

**Eötvös Loránd University
Faculty of Humanities**

**PhD Dissertation
Theses**

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**THE HISTORY OF INSTITUTIONALIZATION
OF MARKETING IN HUNGARY**

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1. The Subject of the Dissertation: the Marketing Phenomenon

Marketing has undergone significant transformation during its almost one century long history. From a technique basically created to support and boost sales gradually it turned to be a strong influencer of societal tendencies and phenomenon, so today „ Marketing is there wherever we go.”¹ It started its fabulous career in the USA at the beginning of the 20th century having its roots in traditional commercial activity, in fact as a much more sophisticated form of selling products compared to previous times, mainly due to the rapid and dramatic development of production and manufacturing lines, and also as a result of the expansion of retail chains, plus the relative new tendency of shopping becoming a source of joy and entertainment rather than the mere satisfaction of needs and wants. It took only a short time for the activity originally being born as a business technique to define itself and start its deviation from commercial activities, thus initiating marketing to develop its own concept and paradigms.

The dramatical transformation of the marketing phenomenon can be illustrated through comparing the definition of the term in two different eras. Cherington² at the dawn of the 20th century defined it as the „distribution of merchandise from producer to consumer -”,³ while The American Marketing Association (AMA) at the beginning of the 21st century not only spoke already about a ”set of institutions and processes”, but highlighted its value creation role and placed it into the context of „society at large”⁴ clearly signalling the broadening scope and interpretation of marketing.

The current AMA definition perfectly expresses the complex nature of marketing today. One can witness an exciting journey, starting from marketing being a pure business activity that gradually but rapidly became everyday practice of both small-medium and multinational companies basically attached to their economic activities, to reaching its present destination which embodies a phenomenon impacting every field to a certain

¹ Papp-Váry Árpád : Marketing a gyakorlatban, Budapest, 2008, BKF, p.12.

² Paul Terry Cherington 1876-1943, one of the first professional marketers in history, professor of Harvard Business School for 11 years, <http://oasis.lib.harvard.edu/oasis/deliver/~bak00053> (21.12.2013.)

³ „is the science involved in the distribution of merchandise from producer to consumer” In Bartels, Robert : The History of Marketing Thought, Ohio, USA, 1988, Publishing Horizons, 3rd Edition, p.146.

⁴ „Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.” <http://www.marketingpower.com/Community/ARC/Pages/Additional/Definition/default.aspx> /(22.03.2012.)

extent - health, culture, sports, politics etc. - and not leaving intact any segment or relation of consumer societies.

Marketing which originally was not much more than a methodology to better persuade people to purchase more goods, more often, soon developed its own philosophy and concept, and shortly reached the position of a discipline of scientific nature, playing a huge role in generating and securing the rapid development of the consumer society. The primary objective of this dissertation was the introduction of this historical evolution - due to limits of length mainly focusing on its early period -, the analysis of its different stages and elements and also defining the role they played in the peculiar transformation of this phenomenon before reaching its present truly complex state.

2. Motivations of the Author

The author spending a quarter of a century in marketing, working for multinational corporations⁵ and being much more addicted to humanities, historical, psychological and sociological sciences than pure company business, advancing in his career began to look at marketing - the profession, its role and especially its new tendencies - from an increasingly critical perspective.

Marketing at a point started to behave as the spirit that escaped the bottle. It enhanced its power and influence, gradually spreading its wings over every possible territory and relation in the society, developing into a global manipulator and one of the strongest influencers of relationships, behaviours, attitudes in communities. All this happened in a historically short time without historians, sociologists, psychologists actually realizing its demon and comprehending its crucial role in shaping the world around us, leaving marketing as a potential power in forming our circumstances undiscovered.

As a result, until recently marketing was mainly present in the horizon of marketers, economists and psychologists, from the last decades of the 20th century also sociologists, but definitely not historians. Their thinking about forces shaping societies, and beyond economical fields, also political, cultural, ethical and other aspects remained exempt from

⁵ The author has been marketing and marketing communications executive of BBDO, IBM, Hungarian Telecom and Vodafone.

the marketing concept and philosophy. Almost no attention was dedicated to marketing as an influencing factor beyond the business field. The rapid changes in this approach is nevertheless the proof of not purely discovering but acknowledging its dramatic impact on everyday life and societies at large.

