Changing Power Relationships in Marketing Channels

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I

Marketing is a process of discerning market needs, of directing product development accordingly, and of supplying market with products; it has a function to promote the best usage of finite resources for the purpose of raising the standard of living of consumer. However, under the pretext of fulfilling the consumer needs, manufacturers have been trying more and more to control consumers, have become liable to create demand indiscriminately—so as to expand their sales and profit—presenting an aspect of exploitation, almost; and there have even been cases in which their supply-behavior sometimes is unfavorable to consumers.

Consumer-behavior analysis by manufacturers could have been properly used in order to learn consumers' needs, functions and attitudes, to accommodate their supply behavior for obtaining full satisfaction of consumers; but, in many cases, it has—in excess of the above—been utilized to set up a footing upon which to manipulate consumers. Manufacturers, by comprehending the whole process of consumer behavior, have been enabled to use some such footings as above at once, and have come to dominated consumers. Consumers, though, are of course not dominated by manufacturers in their choice behavior itself, and are simply piloted by manufacturers in their conduct; as is illustrated in the high rate of failure in cases of the new-product introduction, manufacturers have often failed in their policies aiming at consumers. Products are the subject in sufficing consumer needs; nonetheless, even if their needs were quite notable, product development was not carried out when the market seemed small or when the rate of success in technology was considered low; and instead, manufacturers have made an enormous amount of investment in product differentiation and advertisement for inducing mass-demand. In product differentiation, the emphasis was placed upon the creation of singularities to help sales promotion, rather than improving—with new technology—fundamental functions of products; product differentiation was repeatedly changed so as to force consumers to make second purchases; while, in parallel with this
reinforcement of product differentiation, cost reduction was sought after, sacrificing products' safety, reliability and durability, in hopes of attaining a higher profit rate. It is true, no doubt, that new-technology development was achieved in the case of big market; but the new technology has often included factors to endanger the health and life of consumers, and has polluted the environment. It must have been possible to enable advertisement to give, to market, product- and price- information necessary for selecting and consuming goods, and to aid consumers' well-planned purchase; in actuality, however, instead of making advertisement supply information needed for selection of goods, vast quantities of investment have been made in the repetition of simple slogans, for introducing new products--only with different features in them --or for urging consumers to buy goods. Consumers have been obliged to hear and see the same things time and again, and have been restrained in their free way of thoughts of selecting goods. Furthermore, such advertisement has, even, worked on consumers to divert their attention from defects in the product. An enormous lot of used products, also, have been left after the mass-supply to market and acceleration of new purchasing; which fact, together with the above--mentioned environmental pollution caused by new technology, has tended to lead consumers' environment to disaster.

After the oil crisis, however, the number of consumers, who had been subject to marketing activities of manufacturers and who had formed a major market, was doomed to fall drastically under the situation of soaring prices. When the "oil shock" took place in the fall of 1973, consumers--anxious about the shortage of supply--hurried to buy daily goods regardless of the prices. However, after experiencing the rapid rise of prices from late '73 to early '74, and as the real state and the background of the shortage gradually became clear to them, consumers reversed their course of behavior, starting in the direction of keeping from buying and of saving. This reversed behavior of consumers, moreover, was not a simple attempt to save, but was directed to the independent behaviors on their part; and that became a serious problem in marketing to manufacturers.

We held five national researches in '74, '75, '76, '79, & '81 about the consumers' responses to the marketing behaviors of firms, so as to obtain a clear view of the whole aspects of independent behaviors of consumers. As a result, we understood the independent behaviors of consumers to mean their resistance against manufacturers' consumer-controlling behaviors--such as differentiation of
products, of stores, and a vast quantity of advertisements-and against prices. Consumers' tendency toward free selection of brands and stores was its realization. Here, considering the results of five researches, and concentrating on retailers in particular, we will discuss the matter of changing power relationships in marketing channels.

II

In what way does the tendency toward free selection of brands and stores affect manufacturers and retailers? Under conditions that the increase in real income, under inflation and slow growth in economy, cannot be expected too much, consumers—reacting more and more to essential qualities and prices of goods, in order to maintain their standards of living—have stopped persisting in particular brands and have come to select brands freely. They have also come to select stores freely, so as to make comparisons concerning products and prices among stores.

