

The Integration of the Advertising Function in Marketing within the Philips Company, 1959-1975

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In the late 1960s and early 1970s, the advertising departments at Philips were subject to a systematic top-down restructuring based on the organizational concept of consumer-oriented marketing, fundamentally changing how the role of advertisement was to be understood inside the company. This case study traces this development based on sources from the Philips company archive. A key role in this restructuring can be attributed to the Philips International Advertising Council (PIAC), as it was responsible for taking decisions pertaining to advertising on the highest corporate level, with its members being comprised of representatives of the company headquarters as well as of the advertising managers from the more important national organizations. This research shows how the shift of companies towards this new marketing concept – which, according to Rossfeld, was tightly connected to the development of the society of consumption of the time (Rossfeld, 2004, p.31) – took place in practice, furthering the understanding of how this concept was implemented in large European companies in the late 1960s and early 1970s and how advertisement departments were influenced by it. In doing so, this research follows Schwarzkopf's demand of advertisement historians to "[...] investigate the ideological structures of the industry itself." (Schwarzkopf, 2011, p.540)

The detailed proceedings of the Philips International Advertising Council, internal policy papers, letters of the General Advertising Department's leadership, an entry for the internal advertising award, and material from the 1959 Philips International Advertising Convention are used as primary sources. Through a close reading of these primary sources from the Philips company archives from a timeframe between 1959 and 1978, this case study chronicles the process of the top-down introduction of the new concept of marketing into the advertising departments of the Philips company.

Already at the Philips International Advertising Convention in 1959, where members of the three advertisement divisions came together – the General Advertising Department (G.A.D.), the advertising departments of the product groups, and the advertising departments of the national organizations –, it was stated in the convention's resolutions that marketing should be "[...] the basis of all our advertising activities." (Convention resolutions, 1959, non-paginated) The concept itself was described as "[...] a complete coördination (sic) and integration of all activities aimed at moving the goods from the manufacturer to the consumer, such as research, product design, pricing, direct selling, sales promotion, merchandising, advertising, public relations, etc., and, on the other side, a strong orientation on the wishes and the requirements of the consumer." (Convention resolutions, 1959, non-paginated) In such a definition, advertisement was understood to be part of a larger whole, which is why it was also advised in the resolutions that advertising managers should work towards achieving closer collaboration with all other departments in question, and the reason why it was loosely recommended to establish marketing teams "[...] in a

number of Philips organisations [...]” (Convention resolutions, 1959, non-paginated). Shortly afterwards, the PIAC was founded with the explicit goal to further such collaboration between the advertising departments and with the other branches of the company involved in marketing (S.W. Numann, 1959, p.1). The way seemed clear for the consumer-oriented marketing concept to take hold in the advertisement divisions.

But in the first few years of its existence, the efforts of the PIAC were not of a systematic nature, as groundwork to further unification, standardization, and exchange between the three advertisement divisions themselves still needed to be done first. It addressed topics like the roles of the different advertisement divisions when conducting research (PIAC, 1960, p.6-7) or investigated the structure of the national advertisement departments (PIAC, 1963, p.7). And not every manager of a national advertisement department saw the need for further integration: “Mr. Ekwall, in his introduction objected to the rather rigid conception [...] that unification in Philips advertising all over the world should be achieved at all cost.” (PIAC, 1961, p.12) This is not to say that the marketing concept did not take hold at all: For the introduction of color TV-sets in the Federal Republic of Germany, the local Philips advertising department worked closely from 1966 onwards with the other departments – and to some extent with the headquarter in Eindhoven – to develop “[...] an overall marketing strategy embracing manufacturing, selling, service and promotional activities.” (G.A.D., 1968 II, non-paginated) But to fully realize the large organizational changes needed to implement marketing as an overarching concept that integrated multiple activities, several smaller challenges needed to be overcome first (Schröter, 1998, p.26). In the case of the Philips advertisement divisions, this meant for example a clearer partition of responsibilities and an intensification of collaboration between them.

Therefore, it would take until 1967 that things began to really come in motion, after C.J. van Geel became the PIAC’s new chairman as well as the General Advertising Director at Philips. In his first year, van Geel presented a policy paper that focused on the implementation of the concept of marketing within advertising. He explained how in the past, the company departments “[...] grew out to become little kingdoms in their own rights.” (van Geel, 1967, p.2). This – together with the overall economic trend towards a competitive buyer’s market – had now made it necessary for the company to launch a new “phase of development” (van Geel, 1967, p.2) focused on integration, in which consumer-oriented marketing was to be the key concept. All parts of the company, like personal, legal, or finance, were to be subordinated to the marketing function. The function itself encompassed elements like research, packaging, distribution, or advertising. For each product group, a marketing team was to be established, which brought people like the sales manager and the advertising manager together to agree on a marketing plan under the leadership of a marketing manager. This was also to be implemented in the national organizations (van Geel, 1967, p.1-4). In the second part of his paper, he outlined which consequences this integration had for the advertisement departments and what tasks were to be fulfilled by the G.A.D., the product advertising departments, and the national advertisement departments. Repeatedly, he stressed the need for further exchange between the three (van Geel, 1967, p.5-14).

A slightly altered second iteration of the policy paper (G.A.D., 1968 III) was then sent to the national organizations together with a paper on how to implement these policies in practice (PIAC, 1968, non-paginated). Now, marketing could truly begin taking hold in the advertising departments: “As to the objectives it will be the advertising department’s duty to well integrate its activities with the other elements of the marketing mix, as soon as a marketing organisation has been set up.” (G.A.D., 1968 I, p.2) In the following years, a program of marketing courses was established to educate the employees (PIAC, 1969, p.5), and several additional documents were

published, like a corporate identity manual (PIAC, 1972, p.7) or an extensive manual on advertising and its function (Hoeben, 1978, p.6); all these additional steps were taken based on the logic of integration as laid out in van Geel's paper and helped to further either the organizational integration of advertisement within marketing, or the systematization of exchange and the unification between the divisions and often both. In 1975, an updated version of the policy paper was introduced, which built upon the publications and developments of the years before, displaying a growing sophistication regarding standardized organization, bringing this phase of development to a close. (G.A.D., 1975).

Even though the relevancy of the consumer-oriented marketing concept for the future of advertising was known inside the company comparatively early, it was especially after the start of van Geel's tenure, that it was implemented systematically in the company's advertisement divisions. This process was mainly top-down driven, with two levels of integration that can be discerned: First, the intensification of exchange and standardization between the advertising divisions, and second the interdepartmental collaborative efforts and marketing orientation. Advertisement became a subordinate part of the marketing function, with all alternative possibilities within marketing to be also considered when planning advertisement, with the marketing teams deeply influencing the organizational structure within the advertisement departments. As "consumer engineers" (Logemann et al., 2019, p.2) in Europe and the USA had been laying the groundwork for a more widespread acceptance of the concept since the interwar years (Logemann et al., 2019, p.2-3), this orientation towards a consumer-focused marketing concept was of course by no means a unique development of Philips. Stimulated by growing competition, the central idea of marketing – to put the consumer front and center – was increasingly shared by other companies of the time, as was the case in West Germany for example (Köhler, 2021, p.474-475; Schröter 1998, p.25-26; Berghoff, 2007, p.17).

This case study showcases an example of how consumer-oriented marketing as an all-encompassing concept of management (Köhler, 2021, p.477) was implemented in the department(s) that may have been affected the most: "In fact, the approach of marketing is a basic innovation for advertising." (Schröter 1998, p.25)

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