From the beginning of the 21st century an increasing number of articles and books chose the societal implications of marketing as their subject.⁶ Their authors, - politicians, journalists, economists - discovered the crucial role of marketing in establishing and maintaining the framework of the consumer society and shaping the world we live in: „The modern world is the treadmill of endless and unremitting challenge and change based on consumption”.⁷

Marketing started to be placed and positioned and increasingly considered in the context of the broader society instead of a narrower, thus limited business perspective. The author of this dissertation deeply believes that already in the near future, marketing as a science and influential factor will become a critically important factor in the thinking and concepts of not only economical but also social historians. Marketing due to its changed position and transformed nature can not be neglected by social analysts anymore. This discovery guided the author’s attention towards studying the evolution and development of marketing - especially its early stages - leading to its rapid incorporation and high level of awareness in societies.

3. The Main Objectives and the Scope of the Dissertation

One of the objectives of the dissertation was presenting and summarizing the evolution of marketing as a concept and activity from a societal-historical perspective, not through a methodological approach or the analysis of its professional development. A major goal was to demonstrate the transformation process of a phenomenon of economic origin into a societal phenomenon, and record how a basically business concept and term gradually

⁶ Some titles from the more important ones: a/ Letouche, Serge: Farewell to growth, Cambridge, UK, 2009, Polity Press ,b/ Lawson, Neal: All Consuming, London, England, 2009, Penguin Books, c/ Robert&Edward Skidelsky: How Much is Enough?, New York, 2012, Other Press, d/ Koren C. David: When Corporations Rule the World, Connecticut,USA, 1995, Kumarian Press, 2001

⁷ Lawson, Neal: All Consuming, London, England, 2009, Penguin Books, p.235

shifts towards becoming a term widely recognized and applied by other professions resulting in its total incorporation into everyday routines of a society.

The approach chosen to investigate, track and analyse the evolutive process of marketing has been the phenomenon of institutionalization through its different potential interpretations. The paper also wished to find out the potential forms and channels of transformation of a concept during its journey from being born as a term and phenomenon linked to a specific activity finally ending up deeply embedded into the everyday thinking and attitude of mass publics, thus blending into a society at large.

Hungary seemed to be a perfect subject of this investigation, a sort of sample laboratory, where the full evolutive process occurred, similar to the developed western countries, but during a much shorter period of time in a more concentrated manner. For a number of reasons - the size of the country and the market, the relative short time that has passed since the change of the political and economical system in 1989 - this evolutionary process also seemed easier to detect, track and record. Analysing the development of marketing through its institutions promised to be an exciting undertaking also due to the fact that Hungary had been a socialist country, part of the ex-Soviet block, where marketing theoretically should have played no role, partly as the country organized its economy based on a totally different economical logic - centralization, 3 then 5 year plans, administrative directives etc.-, partly as marketing as a phenomenon was considered to be closely linked to the capitalist world and market economy and as such had been politically and ideologically rejected.

Surprisingly this was not the case! Nevertheless rejected in principal (for years even the word was not allowed to be mentioned and had not been part of the economic or business vocabulary) certain elements of marketing - primarily advertising and market research - were integral part of business thinking, though with different interpretations and definition, desperately trying to create a socialist version of the terms and putting them into a socialist context. 1968, the planned reforming of the socialist economy and the intention to move towards a market-driven business philosophy and practice - The New Economic Mechanism as it was called⁸ - could have given a boost to marketing thought should have

⁸ „...the most radical economic reform yet seen in Eastern Europe outside Yugoslavia.” Chris Harman: Hungary: Failure of Economic Reform, International Socialism (1st series), July 1972, pp. 5-7 <https://www.marxists.org/archive/harman/1972/07/hungary.htm2>, (2014.01.01.)

the reform not been diverted and in a sense aborted.⁹ But it didn't vanish without leaving traces behind, thus laying strong foundations of the marketing thought in Hungary.