Such changes in consumers' behaviors forcibly correct the distribution processes that have been controlled, so far, by manufacturers. It has become difficult for them to control consumers by differentiation of products and a vast quantity of advertisements; the base of marketing channel control is now in crisis. Manufacturers have been put under circumstances where they cannot but compete in technology and prices in order to endure the free judgments of consumers—thus put under conditions that they cannot interfere in retailers' assortments and behaviors as regards pricing, unless they are prepared for the decrease in opportunities of sales and for retailers' dissatisfaction. In other words, the execution of marketing policies—which are adjusted to, and integrated for, the retailing market—has now become risky to manufacturers, and they, in some cases, have no other choice but to leave part of the marketing processes to retailers' independent behaviors.\(^{(1)}\) Retailers, on the other hand, now need to keep a wide variety of brands of keen competition and to adopt competitive pricing; also, creative behaviors—as required by the real state of market—are now necessary for them.

Now, the channel control by manufacturers is obliged to retreat. Moreover, there is a case where the development of supermarkets and discount stores quicken the retreat of the channel control by manufacturers.
Manufacturers which appeal directly to final market with product differentiation and mass advertisement, can include necessary wholesalers and retail stores as constituents of channel, according to their original plans, by offering wholesalers and retail stores comparatively reliable and stable sales opportunities and can organize and maintain the controlable and efficient united marketing channel system.

Originally, marketing channel should be organized by differences in goods and brands and it becomes the opportunity to organize a new marketing channel system in the case where manufacturers introduce new products. The introduction of new products in to competitive market with great development investment needs an adjusted united marketing channel; and as the organization of such a marketing system was possible by product differentiation and mass advertisement, in all introduction of new products such a marketing channel with strong control by manufacturers appeared. Manufacturers came to try to strengthen their power of competition and enlarge profit to final market by adjusting and integrating marketing efforts. Thus as for marketing channel, manufacturers came to make special efforts to establish the system which makes it possible to influence the force of control as extension of their own systems. Wholesalers and retail stores were systematized; stocking and selling behavior of these wholesalers and retail stores came to be controlled in exchange of guarantee of sales opportunities.

In Japan, such organization of wholesalers and retail stores was seen already before world war II in cases of cars, etc.; since 1960 or so after the war, this organization has been done by manufacturers in many product fields such as electric home appliances, cosmetics, synthetic detergents, musical instruments, etc..

Now, under the channel control by manufacturers, all the main marketing problems are solved at the level of manufacturers and with profit and sales of manufacturers as a standard, and wholesalers and retail stores which are included in marketing channel cannot take parts in solving marketing problems. However, the development of supermarkets and discount stores comes to interfere in such a marketing channel under the control of manufacturers. Such discount retail stores as supermarkets in Japan, which began to develop around 1960, did not have such an innovative character as seen in the United States; but with discount from retail prices instructed by manufacturers or from common retail prices and with introduction of selling method which makes possible the consumers' option and
highly convenient shopping these discount retail stores came to have their own power to mobilize consumers. Besides, discount retail stores, by infiltrating through mass market, became large in scale; and have grown to some type of industry, manufacturers were forced to use discount stores to achieve broad marketing discount contact. It is difficult for manufacturers to control the behavior of discount stores as they please, and parts of marketing policy by manufacturers which are amended by these retail stores are increasing. Manufacturers brands written with names of supermarkets, special discount selling in cooperation with manufacturers, etc. explain that fact. Nevertheless, the marketing channel, in which discount retail stores succeed in forcing their way, is only seen in the case of industry which is not highly concentrated, or, if so, has comparatively many opportunities of competition with competitive surrounding firms. In highly concentrated industries, it is not necessarily enough for discount retail stores to force their way in channel. Moreover, in fields in which the industry is not highly concentrated but has great product differentiation and where consumers stick strongly to some brands, manufacturers adopt restrictive channel policy, many of them succeeding in stopping the invasion of discount stores. The tendency, however, toward independent consumer behavior seen in present Japan forces on a larger scale the manufacturers channel control to retreat. The influence of discount retail stores on channel control of manufacturers, as it was seen typically in the case of the United States, not only forces manufacturers to concede in direct dealings and retail prices which are maintained by manufacturers, but also quicken free choice of brands and stores--that is, independent consumer behavior. In the case of Japan, this effect scarcely appeared. However, under conditions after the "oil crisis" that, with inflation and low growth rate, the growth of substantial income was not to be expected, very much consumers, strengthening the reaction to substantial qualities of goods and prices, stopped sticking to particular brands and came to select brands freely. They also came to select stores freely to compare goods and prices among stores. Such changes in consumer behavior forcibly modify former channel controlled by manufacturers. Under the tendency toward consumers' free choice of stores, manufacturers are forced to use various distribution channels including supermarkets; and the restrictive channel policy which can be called a fundamental condition for the channel control, that is, the policy which limit constituent members of channel is now being denied. Under the tendency toward consumers'
free choice brands, it becomes difficult for manufacturers to control consumers by product differentiation and mass advertisement; the base of the channel control is starting to shake.

