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# Galbraith and the Management of Specific Demand: evidence from the tobacco industry

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**Abstract:** In *The New Industrial State* John Kenneth Galbraith famously argued large corporations would seek to manage the demand for their products. Although attracting a degree of attention and notoriety around the time of publication, Galbraith's thesis of the direct manipulation of the consumer has slipped somewhat from view in favor of a view of advertising as information provision. We reconsider Galbraith's theory of the Management of Specific Demand and illuminate its salience in the context of the US tobacco industry. We conclude that the US experience is congruent with many of the claims that Galbraith made regarding the manipulation of the consumer by large corporations and thus warrants rehabilitation of the Galbraithian view.

## 1. Introduction

In *The New Industrial State*, John Kenneth Galbraith (1967) argued that the nature of modern production was such that large corporations would seek to manage the demand for their products.<sup>1</sup> In the conventional wisdom, the industrial structure is wholly in the service of the individual consumer – what Galbraith calls the Accepted Sequence. Galbraith challenged this view, arguing that it failed to illuminate reality, instead serving to obscure it in the convenient service of vested interests. Rather, the consequence of the evolution of the modern mode of production was that the market is increasingly managed in the interests of the large firm – called the Revised Sequence. Galbraith argued that large corporations, with their extensive range of financial commitments, would seek to mitigate the uncertainties they face through a variety of systematic institutional responses such as the management of prices and, more famously, the

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direct manipulation of consumer response. Galbraith labelled this manipulation the Management of Specific Demand, an element within the larger ideological context of the Revised Sequence.

Although attracting a degree of attention and notoriety around the time of publication, Galbraith's thesis of the management of the consumer has slipped somewhat from view. Economists have either dismissed Galbraith's contribution as an informal expression of the persuasive approach to advertising or have been seemingly content to follow Galbraith (1967:23) and point to the 'massive growth in the apparatus of persuasion and exhortation that is associated with the sale of goods' as *prima facie* evidence in favour of Galbraith's theory of the management of the consumer. The upshot is that there has been little detailed exploration of Galbraith's ideas by those working both inside and outside the conventional wisdom.<sup>2</sup>

The purpose of this paper is to utilize a unique source of data on the internal workings of the firm to reconsider Galbraith's theoretical contribution. We draw attention to the novel aspects of his argument by highlighting how the tobacco industry has sought to manage demand for its product. Based on an archival exegesis of previously secret industry documents, we record a range of consumer management techniques used by the tobacco industry and highlight the congruence with Galbraith's view. Access to the internal tobacco industry documents allows researchers to transcend speculation about the intentions of tobacco marketers, advertisers, and firm executives; analysis of internal documents reveals such intentions explicitly and in the industry's own words.

We argue that the dominant view of the latter half of the twentieth century, that the role of advertising is to provide information to consumers, is incomplete. Thus, we challenge the conventional view of advertising by providing novel evidence of advertisers' attempts to manage consumer demand as aligned with Galbraith's theoretically richer perspective. Further, we encourage economists to cross disciplinary lines to gain new perspectives on the workings of advertising. We begin first by considering Galbraith's theoretical contribution and its place in the economics of advertising.

<sup>2</sup> Marris and Wood (1971) summarize the many of the mainstream analytic reactions to Galbraith's theory of the firm. Notable mainstream attempts at empirically assessing the relevance of Galbraith's distinctive view of the firm include Bower (1970), Caves (1970), Demsetz (1974), Blois (1975), Edwards and Heggstad (1973 and 1979) and Christofides and Tapon (1979a and 1979b). Only Zinkin (1967) and Wilder (1974) attempt to systematically evaluate Galbraith's thesis with respect to the management of the consumer. Aside from the AER symposium on 'The New Industrial State after twenty years' in 1988, there is scant mention of any lasting theoretical contribution of Galbraith to economics in general or industrial economics specifically. In contrast, there is a broader heterodox literature on the significance and methodological salience of the Galbraithian vision and contribution (see Stanfield, 1996 for a comprehensive survey). There has been little attempt to further develop the Galbraithian thesis about the nature specifically of the management of the consumer. Noteworthy theoretical exceptions include Gintis (1972), Petrick and Sheehan (2002) and, less explicitly, Hodgson (2003). See Dunn (2001) for a more extensive discussion of Galbraith's broader contribution to the theory of the firm and its fate.

## 2. The economics of advertising and Galbraith's Management of Specific Demand

There are three dominant approaches to advertising and marketing in economics (Bagwell, 2003): the informative, complementary, and persuasive views. The tobacco industry advances the informative view in public relations statements, particularly after the cancer scare of the 1950s and the subsequent low-tar boom (Cummings, Morley, and Hyland, 2002, and Chaloupka and Warner, 2000). As such, we will limit our discussion to a comparison of the informative view of advertising with Galbraith's view. For a summary of Galbraith's view contrasted with the three dominant views, see Table 1.