An equally important objective of this paper is perpetuation. Upon investigating the history of marketing in Hungary it quickly became clear that nevertheless a lot of sources still exist and are accessible, witnesses still live among us, the story and history of marketing is only barely recorded. Some pages, chapters at times are dedicated to it in textbooks, but basically only one book made an attempt to summarize the evolution of marketing - mainly marketing thought and practice, not its institutional foundations, - the book of a Hungarian author Ungváriné Jolán Kőcse, which builds on oral history as an approach and methodology in presenting the early days of marketing in Hungary.

4. Research and Methodology

When having made the decision to write the history of marketing as it developed in Hungary, being aware of the immense material and the diversified nature of marketing as an activity and a discipline, the author started to search for the most appropriate methodology which is able to build on facts, narrows the scope to the true evolution aspect, allows a societal focus and also sets the framework of the analysis. The goal was to present this evolutive process in the most specific way possible, reducing the level of subjectivity to the minimum.

Shortly an approach has been discovered that proved to fulfil the predefined criteria: the institution which is the objective, externalized form in which a theory, a thought is expressed and embodied and the institutionalization which, being a dynamic approach, not only allows events and happenings to be presented as part of a process but also blends the procedural approach with time dimension. Institutionalization as a tool for the externalization of theoretical concepts, not only seemed to be the ideal technique to track the evolution of marketing in Hungary but also an approach that guaranteed to minimize the level of subjectivity, thus securing a historically adequate presentation of the subject.

⁹ „In the early seventies, a certain degree of recenralization ocured and measures were taken that reduced the incentive effects of prices and profits.” Balassa Béla: The Hungarian Economic Reform, 1968-1982 <http://bib03.caspur.it/ojspadis/index.php/PSLQuarterlyReview/article/viewFile/10775/10654> (2014.04.02.)

For this reason the general introduction of the paper, obviously had to introduce and analyse the common understanding and roles of institution and institutionalization as terms. Solid arguments had to be provided that were able to prove and illustrate, that based on the content, meaning and potential interpretations of these two terms and what they stand for, the historical development of a thought can be presented and analysed. So the majority of the first chapter had been dedicated to the detailed and illustrative explanations of institution and institutionalization, basically using the method of collecting and categorizing the number of ways the 2 terms were mentioned and put into context in one of the most prestigious American sociology encyclopedias.¹⁰

Due to the complexity of the subject it was inevitable to carefully draw the geographical framework and the time limits of the investigation. As sources were accessible and researchable in Hungary, the geographical rationality was to select Hungary for the narrow subject of investigation. As for the period concerned, the second half - basically the last 3 decades - of the 20th century seemed to be a reasonable framework, as by this time, marketing had already reached its maturity phase.

The methodology embraced 4 different research approaches. First a careful selection of literature available in libraries, primarily books, magazines, journals, newsletters and other printed materials that touched, discussed or recorded the steps, happenings or critical points of the development of marketing in Hungary. Though the institutional perspective as an analytical approach is hardly detectable in the historiographical literature, but materials that in any sense touch the evolution of the discipline deal with this aspect at times (like for e.g. the foundation of associations). Besides this peripheral body of literature, in the course of the research one Hungarian source had been identified - Ungváriné Kőcse Jolán is the author and the book is based upon a series of interviews with legendary Hungarian marketing professionals - and one international source - the iconic History of Marketing Thought of Bartels - that could be qualified as basic pieces of literature dealing with the historical aspects of marketing.¹¹

¹⁰ Borgatta, F. Edgar, Montgomery J.V. Rhonda: Encyclopedia of Sociology, USA, 2000, Second Edition, Macmillan Reference

¹¹ Ungváriné Dr. Kőcse Jolán: Hobbink volt a marketing?!, Budapest, 2000, Simon Könyvkiadó and Bartels, Robert : The History of Marketing Thought, Ohio, USA, 1988, Publishing Horizons, 3rd Edition,

Already in this early stage of research work the lack of public documents regarding the Hungarian aspects of the evolution of marketing became apparent. This made the author turn towards semi-public sources like storages, shelves and offices of professional associations and universities which is the second research category. As a result, among others a great number of valuable documents have been discovered - text books, dissertations, research materials, case studies, yearbooks etc. - in the conference room and department library of the Marketing Institute of Corvinus University. The majority of these documents were neither registered, nor listed at the time of my visits in 2011-2012, they just have been lying on dusty shelves, some of them untouched probably since decades.

