moved in parallel to urbanization: in 1950, 26 percent of the population lived in cities with 100,000 or more inhabitants; the figure was 52 percent by 1970. In 1955, 33 percent of households owned a washing machine, and the level was 58 percent in 1962, by which point 79 percent possessed a television. It was companies such as Matsushita, having 33,000 federated retail stores in 1952, that pioneered the postwar boom. Between 1956 and 1960, Hitachi, Toshiba, Mitsubishi, Sanyo, and Sharp imitated MEI's policies. In avoiding price competition, electrical companies stressed instead technology, product quality, and advertising. By the late 1950s, Nissan and Toyota had re-established and expanded a system of franchised dealers, forcing a relative latecomer such as Honda to form a directly owned sales operation in the following decade (Maeda 1981; Shimotani 1995; Yoshino 1975; Okochi and Shimokawa 1981).

In Japan, the term "marketing" is contrasted with the supply-side challenges of "distribution", and implies a "managerial science" of statistical techniques, product testing, and psychological models, imported from the United States in the postwar years. With possible exaggeration, a 1959 survey detected no marketing function in Japanese manufacturing companies, in part because sales companies or agents assumed these responsibilities through *keiretsu* linkages, in part because general trading companies or *sogoshosha* maintained their key role in the national economy. At Matsushita, and other firms, the approach continued to be production or product-driven, and push marketing along a distribution chain supported this emphasis. Japanese economic conditions, growth rates, and federated business structures were less amenable to the marketing-orientated approach, which stressed creative product development and cachet and holistically combined marketing functions within one large, unified enterprise.

Nonetheless, advertising expenditures grew with the increasing importance of specific brands and labels, and television advertising was introduced in 1953. By 1965, the sums spent on promotions equalled 1.1 percent of GDP in Japan, compared to 1.4 percent in Britain. Challenges to the practice of resale price maintenance and the distribution *keiretsu* did gradually encourage "pull" marketing.

New and alternative forms of retailing—including supermarkets, installment plan department stores, chain stores, and greater numbers of railway station shops—joined the opposition lobby. By the 1970s, Daiei, Seibu-Seiyu, supermarkets such as Ito-Yokado, Futagi, and Shiro, and the forerunners of JUSCO and Nichii had already arrived as influential, independent multiples (Yonekawa 1990; Yonekawa and Yoshihara 1987; Yoshino 1971, 1975; Maeda 1981; Kawabe 1993; Yoshino and Lifson 1986).

17.3.5 Continental Europe

Despite Berlin and regional capitals providing numerous and important centers of consumption, and high levels of per capita GDP, economic disruption and inflation hindered marketing developments in interwar Germany. Yet the retailer Karstadt, the merged Schultheiss-Patzenhofer Brauerei, Ostwerke, Suddeutsche Zucker, and Stollwercks did enter the lower reaches of the largest enterprises (Cassis 1997). Siemens strove to develop and promote consumer appliances during the interwar period. But the firm could not shake off its corporate culture, which was rooted in earlier decades, when demand had outstripped supply, and also built on a composite of technology, product, and production-orientations. German rearmament soon curtailed Siemens' initiatives, and pulled the firm back to its well-recognized expertise in engineering (Feldenkirchen 1995). The dominance and corporate objectives of the heavy chemicals industries were unchanged. Prior to the political turmoil of the 1930s, foreign-owned brands such as Unilever's *Rama* or *Blauband* margarines or Coca-Cola could regard Germany as one of its most lucrative markets. Throughout Europe, including Britain, American products, brands, machinery, and cars were well-established by the interwar decades (Jones and Morgan 1994; Jones 2005).

Change was more evident in France than in Germany, partly because consumption expanded more quickly in the 1920s. Citroën was the first to imitate United States production methods, and copied, too, the appointment of sole dealers and the provision of hire purchase. It outdid its rivals Renault and Peugeot in the scale of its advertising, and all three joined Michelin in linking the motorcar with the cause of French modernity. Moreover, Say Raffinerie et Sucrerie and Grand Moulin de Paris did enter amongst France's largest companies. Advertising agencies had been active in British and United States commercial life before the First World War, and, as witnessed by the establishment of Agence Havas in 1920, they became more prominent in France during the interwar period. They furthered the use of slogans and illustrations, and devised concerted advertising plans, while Radio Normandie and Radio-Cite in the 1930s brought the names of products into French homes. Department stores began to operate on a national scale. Le Printemps opened its cheap, fixed-price stores Uniprix, and Galeries Lafayette founded Nouvelles Galeries and Prisunic (Cassis 1997; Harp 2001; Schuwer 1966). In so doing, they perceived the potential of new consumers and acknowledged the commercial attractions of a broadening market.

Personal consumption was increasingly allied to concepts of modernity, and, consequently, to a European desire to close the gap with America. As in France, United States practice had by the 1930s an influence on the role and function of advertising agencies in Holland, and J. Walter Thompson already operated from 22 overseas offices. Marketing in Europe was gradually re-conceived as a profession, and psychological understanding and the use of emotional appeals indicated the growing sophistication of promotions (Wischermann and Shore 2000). Italy in particular felt the stigma of backwardness and the desire for modernity. Fiat was known to imitate United States mass production, but the practice was not common in Italy. Nonetheless, Fiat's 509 Balilla, canned food maker Cirio, Pirelli beer, Motta's Panetonne, Gi.vi.enne's Erba toothpaste, and Olivetti typewriters were examples of products transformed in use or popularity by innovative approaches. The advertiser was concerned with fashion, individual consumption, and cosmopolitanism, and one notion of modernity inevitably clashed with Fascism's martial and nationalistic alternative (Arvidsson 2003; Sivulka 1998).

