MARKETING MANAGEMENT, THE FAMILY AND COMPANY SURVIVAL IN THE 1980's

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Abstract

This paper examines marketing management, the family as a target market, and company survival and raises questions about company preparedness to deal successfully with the environment of the 1980's. It is questionable whether the strategies of the majority of large companies through the previous two decades of using "Marginal Incremental Approach" or 'fine tuning' the company's marketing program will be sufficient to ensure corporate health and survival in the late 1980's.

Introduction

The old adage of building a better mouse-trap and consumers will beat a path to one's door is no longer appropriate, if indeed ever was. Theodore Levitt has referred to this as The Marketing Myopia of the 70's. Even merely finding and maintaining the correct marketing mix might not be sufficient for a company's survival because of the power and pervasiveness of external forces. Thus, attention to details and strategic planning and implementation with an attendant monitoring system are becoming increasingly more important to companies in the 1980's. Evidence of this can be found in the growth of the literature and company practice within the last five years. Moreover, it is apparent that some shifts are taking place in family decision making pertaining to marketing with respect to the roles of purchaser, decision maker, and decision influencer. For example, there is an increase in joint husband-wife decision making as well as increasing numbers of females acting alone as both decision makers and purchasers of such major products as automobiles, furniture and other consumer durables.

Many authors have argued that the present environmental scenario has changed consumers' perception of products as well as created new breeds of consumers (Akhter, 1980 and Shama, 1978, 1980 and 1981). One implication is that the marketing strategies of companies must also change to take account of these changes. For example, in the case of consumers who cope with the economic stagflation by trying harder to make ends meet (Shama, 1981), the job of the true marketer must be to facilitate their attempts. Similarly, the emerging group of consumers who cope by changing their life styles and values relative to conspicuous consumption and economic growth (Shama, 1981) should also be accommodated by changes in a company's marketing planning and strategy for survival, if those consumers are part of the company's target market.

Since marketing strategy consists of balancing a company's objectives, target market and marketing mix to achieve the corporate mission, then when families (consumers) buy less, spend more time shopping, frequent more discount and wholesale outlets and use more cents-off coupons, companies marketing mix planning and emphasis should change accordingly.

Another indication of the necessity for change is that "stagflation has not only changed the consumption preferences of consumers but just as important it has affected the way they judge products and services." (Shama, 1981) Durable goods, furniture, and home furnishing in the area of family purchases seem to have experienced such a change requiring more attention to price, product functions, channel modifications, as well as corresponding changes in promotion strategy" (Mitchell, 1982). Thus it appears that a major adaptation process and not mere fine tuning by marketing management is required for company survival under present economic-socio-political conditions. This is illustrated in the failure of such well-known companies as Braniff International (U.S.A.), Laker Airlines (Britain), AEG-Telefunken (West Germany), and Canadian Admiral Corporation (Canada) to list a few companies from different parts of the world.

Purpose

The main purpose of this study is to examine theory and practice of marketing management and the implications as they relate to the family as a target market and company survival in the chaotic and uncertain environment of the 1980's. The changes in the environment of the 1980's require countervailing changes in marketing management with respect to the family as a target market. It is, in part, the failure to adapt to change which has caused the largest number of business failures in the United States' and Canada's economic history. In 1981 both bankruptcies and associated liabilities in the United States and Canada have risen more than 40% over the previous year. The results were even more gloomy in 1982. The question may be asked: To what extent are such failures in the United States and Canada, failures in marketing and inflexibility in marketing management?

The environment of the firm consists of the external, uncontrollable environment and the internal, controllable environment. The recent economic-socio-technological changes have radically altered the organizational environment and most futuristic managers anticipate further shifts in the 1980's and 1990's. Consequently, the successful management techniques and practices of the 1960's and 1970's are no longer sufficient to ensure company survival. For example, the belief of many North American organizations that they are large, old established companies that can go on forever without adapting to the significant changes must have been shattered by the bankruptcies, difficulties and/or withdrawal of large well-known companies spanning the spectrum of most major industries from agriculture and airlines (International Harvester, Massey-Ferguson and Braniff Airline) to merchandising, petro-chemicals, service, transportation and real estate (Woolco, Dome Petroleum, Skylark, Chrysler, Maislin and Abacus Cities).

Many companies have misjudged or tended to ignore the tendency of conditions unfavourable to their operation to persist. As a result, they have persisted with a fine tuning or continuous minor adjustment approach to marketing. They are unaware of the power of "timing" and "proacting" as well as the difference between "incremental" action and "total" action upon overall company results. Thus, instead of full and complete action,
and instead of looking for growth areas akin to their areas of operation, or diversifying into other product areas with significant growth potential or even consolidating their resources, they have opted for ignoring crucial signs of environmental changes and have clung to the belief, for example, that the problems of the North American economy in the 1980's will be of short duration and that consumers' confidence and demand would bounce back. These managers' attitudes have provided the evidence to support Peter Drucker who points out:

Many managers are either unable or unwilling to see the harsh new facts of business life. Such blindness is a sure recipe for disaster. Not only does it lead to the failure to avoid danger, it also leads to the failure to spot opportunities. 