III

Consumers who strengthening their resistance to marketing behavior of manufacturers and recovering their independence are becoming more interested in advertisement, but many consumers complain about shortage of information conveyed by advertisement. Consumers demand detailed information to select brands and goods, especially technical information, but advertisement cannot correspond enough to this. That is, manufacturers will have to convey detailed information, which is not to be conveyed by advertisement, to consumers through wholesalers and retail stores. Some manufacturers are strengthening direct selling, and in this case, their salesmen can play roles in conveying information which is beyond the limit of advertisement; but manufacturers which come into contact with consumers through the middlemen cannot but depend more on retail stores to convey information. Consumers become more suspicious of advertising, and manufacturers are forced to supply highly reliable information through personal communication. The condition becomes that manufacturers must depend on retail stores to convey reliable and detailed information to consumers. Besides such situations, manufacturers are being obliged to depend on retail stores to absorb requests from consumers. In the high-growth period when consumers reacted well to marketing policies of business firms, manufacturers built up a hypotheses on consumers' requests and accordingly made product plans, creating great demand by strong sales-promotion. However, for the present consumers, who show great resistance to marketing behavior of business firms, this method is not suitable; thus it becomes necessary for manufacturers to make sure, in detail, of consumers' requests. Manufacturers are being obliged to get information to decide on product plans and the sales method through retailers who always come into contact with consumers and can hear consumers' requests directly.

Manufacturers are also forced to arrange the system to get retail stores' cooperation for dealing with not the mere requests from consumers but complaints about goods
which need negotiation to be solved. Generally speaking, manufacturers lay emphasis on dealing with complaints of consumers directly, not through retail stores and wholesalers. However, this system of manufacturers to deal directly with complaints is inconvenient seen from the side of consumers, and it causes many consumers to boil to lodge complaints with manufacturers even if they have some. Although some of the manufacturers establish the complaint handing system through retail stores, this system does not function enough, and innumerable potential complaints still remain. It is very important for manufacturers and stores that many complaints are left unheard. Those who had complaints about goods but did not receive any measures harbor ill feelings toward business firms, tell it to others, and change brands and stores in many cases.

Retailers are fundamentally placed where they can get in direct contact with consumers, and are qualified to be the most adequate medium concerning information-supply for consumers, and answering their wishes and complaints. Nevertheless, retailers now do not effectively carry out such functions as informed, nor manufacturing firms do not rightly evaluate this qualification of retailers and have not yet established any system to support the excution of such functions? However, consumers--ready for independent behaviors and alert to information--are pressing retailers to reinforce such functions, and manufacturing firms are occasionally obliged to act accordingly.

IV

In the case of Japan, the effects, if small, must be valued to a certain degree of the fact that innovative retailers (large-scale discount retailers such as supermarkets) have introduced price-competition into the distribution process, where manufacturing firms' control had been under reinforcement. The influences of large-scale discount retailers must be considered in a wide scope, as a factor which, besides destroying a part of monopolistic manufacturers' channel control--through the countervailing power--introduced price-competition into distribution processes, promoted the independence of retailers in general, and, furthermore, caused price- & technology-competition among manufacturers. Even in a highly-concentrated monopolistic industry, if discount retailers have successfully come
into the distribution processes there, price-competition comes to proceed--as well as among retailers--among monopolistic manufacturers, contradicting their intentions. Motivated by such an introduction of price-competition by discount retailers, the means of control of manufacturers over the ultimate demand tend to become powerless; retailers, on the contrary, partly with the help of penetration into retailers of innovational ways of sales, come to offer consumers their own independent chances of selection--by the correction of customary retail prices in general and by a variety of stocks of many brands--and come to exercise their singular customer-attracting force on consumers who have, influenced by prices, begun free brand-choice. Manufacturers come to depend more upon retailers as to customer-attracting power for sales, and it gets hard for them to control retailers of their own will. Moreover, the range of free selection of stores for consumers is enlarged by the diversification of retail-systems--caused by the interference of innovatory retailers--and by the extension of geographical mobility of consumers; this fact must oblige manufacturers to supply the market through various processes, must make restrictive-channel policy unfavorable, and the control of manufacturers over retailers even more difficult.

