

"AND HOW DOES IT LOOK IN AMERICA":
A European Report on U.S. Marketing by
H.F.J. Kropff (1939)

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ABSTRACT

A 1939 report on the state of U.S. marketing by the veteran Austro-Hungarian consultant H.F.J. Kropff, translated and presented in large part here, provides a fine picture of the depth, sophistication, and power of U.S. marketing thought and practice half a century ago. Kropff's analysis strongly refutes the "Sales' Era" concept still being published in U.S. textbooks.

INTRODUCTION

The report on American marketing which appears below is taken from a small book published in Germany in 1939. Its author, Hanns Ferdinand Josef Kropff (1880-1961), was a veteran Austrian advertising consultant¹ who during the last thirty five years of his long life also became a major contributor to the German-language advertising, consumer research, and marketing literature (See Bergler 1965, pp. 96-101; Mueller 1989). Though familiar with the best of Austro-German (Germany had annexed Austria in 1938) marketing thought and practice - some of which he himself had pioneered - Kropff considered the United States to be far ahead in both.

English-speaking since childhood (his mother was English), Kropff had an extensive knowledge of U.S. marketing thought and practice. During the 1920's, he had been among the earliest to explain American advances in marketing research to Central Europeans (Kropff and Randolph 1928). Another of his works drew upon American advances in using psychology in advertising strategy (Kropff 1934). Much of the material used in the 1939 report was supplied by Kropff's contacts and acquaintances in the United States.

Kropff's theme in the report below was that Germany had much to learn from the United States about marketing if it was to compete effectively

¹. Until the late 1940's, advertising agencies in Germany and Austria were essentially media brokers. For strategy and creative work, many firms utilized advertising consultants like Kropff, who had begun his work life as an in-house advertising person in the Vienna coffee and grocery firm of Julius Meinl. Kropff rarely used his first three names, preferring to be known as "H.F.J. Kropff".

with it in export markets. It is possible that he exaggerates the U.S. superiority in order to strengthen his argument. We need not take his report as divine writ. On the other hand, he knew U.S. marketing well, and as an outsider could see its strengths and its totality in a way in which an American then would have found difficult; I know of no American parallel to this report.

Kropff found American marketing to be characterized by thoroughgoing and effective rationality: by a fine and mutually beneficial balance between thought and practice, by marvelous organization, by a rich institutional support structure, and by the realization that marketing involved a coordinated effort from product design through promotion to the final sale. There is nothing in Kropff's analysis which supports the notion - which is still soiling our textbooks (e.g., Pride and Ferrell 1991, p. 14) - that U.S. business was in a "Sales' Era" characterized by an overweening focus upon selling during the 1930's. Is it not time that the authors of these costly, oft-revised, texts begin to revise out the fables presented in Keith's (1960) after-dinner speech article, and provide our students with serious history? As Kropff well knew, accurate knowledge helps nations compete economically, while inaccurate knowledge weakens them.

"AND HOW DOES IT LOOK IN AMERICA?"^e

Translation by Ronald A. Fullerton

America is Germany's great and strong opponent in exporting. This is well-known not only in industry and trade circles [here in Germany]; in addition, numerous statements by...economic policy makers clearly refer to the American superiority. It is therefore advisable for us...to cast our glance across the Atlantic in order that we may observe their system and methods of advertising and selling. To begin with, we quickly realize that marketing there is considered as a totality (geschlossenes Gebiet) in which promotional activities are one part. As such, promotion definitely plays an important role, but a role which is neither independent of nor isolated from the other activities of marketing. In order not to expand the scope of our discussion excessively, let us pick out three areas which most concern us:

-Market analysis and consumption research (Konsumforschung)

-Advertising, distribution, and selling
as the domain of Marketing (Absatzwirtschaft)

-Personnel Management
as an area of industrial administration with deciding influence upon the profitability of product manufacture.

Even a quick consideration of these areas leads us to recognize that one of the major reasons for the success of the Americans in them, and as a

^e. Taken from pages 46-57 of Kropff 1939. Omitted sections are market by three dots.

consequence in exporting, is the use of systematic research, planning, and implementation, which in turn are based upon the penetration of scientific (wissenschaftliche)³ principles into all facets of marketing. And although the American mentality emphasizes above all else the practical solution of everyday problems, the value of their scientific work is by no means lessened. The American literature clearly contains a great number of publications dealing with fundamental research questions, upon which their marketing science is built...

MARKETING RESEARCH

The great breadth and profundity of work done over the years have led business practitioners to accept market research and applied psychology as indispensable to marketing⁴. Hence the key task of researchers is no longer to prove that these aids are necessary and useful, but rather to further improve research techniques and to investigate new subject areas with the potential to reduce risk in production and marketing.⁵ Worthy of note here is the emergence of a research literature on business cycles.

In America market research is substantially and broadly based in university institutes, professional research organizations, and private firms. Research is supported by a rich, constantly expanding [monograph] literature as well as by a number of journals of high quality. The organization of the broad domain of research began in 1915 with the founding of the National Association of Marketing Teachers - N.A.M.T. In 1937 this large organization, whose members were largely college and university professors, merged with the more practitioner-oriented National Marketing Society, thus producing the gigantic organization known as the American Marketing Association - A.M.A.