(Feather, 1981)

In marketing management, the timing of the implementation of strategy is a crucial element in successful implementation. For example, Bales, Gogel and Henry (1980) maintain that behind the gloomy predictions for the business environment in the 1980's lies "real opportunity for the company that competes itself not just to roll with the punches but also to actively exploit environmental changes by restructuring its priorities, reshaping its strategies and learning to relate in new ways to customers, competitors and society at large". With investment opportunities limited, competitive pressures sharper, and national and international regulation of private enterprise growing, corporations are finding it increasingly difficult to survive and much more difficult to excel. Old markets are becoming saturated and declining much faster than new markets are able to take their place. For example, staple consumer goods such as cars, radios and television sets already outnumber household commodities in North America and much of Western Europe. Other products are fast approaching the same fate. The slow growth of populations in most of these countries means that the number of households is likely to grow at only about 2 percent per year in the 1980's and demand for consumer goods is unlikely to grow any faster (Bales et al., 1980). Further pressures on marketing management are being exerted by falling demand simultaneously with increasing supplies in most markets. This is leading to intensified price competition, pressure on profit margins, financial difficulties, retrenchment and/or bankruptcies. The task of marketing in the 1980's has been put in various ways but the underlying theme is difficult choices and marketing professionalism or obsolescence (Carrol, 1980). This is the case whether one talks to top management of major corporations, marketing academics or consultants.

Background of the Study

This is part of a larger study begun in 1979 on innovative marketing management and consumers in the 1980's. The methodology employed in this study is a combination of library and field research. It covers the examination of the literature, companies' files and their top management philosophy, pronouncements and practices of companies in relation to their performance. The author with the assistance of M.B.A. students (Research Assistants) conducted surveys, personal and telephone interviews of managers as well as individual and focus group interviews of consumers in Massachusetts, New York, Nova Scotia, Ontario and Quebec over a period of two years (1980-1982).

Questions asked consumers included the following:

- What members of the family took part in the decision to purchase such items as car, furniture, appliances, etc. within the last two years?
- Is there any difference between those members who took part in that decision and previous ones for similar products?

- Is there any difference in the family shopping behavior now and say, three or four years ago? Yes ___ No ___ . If yes, can you explain those differences?
- Are children, on attaining their 19th birthday, remaining home longer than three or four years ago? Yes ___ No ___. If yes, please explain the reasons.
- How, if at all, has the environment of the 1980's (high unemployment, interest rates, and inflation) affected the family purchasing decisions?

Questions asked managers of companies included the following:

- What is your company's corporate mission?
- Has there been any change in this mission in the last three to four years?
- Does your company engage in strategic planning? Yes ___ No _. If yes, explain when this started and what brought it about.
- Over the last four years have the time horizons for your company's planning remained the same, increased or decreased?
- Is there a real distinction between selling and marketing in your company? Yes ___ No __. If yes, what is the distinction?
- Does your company have any of the following written plans?
  - one year [ ] three year [ ] five year [ ]
- What kind of controls, if any, are in place to ensure that marketing operations are carried out to achieve objectives?
- Have the controls been reviewed over the past three years?
- What proportion of the company's resources would you say is devoted to marketing?
- On a scale of 1 (not important) to 5 (very important) how would you rank the relative importance of marketing production and finance in your company?

Research Findings

(1) The Family

In the United States the recession, high unemployment and high interest rates continue to erode consumer confidence. This has caused consumers to cut back their shopping further with each passing month. Thus J.C. Penney Company and Montgomery Ward and Company reported in 1982 last quarter sales declines of 2.7 per cent and 9.2 per cent respectively compared with the same period in 1981. On the other hand, F. W. Woolworth Company sales increased a mere 0.6 per cent. In contrast to Woolworth's, Sears, Roebuck and Company sales increased 1.6 per cent for the quarter while K Mart Corporation, the second largest U.S. retailer, reported sales increased 8 per cent for the quarter (The Chronicle Herald, May 10, 1982).

In Canada, The Conference Board of Canada reported the seasonally adjusted Index of Consumer Attitudes declined to a new record low of 60.4 (1961=100) in the first quarter of 1982 from 64.1 in the fourth quarter of 1981. This reflected the extreme caution on the part of households in making their spending decisions in an environment characterized by declining economic activity, high interest rates, and high, albeit slowly decelerating inflation (The Conference Board of Canada, May 1982).