In general, when manufacturers aim at a wide-scale penetration into market, they cannot but depend upon discount retailers and, in part, obey their interferences; particularly in cases where the brand has already been accepted in market so that manufacturers' special efforts to create demand are not necessary, or where the competition among brands is severe--there, large-scale retailers' interfering force is usually great to manufacturers.

Furthermore, the large-scale retailer comes to integrate the manufacturing process and to establish the "private brand"; but it should be taken account of that there is a limit to the use of this private brand, and thus to its role in the introduction of competition. Private brands, in general, are accepted by consumers--at lower prices than those of manufacturers "national brands"--only when such national brands have been introduced into market and have secured their places there. Moreover, as the means of promotion of private brands are chiefly their prices, products are usually those alone in which technological differences and product differentiation are not extensive, and products whose demand freely flows among brands. The essential qualities of private-brand products are not necessarily inferior to those of national brands; however,
because retailers cannot keep up, on a grand scale, a demand-creation system for their brands, their brands can be received simply on the basis of price-comparison with national brands which have already attained security in market. In addition, the above takes place but on a local scale, and their positions in market are mostly low. Especially in Japan the private-brand status if often low in comparison with that of the national brand. From now onward, the private-brand status in market will tend to rise higher, for reasons that the private brand will be evaluated anew as consumers come to judge products better than before; that consumers will be able to bear more risks with the increasing income; or that, conversely, they will start--on account of the aggravating inflation--to react to prices more alertly. In Japan, nevertheless, as has been mentioned above the private-brand status is usually low and the range of product-development is narrow for retailers; thus it follows that a manufacturing-process integration on a huge scale is regarded as nearly impossible. Also, it cannot be denied that large-scale retailers, whose merit consists fundamentally in the variety in their assortments, are basically suited to ask for concession as free judges for the rich supply-source rather than for the manufacturing-process integration. Therefore, the effects may not be expected too much of the competition-introduction by retailers who have achieved the manufacturing-process integration; only, with respect to ensuring a stable supply-source for retailers, such an integration may be supposed to grow valuable in future. Still, however, retailers need to cut down their production-investment to the lowest limit possible, and to maintain the free choice (for customers) of supply-sources at the highest level. Yet, such private brands as are ordered to product specifications alone can choose where to place the orders on the ground of the prices in competition with manufacturers' national brands; thus it might be that they are free from the rigidity as in the case of the manufacturing-process integration, and that they can maintain the promotion chiefly with appeals in prices. It is also possible that some reduced prices are allowed, when they have been first supplied from manufacturers under the name of the private brands. In all events, however, the introduction of price-competition among manufacturers is--in consideration of the private-brand status in market--inevitably less effective than the direct discount of manufacturers' brands.

At any rate, as to private brands, it is only that some useful role can be expected of them in pressing upon the manufacturers' market and in somewhat checking its monop-
olistic behavior in pricing; and they cannot, though ex-
pected of some, go so far as to organize a new channel
that is capable of resisting the channel controlled by
manufacturers. Especially in fields of industry where
many of the evils of manufacturers' monopolistic behavior
have become visible and where it is most necessary to in-
troduce competition, the establishment itself of private
brands cannot be realized. It should be noted further that
what motivates the introduction of private brands is often
the desire to obtain a high profit rate and a steady cus-
tom. The revolutionary point of discount retailers lies
in correcting manufacturers' demand-fastening policy and
monopolistic behavior in pricing; but such private brands
as have been introduced motivated thus are apt to become
a medium through which retailers--who have accomplished
their own market status in virtue of the revolutionary char-
acter of such brands--start to compress this very character,
and become inclined to monopolistic behavior. This must
be understood if one considered the fact that the general
trend is that private brands adopt the low-price policy
against national brands simply because their status is still
low; that they, if possible want to intensify product dif-
ferentiation, to advertise on a nation-wide scale, and to
fortify their competitive standing, so as to set up con-
ditions under which monopolistic behavior in pricing is
viable.