Through the merger the N.A.M.T.'s theoretical and scientific work, which is directed towards university instruction, was brought into close contact with the research investigations of the A.M.S., which is directed towards practical management. On the Board of Directors of the new A.M.A. practitioners like Constant (Director of the Research Division of Pedlar & Ryan) and consultants like [Wroe] Alderson sit alongside

³The German word Wissenschaft refers to organized bodies of knowledge, including humanistic and social knowledge, and is thus broader in meaning than our current use of the word "science". However, much of the early U.S. marketing literature into the 1930's used the word "science" more in the sense which Kropff understood than our present English sense, e.g., Homer J. Buckley's 1924 book on direct mail marketing was entitled The Science of Marketing by Mail.

⁴This and the following two sentences appear earlier in Kropff's essay, but are put here in the interest of greater overall coherence.

⁵Here Kropff is making an implicit comparison with Germany, where many businesspeople still saw no need for formal market research. Brandt (1935) reported that German firms which had market research departments often used them for speechwriting and other non-research purposes.

university teachers like Hotchkis (sic)...

The A.M.A. inspires great respect through the number and status of its membership and through the structure of its programs. Alongside it there are in America yet other organizations whose aim is also the study of marketing issues. Their work generally corresponds to the practicing professional activities of their memberships. The National Federation of Sales Executives membership for example consists mainly of executives, the National Association of Marketing Officials of managers of municipal markets (staedtische Maerkte)⁶. The Marketing Division of the American Management Association deals with the full range of marketing management.

No less important than these associations are the large private organizations which, although for-profit in nature, nevertheless engage in serious research. A few of the most important of these are truly gigantic, having grown systematically into operations with central research offices and branches in various cities. The Market Research Corporation of America is directed by Percival White, the famous pioneering author of ground-breaking work. It employs about 3000 correspondents [i.e., researchers and interviewers] in 900 cities. The Ross Federal Research Corporation has 3700 correspondents in about 2000 cities. The Houser-Holmes Bureau, Inc., operates according to a different system, with 55000 free-lance interviewers in about 10250 towns and cities. On the other hand, the firm of R.L. Polk, has about 3000 full-time researchers. Each of these companies carries out not only market analyses and consumer research, but also studies of advertising media vehicles and of packaging. They also analyze display windows and outdoor advertising, and the appropriateness of mail address lists for various tasks. They deal with questions of influencing consumers, of psychological explanations for consumer habits, and of methods of marketing in wholesaling and retailing. Their work, in other words, extends across the areas of market analysis, consumer research, and psychology. It produces recommendations about products, advertising, and personal selling, for government as well as for privately owned enterprises.

Still other organizations focus their efforts on researching the effectiveness of radio broadcasting - an extremely important advertising medium in America. Such firms include Clark Gouper, Inc., and Crossley, Inc.

In addition to the profit-making yet scientifically respectable organizations, and to the purely scientific [non-profit] ones [mentioned above], in America magazine publishers conduct practical market research in a grand style. The research results - mostly of a quantitative nature - are utilized by magazines as a "service" to advertisers and by advertising agencies in planning campaigns. To this same category of organization belong such firms as Babson Reports, Inc., and the Brookmire

⁶.Municipal marketplaces dated to colonial times. They continued to be set up into the early 20th century. The Census Department reported that in 1918, 56% of the 227 U.S. cities with population exceeding 30,000 maintained municipal markets. See Tedlow 1990, pp. 187-188.

Corporation, among others, which collect and evaluate market data and deliver their conclusions to subscribers on a continual basis.

In addition to all this there is the Market Research Division of the Commerce Department, whose publications are extraordinarily useful. They contain data which are flawless, and for the foreigner indispensable. Again and again one has to admire the thoroughness and variety of these publications, with their unfailing sense for actual business practice. Clear qualities these - and seldom found in German [government] publications.

We have now seen in the case of several research institutions the fact that their research activities cover the entire field of marketing, and that they derive from their research findings practical suggestions for the conduct of product design and production, advertising, and selling. All of this is true in even greater measure of the premier American organization for the advancement and propagation of scientific research into consumption, advertising, and personal selling. This organization is the Psychological Corporation of America.⁷

Its high scientific level is evident merely from the list of its leaders and regular collaborators. The twenty one directors are all renowned American psychologists. Henry C. Link functions as Secretary. A.T. Poffenberger, the author of significant work; Walter Dill Scott, famed pioneer of psychological knowledge, Walter R. Miles of Yale University, and Charles H. Futt of the University of Chicago - these are only a few of the famous names in this illustrious galaxy.

The [Corporation's] division for market and advertising research is of special interest to the German observer. It was Henry C. Link, the division's director, who introduced exacting field work as a method of investigation in place of the less realistic laboratory tests. With the active assistance of Donald A. Laird and a few English specialists the division has since 1932 developed into a 'living monument of scientific collaboration'⁸. Following the realization that only the strongest competence and best techniques can produce genuinely useful research results, Link developed exact methods for observing consumers' behavior and all of the events leading up to a sale.