The informative view, associated with the Chicago School, holds that advertising affects demand not by altering tastes or preferences but by conveying information.<sup>3</sup> According to this approach, the costs of search may discourage consumers from seeking out a product's existence, price, and quality, resulting in sub-optimal choices. Advertising is viewed as an endogenous response of the marketplace, which seeks to correct this state of affairs. Through advertising, consumers receive direct information – e.g. prices or location – and/or indirect information – e.g. how much the firm is willing to spend on advertising. The firm faces a demand curve that becomes more sensitive to price and quality considerations, i.e. more elastic, which is to its competitive advantage given its comparative quality advantage. The informative view suggests that *ceteris paribus* advertised products will be of higher quality such that even seemingly uninformative advertising may provide indirect information that the quality of the advertised product is high (see Nelson, 1974, for an analysis).

Galbraith's contribution offers a view of the management of consumer demand that is richer and broader in scope than this consumer-based view of advertising as information. Galbraith maintained that the modern corporation would use an array of marketing and selling techniques to ensure that what was produced was ultimately bought. He argued that the nature of modern production, which involves significant up-front costs, imparts a strong incentive for manufacturers to frame information in a manner that induces a favorable response:

The key to the management of demand is effective management of the purchases of final consumers – of individuals and the state. If these are under effective control, there will then be a comparatively reliable demand for raw materials, parts, machinery and other items going into the ultimate product. If the demand for its automobiles is reliable, General Motors can accord its suppliers the security of long-term contracts. And, in the absence of such contracts, there

<sup>3</sup> The genesis of the informative view can be found in Ozga (1960) and Stigler (1961). Telser (1964) examines several US consumer goods industries and concludes that advertising has served principally to facilitate entry. Nelson (1970) introduces the instructive distinction between experience goods and search goods.

Table 1. Economic approaches to advertising compared

Perspective	Nature of Advertising	Consumer Tastes and Preferences	Advertising content	Marketing	Impact on Consumer Demand	Impact on Firm	Welfare Effects of Advertising
<b>Information (search):</b> (Nelson, 1970 and 1974)	<b>Endogenous market</b> response to sub-optimal provision of information.	<b>Stable</b> , linked to product attributes.	<b>Direct</b> product attribute information (existence, price, quality, location).	<b>Target</b> consumers who value product most.	<b>More elastic.</b> Information conveys product attributes.	<b>Promote competition,</b> facilitates market entry.	<b>Positive.</b> Augments consumer and (firm specific) producer surplus.
<b>Information (experience):</b> (Nelson, 1970 and 1974)	<b>Endogenous market</b> response to sub-optimal provision of information.	<b>Stable</b> , linked to product attributes.	<b>Indirect</b> product attribute information (existence, high quality)	<b>Target</b> consumers who value product most.	<b>More elastic.</b> Signals quality and product attributes; ascertained through repeat consumption.	<b>Promote competition,</b> facilitates market entry.	<b>Positive.</b> Augments consumer and (firm specific) producer surplus.
<b>Complementary:</b> (Stigler and Becker, 1977, and Lancaster, 1966)	<b>Joint product provision</b> of non-product related characteristics.	<b>Stable</b> , linked to social (heterogeneous) preferences, e.g. social prestige.	<b>Direct, Indirect &amp;/or Unrelated</b> to product attributes	<b>Target</b> consumers who value consumption characteristics most.	<b>None/derived demand .</b> Uninformative Advertising may be valued directly.	<b>Increase firm costs.</b> Cost of production fully internalized by firm.	<b>Sub-optimal provision</b> (externalities associated with consumption not internalized)
<b>Persuasive:</b> (Chamberlain, 1933, Kaldor, 1950 and Bain, 1956)	<b>Exogenous firm</b> response to maximize profits.	<b>Modifiable</b> , create demand for product attributes.	<b>Direct, Indirect &amp;/or Unrelated</b> to product attributes	<b>Create</b> consumer needs for product attributes.	<b>More inelastic.</b> Artificial product differentiation.	<b>Restrict competition.</b> Creates barriers to entry. Defensive.	<b>Negative.</b> Higher prices and profits. Socially Wasteful.
<b>Management:</b> (Galbraith, 1967)	<b>Endogenous firm</b> response to the technical and time-consuming nature of production.	<b>Stable</b> , distinction between objective physical needs and subjective psychological needs.*	<b>Direct</b> subjective needs association, unrelated to objective needs	<b>Manage and segment</b> consumer psychological needs. Product-marketing strategy. Shift locus of control.	<b>More certain/ derived demand.</b> which facilitates higher and growing volumes.	<b>Promote revenue stabilization.</b> Sustains firm prestige. Intra technostucture competition.	<b>Negative.</b> Misalignment of objective and subjective needs.

