History of Marketing

Marketing's Evolving Identity: Defining Our Future

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Marketing, as it evolved in the early twentieth century, was synonymous with distribution. In 1937, the American Marketing Association (AMA) defined marketing as "business activities involved in the flow of goods and services from production to consumption." This definition had a strong supply and distribution focus and represented the primary focus of marketing at the time when producing tangible products and taking them to market was the mission critical to most firms in the economy. During the Great Depression, there was scarcity of demand. However, the entry of the United States into World War II changed this, and many goods became rationed as the country’s production and distribution capabilities were directed at supplying the troops.

By the 1950s, the industrial and distribution sectors of the economy were able to generate enormous supplies of consumer and industrial products. No longer was efficient distribution the primary problem, but a shortage of customers and markets became of paramount importance. Therefore, organizations became more market and/or customer oriented. Although it is difficult to define the turning point in marketing thought and practice, it is probably best identified with a set of events closely connected in time: John Howard's publication of *Marketing Management: Analysis and Decisions* in 1957, a presentation in that same year at an AMA conference by J.B. McKitterick on the marketing management concept, and E.J. McCarthy's publication of *Basic Marketing: A Management Approach* in 1960. McKitterick perhaps summed up best what this philosophy intended: "The principal task of the marketing function in a management concept is not so much to be skillful in making the customer do what suits the interests of the business as to be skillful in conceiving and then making the business do what suits the interests of the customer."

The AMA was a bit slow in revising its definition of marketing and catching up with the trend toward consumer or market orientation. However, in 1985, a half-century after AMA's first officially sanctioned definition, the AMA adopted a new definition of marketing. The definition viewed marketing as "the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives." The new definition signaled that marketing was about organizations "marketing to" customers.

For both the 1937 (which expressed a "to market" philosophy) and the 1985 (reflecting a "marketing to" philosophy) definitions, the implicit assumption was that the customer was exogenous. Importantly, this view of the customer was reinforced in 2004, when the AMA offered an updated definition of marketing. This definition viewed marketing as "an organizational function and set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders." This definition was an improvement over the 1985 definition because of its focus on value, relationships, and multiple stakeholders. However, it did not go far enough in
capturing a "market(ing) with" philosophy, which is increasingly arising in practice and suggests that the customer is endogenous and a partner in the cocreation of value. This philosophy is increasingly being expressed and developed in what has become known as the service-dominant logic of marketing. Under service-dominant logic, customers are active participants that bring needed skills or competences to the exchange process; in this context, they are endogenous to the marketing process. The role of the customer is central because he or she is a cocreator of value. As such, marketing is a process of doing things in interaction with the customer. Value is perceived and determined by the consumer on the basis of "value in use." Consequently, firms cannot add value but only offer value propositions.

Finally, marketing is more than an organizational process; it is a societal process and institution, and the official AMA definition should reflect this broadened role. In this regard, it is informative to note that three of the nine original purposes of the AMA, as stated in the 1937 constitution and bylaws of the AMA, were of a societal nature: (1) "to develop better public understanding and appreciation of marketing problems" (originally listed as Number 5), (2) "to study and discuss legislation and judicial decisions regarding marketing" (originally listed as Number 6), and (3) "to encourage and uphold sound, honest practices, and to keep marketing work on a high ethical plane" (originally listed as Number 9). If we get everything else "right" but fail to develop a coherent and compelling body of thought regarding the aggregate marketing system, we will have failed society and ourselves as a profession.

Biography

Robert F. Lusch holds a PhD from the University of Wisconsin–Madison. He currently is the Lisle & Roslyn Professor of Marketing and the Marketing Department head in the Eller College of Management at the University of Arizona. Previously, he served as dean of the M.J. Neeley School of Business at Texas Christian University and dean of the Michael F. Price College of Business at the University of Oklahoma. In addition, he is a previous editor of Journal of Marketing and chairperson of the American Marketing Association. Professor Lusch has expertise and continuing research interests is in retail strategy, service marketing, and marketing theory and substantial consulting experience in retailing. He is a two-time winner of the Harold Maynard Award for theoretical contributions in marketing published in Journal of Marketing in 1996 and 2004. His current focus is on developing a service-dominant logic of marketing and on the development and use of agent-based modeling to understand marketing value networks.