

Is Marketing Biased against Consumer Welfare?

ELMAR Contribution by J. Scott Armstrong

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Jonathan Freeman suggested that marketing is biased towards the welfare of the seller rather than that of the consumer. I agree. This bias is so pervasive it may not be obvious. For example, when I ask marketing academics that have completed a study “how does this affect the consumers’ welfare?” I get a puzzled look, as if to say “what an odd question.”

Bias is not confined to marketing: a cynic might re-title business courses as “How to Trick Stockholders” (finance and accounting), “How to Trick Employees” (organizational behavior), and “How to Trick Customers” (marketing).

Biases in favor of stockholders and managers have long existed in business schools. After all, these people pay some of the bills. In the early 1900s, a nationally known Wharton School professor, Scott Nearing, challenged things by adopting the employees’ viewpoint. As a result, the university terminated his contract in 1915. The case led to a national uproar and had much to do with the creation of the tenure system. Going against prevailing viewpoints has not been well received in the academic world, a situation that continues to this day. I have presented evidence on this elsewhere (Armstrong 1996). If you have doubts, obtain strong evidence to challenge an important belief in your area and see what happens. (It seems that academics are a bit more tolerant of opposing viewpoints when presented only as opinions with no supporting evidence.)

Is it possible to *change* biases? It has happened in other fields. Winston (1993) suggested that, in the late 1800s, economists supported governments’ efforts to regulate businesses. Politicians seized on this. However, almost a century later, economists began doing empirical research to compare the effects of regulation versus de-regulation (or no regulation). They found substantial evidence that regulation is bad for consumers. Some of this evidence is provided in Winston (1993). The evidence is counter-intuitive – even to consumers and even today – for example, most airline passengers do not believe it. This research has had a substantial impact on public policy.

To provide a rational basis for change, then, it is helpful to compare reasonable alternative approaches (such as “how does the proposed approach compare with the method now being used with respect to the welfare of stockholders, consumers, and other stakeholders”). The comparisons should be based on empirical research.

So what are the prospects for change in marketing biases? Not good, if we judge from the past. As shown in our audit of 1,100 empirical papers in top marketing journals, only three percent made empirical comparisons of alternative reasonable hypotheses (Armstrong, Brodie and Parsons 2001). Within that three percent, few examined the effects of proposed changes on consumers. To paraphrase Jack Brickhouse about the Chicago Cubs, any field can have a bad century. (I can say things like this, thanks to Scott Nearing.) But, perhaps, in this century, marketers will follow in the footsteps of economists and consider the effects of their proposals on other stakeholders.

References

(My papers are available in full text at <http://www.jscottarmstrong.com>)

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Winston, Clifford (1993), "Economic Deregulation: Days of Reckoning for Microeconomists," *Journal of Economic Literature*, 31, 1263-1289.