Registered but also untouched for long years were the books and magazines in the library - rather a storage room - of the Hungarian Advertising Association (MRSZ), where the author again discovered and processed precious documents of 1960s, 70s and 80s. Curious enough some of the documents found there, like monthly newsletters, bulletins or memos of the Association, can most likely not be found anywhere else, maybe still in cupboards of some private flats of staff or members of ancient times. The Hungarian Marketing Association also shared some unique sources with me, as did some other professional associations.

The third methodological approach were questionnaires. To start the research a relative lengthy questionnaire had been prepared -11 complex, mainly open questions - which has been sent out to 40 marketing professionals, majority of them opinion leaders with high reputation, out of which 33 were returned completed. Later, during the course of writing the paper some additional issues needed clarification, so for this purpose a mini survey has been put together and sent to 10 people from the older generation of marketers. The results of these questionnaires were mostly incorporated into the 3rd and 6th chapter of the dissertation.

Last but not least personal interviews were also conducted. These were made with the representatives of the older generation who were key players in the dawn of the marketing thought in the 1970s, partly academic staff, partly practitioners. These discussions took several hours and in cases 2 or even 3 different occasions (e.g. with Hoffmann István, well above 80 years of age, the author of the first marketing text books or Éva Mórićz a

well-known advertising psychologist of the second half of the 20th century). Written notes were made during the discussions which have been archived.

At this point it is worth to note that no organization - civil or governmental - exists currently in Hungary whose duty would be to systematically collect and archive the documents of marketing (advertising) activity. Thus there is a great danger that the researcher of the future will face tremendous challenges trying to form a picture and put facts behind it as a historian, when writing about the evolution of marketing in the 21st century Hungary. This critical situation is further deteriorated as a result of communication shifting towards the internet, having an even scarcer chance to become archived in a structured way and then made accessible for the public or the researcher.

5. The Theses of the Paper

Defining the focus and the research questions and directions of the dissertation, one of the key objectives was to be able to arrive to certain findings and conclusions which add new perspectives, in cases even unknown facts to the history of Hungarian marketing but as a minimum result, summarizes this evolutionary process and places the history of this discipline into a new context. The pure existence of marketing in a socialist country which builds its whole economic strategy on a centralized approach and plan economy, does not acknowledge the market and its role in any sense, looks at consumption from an ideological and not a business or market viewpoint, is an exciting phenomenon itself, worth investigating. In order to process the immense material and stay focused throughout my investigations, last but not least to have the chance to present some valuable findings and conclusions, a number of theses have been preset at the beginning of the process.

The first thesis had to do with the assumption that marketing within socialist circumstances, regarding its techniques, methods and in certain sense maturity is comparable to that of the capitalist economies:

Marketing as an activity existed within socialist circumstances as well in Hungary and had been comparable to its capitalist version concerning the applied techniques, methods and partly its level of maturity as well.

The second thesis referred to the roots and origin of marketing in Hungary which could partly explain why and how it could have been informally part of business thinking even during the socialist era:

The origin of marketing thought goes back to the beginning of the 20th century in Hungarian business thinking, nevertheless it has never been mentioned or taught as „*marketing*” back then, and its institutionalization basically started in 1968.

Thesis number 3 summarizes the key focus of this paper, also designing the framework of investigation and defining the methodology followed:

The institutionalization of marketing in Hungary commences in the 1960s, unfolds and starts its formal development after 1968 and gains real momentum following the change of the system (fall of socialism) in 1989.

The dissertation positions 1968 - The „New Economic Mechanism”, as a partly aborted experiment to radically change the economic model - a kind of intellectual origo, a point to relate to, and less as a historical turning point. Its relevance concerning the evolution of marketing in this case was, that in those months and 2-3 years preceding and following 1968, marketing and especially the business techniques it stood for, could be more openly discussed. During this period marketing as a discipline became somewhat more tolerated, and appeared on the horizon of higher education as well, making its first steps on a longer journey of institutionalization. The next thesis reflects this new stage, also suggesting that marketing is a discipline and science on its own right:

Marketing, nevertheless having its roots in and originating from economy, is a discipline on its own right with different specifics, methodology and objectives. It parted from economic sciences in an early stage, so its institutionalization and development should also be considered an independent process.