Such collaborative scientific work grounded in solid practice brought the Psychological Corporation to the forefront of all research organizations in the U.S.A. within a few years. Receiving numerous major contracts from pace-setting manufacturers and middlemen firms, has enabled the Corporation to build up an organization which is now able to conduct and evaluate 4000 consumer interviews during a single week. The pay given to its scientific collaborators and interviewers is higher than

⁷.The Psychological Corporation was founded in 1921 and still exists today, best known now for its educational tests. See Achilles (1937); Converse (1987), Chapter 3, especially pp. 107-111; Sokal (1981).

⁸. Source of quote not provided by Kropff, but likely from one of the reports on the Corporation published in psychology journals.

that provided by the purely profit-oriented research organizations.

The Psychological Corporation of America provides proof that a research institute which is rigorously scientific can be of the greatest value for business practice - as long as its leaders and associates possess a good sense of the needs of practical life along with their professional scholarly training. When we consider what enormous, and increasing, marketing problems of a psychological nature we have in Germany, then we have to realize with rue how much time has been lost because of our [long, long] debate over whether it is even appropriate to introduce applied psychology into business practice.⁷

Among other research institutions in America...are universities and colleges which deal with all of the various areas of marketing - market analysis and consumption research, advertising and selling.

MARKETING EDUCATION

...Instruction in the various subject areas of marketing was given in 656 institutions of higher education in 1929...Based on the information provided in two more recent [American] government reports I will [first] describe U.S. higher education in the subject areas of [marketing in general] and [then in] advertising and selling .

Courses in Marketing and Merchandising for the Year 1933/34

In 302 colleges and universities, a total of 836 courses in distribution, selling, and advertising were offered. These included:

- New York University.....39 courses
- University of Southern California.....21 courses
- University of Cincinnati.....16 courses
- University of Pennsylvania.....12 courses
- University of Illinois.....11 courses
- Temple University.....11 courses
- University of Texas - Austin.....10 courses
- Simmons College (Boston).....10 courses

These courses involved 515 professors and lecturers...

Seventeen of the schools had five or more faculty - including New York University with twenty one and Harvard University and Northwestern University with eleven each.

In 205 of the schools a total of 27154 students took courses - 964 majored (promovierte) in these subject areas.

[Advertising and Selling Courses in 1933/34]

⁷.Here Kropff is expressing a very personal frustration. He was one of the leaders in trying to introduce applied psychology to advertising research and later consumer research in Germany and Austria. See Kropff 1934, 1941.

B. Frank-Kyser, the specialist for research on business education [at the Office of Education, U.S. Department of the Interior] has graciously provided me with the information that during 1933/34 courses in advertising and salesmanship were offered at 448 institutions of higher education.

[Other Advertising and Promotion Courses]

It is not only colleges and universities which habitually provide instruction in these subjects. There are also many trade organizations which regularly put on serious courses in these subjects. One of the publications of the U.S. Department of Commerce...provides the following interesting statistics; instruction is given:

- On advertising by 30 [trade & professional] associations;
- On retailing by 182 such associations;
- On direct mail by five associations.

In addition there are, according to a report by the Advertising Federation of America, "a good number of local organizations which provide instruction but which are not officially registered." These groups do not have as their exclusive purpose raising the educational level in their specialties, yet all of the advertising clubs and leagues representing other marketing functions have made professional education one of their missions.

PERSONNEL MANAGEMENT AND INDIVIDUAL RELATIONS IN AMERICA

We close out these observations on marketing in America with a few remarks about leadership and managerial influence in the country's producing firms. The connection of these [phenomena] with market and consumption research lies in their influence over the efficiency and quality of products which are produced.

[For the Americans,] the decisive step in moving...to scientific management was the realization that the morale and working conditions of the workforce are decisive influences on the efficiency of production.

The "efficiency movement" in the U.S.A. was a significant advance over the earlier [learn from seat-of-the-pants] "experience system". It was in turn soon superseded by "scientific management", a movement whose founding is associated with names such as [Frederick Winslow] Taylor... These people who were in no way exploiters but rather men who recognized the importance of the human factor in organizational leadership. Their work was, by logic and by good fortune, complemented by the advances in applied psychology which are irrevocably associated with [Hugo] Muensterberg and Walter Dill Scott...

CONCLUSION

When I say in conclusion that German [business] science and business practice can find many suggestions in the American example, I want to apply this statement to the whole domain of marketing in Germany. The successful American experience is a magnificent example of, on the one

hand the entrepreneur's goodwill, understanding, and foresight; and on the other the researcher's combination of a tenaciously enquiring mind with a healthy sense of the practical...

If we in Germany want to prevail in the international competition, we must strive to fulfill those tasks necessary to rationalize our marketing. This is not only because exporting is important, but also and even more because we must arm ourselves intellectually, technically, and organizationally to carry out our economic mission in the present and in the future...

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