V

It is naturally easy for firms to enter into the re-
tail trade, and it is more so notably in the case where
manufacturing firms create the ultimate demand; why, then,
does concentration proceed in the retail market? As bar-
rriers to entering into the retail trade, capital, conditions
of location, covering range of stocks, method of sales, etc.
may be enumerated, but none of these seems too great. Yet
concentration advances in the retail market; the reason
is that, although all the retailers that have grown big
have been in possession of such innovational sales methods
as the introduction of price-competition, and diversity
in inventory of many brands including competitive brands,
competitors' adaptation to these methods is slow--or, as
in many cases, a totally contrary adaptation, even, may be
executed.
Thus, retailers that have grown big by the help of sales methods, backed up with their customer attracting power, come to resist manufacturers' control over them, and a tendency toward changes has become perceptible in the distribution-channel system. The appearance of innovational retail stores has made consumers go in the direction of free store-selection; but not only that; as the innovational sales methods have gradually, if slowly, spread among many retailers, they have induced price-competition, which competition has in turn motivated consumers' inclination for free selection of brands. Consumer behavior in purchasing goods has become well planned; and in accordance it has become more difficult for manufacturers to control consumers by the help of product differentiation and advertisement. Manufacturers are now coming to be compelled to go in the direction of relying more upon retailers' consumer-attracting capacity in the final-market sales, of again evaluating the role of retailers, and of admitting their free creative behavior.

The chief basis on which concentration in the retail trade is accelerated is (1) the adoption of innovatory sales & management-methods--including the low-price policy--and (2) the fact that other retailers do not quickly adapt themselves to this adoption; but it often happens that other and ordinary retailers, once the central market is invaded, can easily introduce similar innovational methods, and that the aggravation of concentration is interrupted at a considerably low level when other revolutionary retailers have entered. Also, a retailer that has reached a governing market-controlling rate is, perhaps for the existence of many competitive proximal retailers or for the competitive pressure of other innovatory retailers, checked in the monopolistic marketing behavior.

It is a fact, nevertheless, that in market concentrated to some extend a few large-scale retailers were seen to act in an oligopolistic way. It is a fact that such concentration, as can be seen in large cities, of the retail market on a few big retailers might be dangerous as a possible basis of such retailers' monopolistic behavior. That is to say, big retailers adopt the low-price policy and innovatory sales system for the sole purpose of forcing their way in market; once they have reached a satisfactory position in market, they become price-leaders to proximal retailers, come to reduce the discount rate, to create a special demand, and start to increase their investment in store-differentiation in order to make high prices seemingly acceptable. In Japan, especially, con-
sumers' buying activities center on and around large cities, which naturally causes discount retailers to be located likewise; and such locations were liable to lead to high entry-costs, soon reducing the discount rate, and their monopolistic behavior became conspicuous. However, the range of the classes of consumers sensitive to discount prices is now widening; therefore, although in Japan such an opportunity is quite limited, retailers having already achieved a potent status in market may be in danger, if they cut down the discount rate, of inducing the entry of new retailers at a still higher rate of discount, and thus it is a fact that their monopolistic behavior is considerably restrained.

In the case of manufacturers, competition in technological development is introduced with the stimulation of prices and technological innovation—which effectually reduces product costs—is promoted in parallel; accordingly the industry often achieves a dynamic advancement, where competition is carried on, among successful firms in technological innovation, on the ground of technically new products and at a lower level of prices. However, in the distributive trade, accomplishments cannot be successive in the innovation in sales- & management- methods, which innovation offers new chances for price-competition; therefore, it becomes necessary, at a comparatively early stage, to recover competition in "services" and to set limits to price-competition, so as to avoid the passage to destructive competition. For example, the efforts of supermarkets to minimize the possible chances of direct price-competition among themselves can be suspected in the following facts; price-cutting as counterattacks are not frequently seen among themselves; the same products are hardly ever advertised as "special offers" by plural supermarkets at a time; a direct correlation is not always existent between the price-levels of advertised goods and those of goods not advertised. In fact, though, monopolistic retailers stock goods on a large scale and in different constitutions, and interdependence among stores is complicated, making it hard for them to react to one another in rivalry—and such conditions have, supported by the policy of raising and lowering prices often, produced opportunities for price-competition among large-scale retailers, or between a large-scale retailer and other retailers nearby. Thus it is not that they have taken solely to monopolistic evasion of price-competition. This fact must be admitted; but it must also be remembered that, in the case where the rate of concentration was high, such conditions as mentioned above were the ground—just as they were—of monopolistic behavior as well.
Marketing in the distribution process by retailers and wholesalers is almost meaningless, when manufacturers have created the ultimate demands by the help of product differentiation and nation-wide advertising, offering comparatively secure and stable sales opportunities to retailers and thus to wholesalers, and have organized integrated distribution-channel systems, of which such retailers and wholesalers are the members as are needed to cover the market. Marketing policies are determined by manufacturers; wholesalers and retailers are obliged to follow those policies. Wholesalers and retailers are ruled by manufacturers concerning the matter of stocks--including restraint on suppliers and on the deal in competitive brands; where to sell; and prices. Their free market-behavior is not permitted. In Japan also, from about 1960 to 1965, the distribution was systematized by manufacturers as regards electric home appliances, cameras, synthetic detergents, and cars. Thus room for independent behavior of wholesalers and retailers gradually got smaller and smaller. When the distribution is systematized by manufacturers, activities of the salespeople who make the rounds of wholesalers and retailers are not very important; even, in some cases, their activities are more important as keeping watch on wholesalers' & retailers' conducts. Neither do salesclerks at retail stores play a major role in communications with consumers.