After the Second World War, reconstruction, economic growth, and the consumer boom were noted features of Western Europe, as well as Japan. In the early 1950s, Suddeutsche Zucker and Margarine-Unie, a Unilever subsidiary, were the only two food firms to be considered large German businesses, although Karstadt's success continued throughout the decade. In France, Astra, Say, and Georges Lesieur et ses fils could be counted amongst the corporate elite (Cassis 1997). Demographic surveys conducted in France during 1955 discovered a population still generally more concerned with acquiring life's basic necessities. Imminent economic transformation, therefore, brought unexpected benefits, and, by the late 1950s or early 1960s, most Italians were replacing the anticipations of the outsider with realistic consumer expectations (Arvidsson 2003). No country matched the economic well-being enjoyed by Americans. But, in the 1960s, the consumer culture and modern lifestyles were available to many West Europeans and had moved out of particular cities, regions, or income groups (see Tables 17.1 and 17.2), and Unilever identified the potential impact of rising expectations on product development and advertising (Jones 2005). In France, the return of a "democratized" Bibendum, this time without the cigar or the pince-nez, signified the different attitudes and purchasing power of the ordinary postwar consumer (Harp 2001).

Retailing in Western Europe remained less concentrated than in Britain, or even in the United States, and fostered a manufacturing base emphasizing quality, specialization, and differentiation. Multiples and department stores, in 1987, controlled over 70 percent of clothing sales in the UK, and the figure for Germany was approximately 34 and nearer to 15 in the cases of France and Italy. One indicative international success was the Italian fashion firm, Benetton, which linked the smaller-scale networks to be found in industrial districts and sold through marketing franchises. On the other hand, from the 1960s onwards, French supermarkets such as Carrefour, Casino, and the Auchan Groupe became dominant suppliers, and Carrefour in 1963 invented the hypermarket. Supermarket multiples Metro, Rewe-Zentral, Aldi, Edeka, and Schwarz, which owned Lidl, similarly gained domination within Germany, and the largest, Tengelmann, controlled supermarket and drugstores Kaiser and Plus, apparel and general outlet Kik, and, from 1979, the ultimate prize, the United States' Atlantic and Pacific. In Britain, Germany, and France, resale price maintenance had been legally enforceable during most of the postwar boom, and mass retailers responded with own-label brands that combined price with quality. Alongside its association with fashion and cosmetics, France has, in BSN, one of the world's largest multi-brand food companies (Jones and Morgan 1994; Tedlow 1990; Jones 2005).

17.4 Conclusions

The origins of "modern" marketing are connected to increases in real wages, the choices generated by disposable incomes, transport and communication systems, the building of national markets, and urbanization. If the economic and social opportunities were to be fulfilled, businesses needed to innovate products and systems, and they succeeded with the manufacturing and distribution of standardized goods. The continued growth in personal wealth and market size raised expectations and capabilities, and led to greater product segmentation. It stimulated competition, and the more complex product demands of consumers necessitated more complex business systems. Changes of emphasis within the marketing mix of large-scale companies reflected broader trends. Production and product-orientations were complemented by an interest in sales, distribution, and advertising. The assumption of the marketing orientation, which started with the wishes of consumers, was a response by many leading enterprises to the greater individual spending power of the consumer. In several important cases, it brought the increasing segmentation of formerly homogenous markets. Market research assisted the process of product development, and the use of psychological analysis challenged the simplicities of "narrow" economics.

The business history literature, at present, rarely links developments in corporate marketing with broader trends in consumption, industrial structure, or international competitiveness. Most corporate histories, indeed, fail to give marketing the importance allotted to technology, organizational forms, or even labor policies. In the analysis of industrial product makers and service industries, such as banking and insurance, this deficiency is even more striking, and marketing by non-profit organizations and governments will no doubt require the attention of future historians. Overviews of trends in the United States contain many useful insights, but they generally attend to the period before 1920. Our knowledge of the interwar years and particularly the postwar boom, when marketing "matured" in the United States, is significantly less. This gap applies to Britain and Europe, in addition to the United States. It also complicates the historian's assessment of earlier periods, the whole era of mass marketing, and the stages of its development. With few exceptions, the lessons of history have not been applied to contemporary marketing.

The shortage of information significantly limits our understanding of the far-reaching changes that followed the end of the postwar boom after 1973. Falling growth rates reduced possibilities for marketing initiatives; inflation and economic depression shifted the market emphasis to some degree from brand cachet to price, as did the rising power of large-scale retailers in relation to manufacturers; and leading producers, no longer gaining competitive advantage from marketing-orientation policies that had become widespread, switched to business strategies dominated by merger, acquisition, and corporate restructuring. During the 1980s and 1990s, the power of retailing chains continued to increase, and the internationalization of producers and advertising agencies and possibilities of "global" branding challenged the certainties and practices of an earlier period. By extending research into a greater number of industries and periods, business history has the means as well as the approach to contribute more effectively to our assessment of marketing as a phenomenon of modern economies and societies.

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