The relationship of marketing and economical science is not part of the focus of this dissertation in any sense, so it is definitely also not amongst its goals to add anything to the popular discourse of this topic. The only reason this aspect has been touched had to do with the phenomenon of institutionalization, as if the conclusion had been that there was a close relationship between the two disciplines, the separate and independent institutionalization process of marketing on its own right could also have been debated.

For similar reasons - analyzing the aspect of institutionalization - the dissertation deals with the subject of whether marketing has or has not a scientific character, briefly: can marketing be considered a science? It states that one of the basic characteristics of marketing is interdisciplinarity. It exists in symbion with other sciences, builds its own corpus from the results of these and also became one of the main generators of their development and innovations. This interdisciplinary feature became one of the main drivers of its institutionalization and played a huge role in its rapid incorporation in the society at large. The fifth thesis summarizes this concept:

Interdisciplinarity is an important characteristic of marketing. It exists in symbion with a number of other sciences, builds its own corpus from the results of these, but also became one of the main generators of their development. Its interdisciplinary nature became one of the main drivers of its institutionalization process.

Finally, through a number of examples the author wanted to illustrate and prove that marketing not only fully became part of our everyday and completely embedded in societies, but leaving the territory of business and economy and turning into a phenomenon evident in almost any field of life, relationship and situation, the result had been the completion of its institutionalization. The penetration of marketing into the field of culture, health, education, politics, entertainment etc. changed not only its content and meaning but its, role methodology and last but not least its position. As a consequence the transformation of the term of marketing began as well. The final thesis refers to this assumption:

Towards the end of the 20th century marketing left its original role behind and leaving the narrower segment of business and economy, appeared in fields that earlier had been fully exempt of the marketing concept. As a consequence of this change, society in general became impregnated and dominated by marketing and parallelly the degeneration of marketing began.

The chapter dealing with this final thesis, partly due to the limits of the paper, partly as it can only loosely be connected to the narrow subject of institutionalization is a postscript, thus not being integral part of this dissertation but indicating a possible direction in continuing the history of the development of marketing in future papers.

6. Scientific Results and Findings of the Dissertation

The present dissertation following four years of research drafted and summarized - from the special perspective of institutions and institutionalization - the early phase of the evolution of marketing in Hungary.

The immense material and the diversified nature of marketing as also the relatively long history of marketing - even if not mentioned with this term, its history goes back to almost a century by now - generated the idea to explore and analyze the subject from a perspective that also enables a societal context. This methodology was found in the phenomenon of institutions and the process of institutionalization, which also offered and guaranteed a factual approach to a complex set of happenings.

Presenting and summarizing the evolution of marketing in Hungary as a concept and activity from a societal-historical perspective and the perpetuation of this exciting evolutionary process can also be considered as valuable contribution to recording the development of marketing in Hungary.

The informations, events and happenings processed in the paper were in part known and in sources here and there available, but an other part of the facts and informations researched and collected were unknown and unrecorded until now.¹² The fact that the memories of some of the iconic figures and personalities of Hungarian marketing have been saved and archived shall have special historical value as time progresses. Comparing what has already been written in documents, published in books with what had been discovered in some new sources and as a result of personal discussions, helped put already known facts into a different context.

Last but not least an unpronounced desire and goal of the author with this dissertation had been to highlight and position marketing as a phenomenon, a discipline, a science that could and should not be circumvented by any historian who chooses the end of the 20th and beginning of the 21st century as subject of his or her research. The societies of the developed „western” world are consumption societies, consumption being the key orientation and driving factor of these cultures. Marketing shapes these cultures through showing behaviours, attitudes, patterns, models, examples and setting standards. By

¹² The sources of these new information were basically the personal interviews and in some cases printed materials (e.g. letters, reports).

broadening the meaning of marketing and suggesting to revise its content and interpretation, the author meant to draw the attention of social-historians to marketing as an omnipresent factor which is critically important in the analysis of any society or the presentation of any societal phenomenon of our times.