Nevertheless, the rapid aggravation of inflation caused and promoted by the "oil crisis" led consumers to resist manufacturers' marketing behavior, and manufacturers are now forced to re-examine the whole of their marketing policies, including channel control. Also, the development of large-scale retailers demands manufacturers' recession in channel control.

Due to the development of independent consumer behavior and the advancement of large-scale retailers, it is now becoming harder for manufacturers to maintain prices by market- & channel-control. Manufacturers are more and more being forced to leave their marketing policies to retailers and wholesalers. Retailers, unless they stock competitive brands and correct manufacturer-indicated prices, cannot attract customers now. Manufacturers have recently been becoming more and more inclined to expect retailers' and wholesalers' creative market-behavior. Retailers'
stock of competitive brands means, to manufacturers, that they should compete with other manufacturers on the same floor of the retail store; manufacturers are now being obliged to communicate with consumers through wholesalers and retailers, conveying detailed product-information, which cannot be done by advertising alone.

supplement

Since the 1960's against the company behavior—that regards as most significant the improvement in their profit and sales neglecting consumers—an organized consumer resistance, called "consumerism," has been developing in Japan too.

The general ground on which consumerism was born was that companies, in their system of fulfilling consumer needs, made mistakes in perceiving the real qualities—and conditions of sufficing—consumer needs; and that they, in order to increase their profit and to fortify their competitive standing, started to create demand indiscriminately. It was that, first, the consumer needs seen by companies as the object of product-supply were consumers' "temporary needs," so to speak, which were expressed by them and in many cases not necessarily their intrinsic needs. Moreover, when providing consumers with goods in accord with their needs, companies did not fully realize consumers' more important and more fundamental needs—they failed to see, especially, that there was the condition that they had to try strictly not to sacrifice consumers' life and health. In other words, whereas the expressed consumer needs were fulfilled, this did not—in the long run—lead to better advantages to consumers. It was rather that companies, by giving impulse to consumers to immediately satisfy their needs, and by introducing among consumers the differentiating competition concerning themselves, have tried to extend demand and been inclined to exploitation. As well as the indiscriminate demand-creation policy, the price-policy for developing their competitive power was employed; products were designed so as to obtain a higher rate of profit, while safety and reliability were ignored; furthermore, as regards new products,
some have been introduced, even, that had factors which threatened the life and health. That companies have not rightly provided goods according to consumer needs is proved by the fact that they have made a vast amount of investment in persuasive advertisement contrived to promote—for their own good—the purchase by consumers, and not contrived to offer information to consumers of the supplied goods for their planned purchasing. Consumerism revealed these defects in marketing, and claimed that companies change their basic direction in the marketing policy.

Consumerism will, ultimately, make consumers more reactive, not only to qualities of the product but to its safety, reliability, and social & ecological influences when actually used; it will also make the product- and company-image less relevant to consumers' decision-making in buying. Besides, consumerism will increase the amount of information-supply on products and prices to help consumers buy according to their plans, and will reduce the effects of product differentiation and mass advertisement for the purpose of indiscriminate demand-creation and acceleration of buying. Consumerism, further, will make companies perceive more clearly their social responsibilities, and will force them to make efforts to minimize the environmental destruction caused by marketing. The advertisement—now the noisiest possible—and salesman activities will compulsorily be cut in scale; the channel-system will have to be used, not solely for supplying market with goods, but as a system for collecting their after-use waste as well.

