

## Chapter 2

# INTRODUCTION TO PART II: WROE ALDERSON'S THEORY OF MARKET BEHAVIOR — SELECTED WRITINGS

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Wroe Alderson sought to provide the marketing discipline with a theory of how marketing works (theory of marketing), with the benefit of allowing marketers to improve the marketing system. His writings on how a manager should act, or theory in marketing, were always couched in his theory of marketing. When deciding which selections we should provide the reader, the editors were confronted with many difficult decisions. Alderson wrote richly and widely and these selections are not intended to replace reading Alderson's works, merely to provide an introduction to the richness that those pages hold. We have selected the papers and concepts which we see as being key to gaining an understanding of Alderson's theory of marketing.

The first paper included in this part is Alderson and Cox's (1948) "Towards a Theory of Marketing". This paper is a stepping off point for Alderson's concerted effort to develop a theory of marketing. It is a paper which details from where the authors saw the possibility to draw theory from other disciplines and the need for and purposes of a theory of marketing. Alderson was to spend the rest of his life working on this project, developing a theory of marketing.

The second item included, "An Analytical Framework for a Theory of Marketing" is by virtue of its continued inclusion in *Marketing Classics* one of Alderson's most reproduced papers. It is a paper originally presented at a late 1950s conference of marketing educators. It details how Alderson believed marketing should be taught and provides an easily understandable introduction to Alderson's thoughts on how marketing works.

The next two chapters deal with Alderson's organized behavior systems, the unit of analysis of his theories. The first chapter reproduces his paper in *Theory in Marketing* (1950) and provides an introduction to his organized behavior system concept, rationality in those systems and their goal of survival. The second chapter is from *Marketing Behavior and Executive Action* (1957) and focuses on the firm as an organized behavior system. It provides a more in

depth treatment of the survival of the firm as an organized behavior system, and of the ways that survival can be accomplished, notably through growth.

The fifth chapter in this part, from *Marketing Behavior and Executive Action* (1957), discusses the “power principle”, the necessity of organized behavior systems seeking power in order to continue to survive and grow. The power principle is not the unbridled seeking of power, rather the appropriate use and development of power to maximise the future opportunities of the organized behavior system in its environment.

The chapter “The Principle of Postponement”, from *Marketing Behavior and Executive Action* (1957), is one of Alderson’s temporal concepts. In taking a medium to long-run view on efficiency in the market place, he observes the possibility for the reduction in risk associated with postponing decisions about a product’s final form until the latest practical time. This approach has obvious parallels in just-in-time production management.

In the next chapter, from *Marketing Behavior and Executive Action* (1957), Alderson’s theory of the firm is built around the search for differential advantage as a means to firm survival. This chapter, “Competition for Differential Advantage”, provides Alderson’s thoughts on firms operating in a heterogeneous marketplace and the ways in which they can achieve a differential advantage. The opportunities for firms, or organized behavior systems, to compete in the market place are expounded upon comprehensively. Later in this book Alderson’s differential advantage theory is compared with the more recent Resource-advantage theory (see Chapter 33 on page 453).

In the chapter “Matching and Sorting: The Logic of Exchange”, from *Marketing Behavior and Executive Action* (1957), Alderson explains the purpose of exchange in the heterogeneous market place. He outlines the sorting processes involved in matching heterogeneous demand and supply in a market place. This represents an important departure from mainstream economic thought with its reliance on the underlying assumption of homogeneity of supply and demand. The sorts (sorting out, accumulation, allocation, assortment) combined with transformations provide a means to understand the processes of the market place in providing a finished product which has the appropriate form, time and space utility for the end consumer.

There follow two chapters on functionalism, the paradigm in which Alderson prepared his theory of marketing. The first chapter, from *Dynamic Marketing Behavior* (1965), is Alderson’s introduction to the use of the functionalist paradigm, providing a justification for functionalism over the alternative paradigms he considered. In this chapter Alderson also discusses the levels of theory of marketing that could be prepared in a functionalist paradigm. The following chapter “Functionalism: Descriptive and Normative” justifies Alderson’s provision of a normative — rather than descriptive as he is often accused of providing — theory of the market place in *Dynamic Marketing Behavior*

(1965). His theory of the market place is thus how it should work, rather than how it currently works. This is in keeping with Alderson's goal of improving the efficiency of the market place, and with it society.

Alderson took inspiration from a number of sources for his assumption of the perfectly heterogeneous market as a starting point for his theory building, notably Joan Robinson and E. H. Chamberlin. In "The Heterogeneous Market and the Organized Behavior System" Alderson provides a cogent argument for heterogeneity of demand and supply as the starting point for a theory of the market place. He then provides the sortability scale as a means to understanding how heterogeneous or homogeneous a market is, before discussing searching in the marketplace. Alderson then presents the main types of organized behavior systems and how they operate in the heterogeneous market place. The chapter concludes with lists of definitions from which Alderson built his concepts in diagrammatic form earlier in the chapter.

Once the heterogeneous nature of the market has been established, the question that arises is how should it be cleared. Alderson's answer is with information, rather than merely price as used by the economists. In "Information Flows" he describes the information necessary to clear the market. Rather than assume that information is costless, as economists often do, he recognises the costs associated with information search and processing. In recognizing these costs Alderson is lead to the phenomena of information mismatch. Firms supply information that is not entirely that desired by the consumers and vice versa.

"Transactions and Transvections", from *Dynamic Marketing Behavior* (1965), provides the reader with one of Alderson's most insightful tools, the transvection. The transvection is a measure of efficiency of the processes involved in turning raw materials into finished goods in the hands of the consumer. The transvection is compared, favorably, with a more recent development, Porter's value system later in this book (see Chapter 29 on page 379). The transvection offers policy makers and channel leaders the opportunity to "optimise" their channel.

In "Cooperation and Conflict in Marketing Channels", from *Dynamic Marketing Behavior* (1965), Alderson carefully analyzes the incidence of cooperation and conflict in the marketing channel. He discusses sources of both and demonstrates that the convergence of the two extreme forms is the ideal for society and the market place. This chapter reminds us that unbridled competition is not the reality or the desired state of affairs in the market place.

These select readings from Alderson's theory of marketing allow the reader the opportunity to taste the richness of his theory building. This taste, we hope, will awaken a desire to read more of Alderson's works.

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