However, the company responses to consumerism are, simply, more protective and individual than planned and methodical; they are, in many cases, nominal and not substantial; in addition, some even ignore consumerism under the excuse that they are "consumer-oriented" and that they have been developing due to it. In Japan, that tendency is specially outstanding. Recently, however, companies have come to establish counselling systems and to introduce monitoring systems for consumers, in order to better their relations to consumers; and in some cases they have set up standards of judgment as regards defects in products and services. Also, in the case of some companies, they are making re-examination concerning their own product indications and advertisement.

It can be supposed that all companies will sooner or later start in the direction of adaptation to consumerism; but is it possible that the essential qualities of companies' marketing will, absolutely by consumerism alone, be
set in the course desired by it? As has been mentioned above, companies, in general, do not adjust to consumerism quickly enough and sufficiently; and that makes consumer develop and reach a conflict through political frameworks, urging the establishment of a governmental system and legislation for consumer-protection. As consumerism gets inclined to political conflicts, companies may hasten to adapt themselves to it, so that they can evade harder restrictions of the government. However, marketing will not change its fundamental character until companies come face to face with the extension of consumers, independence and discerning capacity, realizing that their market is comparatively small, restraining themselves from their impulse to create demand indiscriminately, and then becoming obliged to correct the substance of their supply according to the independent consumer behavior in buying goods.
Our researches are as follows. The researches were in Tokyo, Chiba, Funabashi, Yokohama, Nagoya, Osaka, Suita City, Kobe, Fukuoka, Kita-Kyushu, and Nagasaki; the items were Processed Foods, Fundamental Apparels, Fashionable Apparels, Synthetic Detergents, Small Electric Appliances, and Major Electric Appliances; we obtained 6,400 effective answers. In asking questions, we told the answerers to consider, mainly, curry roux and soy sauce (in the case of Processed Foods), underwears and cutter shirts (Fundamental Apparels), dresses and blouses (Fashionable Apparels), mixers and hair-dryers (Small-Electric Appliances), television sets and air-conditioners (Major Electric Appliances), and shampoos in addition to ordinary cleaning materials (Synthetic Detergents), respectively.


3) Ibid., chap. 3: The Complaint Handling System through Cooperation between Manufacturers and Retailers.

4) Although most consumer complaints are brought to retailers, cooperative complaint-handling systems of retailers and manufacturers have not yet been established. Though manufacturers should lead retailers in preparing above-mentioned systems, manufacturers--afraid of their possible retreat in channel control--do not make efforts to establish such systems.

It should be recognized here anew that the establishment of efficient handling systems of consumer complaints is now coming to occupy a very important position among manufacturers' marketing policies. Moreover, complaint-handling is not meaningful merely for solving and dealing with consumer complaints; it must be valued in the aspect of absorption of consumer needs; and its significance as a marketing policy should properly be recognized.

It may be favorable, both socially and to manufacturers, that manufacturers should soon establish complaint-handling systems through retailers; nonetheless, as for the characteristics of such cooperative systems, many questions remain yet to be solved; trials are yet to be made of many points. Still, our distribution-researches, which have consecutively been held since 1975, offer such possible characteristics as: (1) to set up a special counselling system for receiving consumer complaints conveyed
through retailers; (2) when retailers take the responsibility and try to solve such complaints as are seemingly due to manufacturers' responsibilities, manufacturers too bear the cost; and (3) as for replacement of goods through retailers, manufacturers guarantee a certain amount of commission, if not so large as the profit margin in sales.

On the other hand, retailers should recognize that cooperative consumer-complaint-handling systems of manufacturers and retailers mean, to themselves, more than their services alone for manufacturers. In many cases, consumers--although they may trust manufacturers to some degree--are basically apt to distrust retailers. At the time of the supply-shortage caused by the "oil crisis", prices varied very much among respective retailers due to the opportunistic price-raising, and some retailers were incapable of the supply of goods; which facts, in particular, rendered many consumer unyieldingly distrustful of retailers.

Also to such consumers' distrust of retailers, it seems that there should be a way to retain their trust by resolving complaints addressed to retailers themselves, i.e., consumer complaints of retailers' sales methods, etc.; furthermore, by retailers' participation in the attempt to settle consumer complaints about products sold, a new path will perhaps be opened toward the early recovery of consumers' trust.

Our distribution researches are as follows.

From May, 1975 to August, 1976, we held the first research into the handling system of consumer complaints through the cooperation between manufacturers and retail stores. This research is about whether or not complaints lodged with retail stores are conveyed to manufacturers. The result of this research shows that in many cases retail stores convey consumer complaints to manufacturers if not speaking of manufacturers responses. However, in some cases, it merely ends thus: manufacturers do not accept complaints even if retail stores try to convey; or retail stores merely listen to them. From March to May, 1978, we also held the research after the whole complaint handling system through the cooperation between manufacturers and retail stores in Tokyo, Osaka, and Fukuoka. This second research was composed of interviewes and was held mainly by visiting head offices of firms.

The following is the results of the research after complaint handling system through retail stores by the degree of systematization of marketing conducted by manufacturers.
Complaint handling through retail stores are functioning for the present, but not necessarily smoothly. There are many complaints by dealer systems about their partial charge in the handling of consumer complaints.

For example, some of the dealers complain that manufacturers do not sincerely handle complaints or that manufacturers pay no attention to complaints. It is also said that manufacturers should bear special expense of retail stores to take responsibility, in part, in handling complaints. Against this, manufacturers think that the reward for partial charge of complaint handling by retail stores is included in regular retail profits. From the side of manufacturers it was heard about the partial charge of complaint handling by dealer systems that stores report consumer complaints to manufacturers only in a mass, delaying manufacturers responses. Some of dealer only listen to consumer complaints and do not try to answer them. Thus, as for electric home appliances, service stations are established in each area and when dealer systems cannot deal with complaints, they are directly accepted here. In other words there are two complaint handling systems; one is through stores, and the other done directly by manufacturers. Consumers can select either of them and it shows one of the idea complaint handling systems. However, this complaint handling system is not thoroughly known among consumers, and in some cases, they cannot receive satisfactory handling through lodging complaints with stores. Manufacturers find too much peace in this system.

Though manufacturers make up special attachment of consumers to brands by nation-wide advertisement, in such types of industry as foods, etc. for which a great number of stores are used because of character of goods so that consumers intend to restrain the efforts of purchase down to the minimum because of its high frequency, manufacturers do not systematize the distribution process to the stage of retail stores. In this case, manufacturers do not make efforts to organize complaint handling systems through retail stores, and nearly 90% of consumers' complaints are directly dealt with by manufacturers. Only very few complaints are reported to manufacturers through large scale retailers. In the case where the status of brands in market is low, however, there are some cases in which the voice of retail stores is strong, and where complaint handling through exchange or return of goods is done on the level of retail stores. Many people regard
direct handling system by manufacturers as inconvenient, and it results in making numerous complaints unheard.

--In the case of department stores, supermarkets, and discount stores--

All of the large-scale stores which are objects of this research are listed firms, and many of these stores deal with complaints in their own ways. However, the original complaint handling system of large-scale stores is also still on the way of arrangement and the level of arrangement is differ from firm to firm. In one case, complaints are dealt with by floor managers, chiefly in exchange and return of goods, and unified disposal as a whole of the stores is not done. In other cases, there is room for consumers and a handling system in parallel with floor managers is adopted; there is also a manual for dealing with complaints, and complaints are grasped integrally by the whole of the store to be dealt with. There are various cases. Some large-scale stores not only report the contents of complaints to manufacturers, but also accept reports on revised behavior (changes in the design of products, conversion of the material, complete management of product quality, etc.). Once some of the big manufacturers which had confidence in technique were late in responding, but there is the fact that it has recently been improved. In many cases, large-scale stores positively instruct small and medium-scale manufacturers in production, using complaints as the data, obtaining good results. Some large-scale stores deal with complaints about defects in their own ways and seldom report the contents to manufacturers except in the case of magnified loss. It must be said that this is imperfect as a complaint handling system. The feedback to manufacturers about the contents of complaints is necessary. Some large-scale stores make preparatory conditionings to reduce complaints. Some of them find about 80% of inferior goods, as foods, etc., through this conditioning.

5) Yoshio Kajihara, op. cit., chap. 5, Re-examination of the Theory of Competition.

6) Ibid., chap. 6, Problems in Channel Leadership.