*Notes:* \*Although such needs may be characterized as stable this is not to imply they are static and immutable. The climate of consumerism and the Management of Specific Demand do affect and modify subjective needs. However, it is important to note that such processes work at different levels and across different time periods and thus may be out of synch with the firms actual attempts to manage demand. It is this sense in which they can be viewed as stable.

*Source:* author's own analysis.

will still be a reliable and predictable flow of orders which allows planning.  
(1967: 205)

This is a firm-based view that suggests the locus of control over purchasing patterns rests with the firm and not the consumer. The corollary of this perspective is that consumer demands will be managed not in the service of individual needs, but in the interests of the organization. Though the needs of the consumer and those of the firm need not necessarily be mutually exclusive, Galbraith maintained that the modern corporation seeks to manage needs to promote greater accumulation and maintain the pre-eminence of the technostructure. The firm's top priority is to service its own needs of having a predictable flow of orders, being able to engage in long-term planning, and continuing to cover overhead costs and to generate profits.<sup>4</sup> That the firm's needs are paramount makes consumers' needs of secondary importance and possibly at odds with the firm's. We will see that in the case of the tobacco industry the provision of accurate information about the firm's products and consequences of consuming them would thwart the goals of the firm (see Kluger, 1996, and Kessler, 2001). The informative view assumes consumer freedom of choice; firms respond to consumer demand by providing information useful to the consumer's autonomous decision-making process. Galbraith, however, asserts that consumer freedom of choice is antithetical to the firm's long-term success:

The specific strategy [of managing demand], though it varies somewhat between industries and over time, consists first in recruiting a loyal or automatic corps of customers. . . . To the extent that it is successful, it means that the firm has a stable body of custom, secure against the mass defection which might follow from freely exercised consumer choice. (1967: 210–211)

This has been vividly demonstrated by the San Francisco lesbian, gay, bisexual, and transgender (LGBT) community's boycott of Philip Morris (PM) and PM's subsequent courting of the LGBT market (Offen, Smith, and Malone, 2003).

The core of Galbraith's thesis is the imperative to make demand more certain through removing the consumer's locus of control (cf. 1967: 212). First expressed in *The Affluent Society* (Galbraith, 1958), increasing abundance might have reduced consumers' need for further acquisition; being sated, individuals may have spent less of their incomes on additional goods. Galbraith reiterates in *The New Industrial State* that:

Were they to cease to work after acquiring a certain sufficiency, there would be limits on the expansion of the system. Growth could not then remain a goal. Advertising and its related arts thus help develop the kind of man the goals of

<sup>4</sup> Similarly, Preston (2003: 18) describes 'the 'adverse interest' of sellers' which he states 'obligates consumers to know that sellers have purposes, such as making a profit, that prompt them to behave differently than if they were putting the consumer's best interest first.'

the industrial system require – one that reliably spends his income and works reliably because he is always in need of more. (1967: 219)

A related thesis first advanced in *The Affluent Society* (1958) is that affluence, by moving beyond the satisfaction of basic needs, makes individuals more amenable to management through psychological appeals. This is echoed in Levy's seminal assertion that '[t]he less concern there is with the concrete satisfactions of a survival level of existence, the more abstract human responses become . . . sellers of goods are engaged, whether wilfully or not, in selling *symbols*' (1959: 117). In *The New Industrial State*, Galbraith further elaborated:

Most goods serve needs that are discovered to the individual not by the palpable discomfort that accompanies deprivation, but by some psychic response to their possession. They give him a sense of personal achievement, accord him a feeling of equality with his neighbours, divert his mind from thought, serve sexual aspiration, promise social acceptability, enhance his subjective feeling of health, well-being or orderly peristalsis, contribute by conventional canons to personal beauty, or are otherwise psychologically rewarding. (1967: 206)

Advertisers must generate psychic connections between products and often-intangible rewards. Selecting what is psychologically rewarding for inclusion in advertising messages, however, becomes a challenge in the face of the goal of the firm to generate as many consumers for its products as possible. What is compelling or comprehensible to one person may be uninteresting or unintelligible to another. As Galbraith noted, however:

Technology, once again, solved the problems that it created. Coincidentally with rising mass incomes came first radio and then television. These, in their capacity to hold effortless interest and their accessibility over the entire cultural spectrum, and their independence of any education qualification, were admirably suited to mass persuasion. (1967: 218)

The normative implications of persuasion on this scale are seen in fashions, fads, and the cultural homogenization that accompanies mass marketing (for a discussion of cultural homogenization through global marketing, see Hafez and Ling, 2005). The tobacco industry lost access to these vehicles of mass persuasion in the US in 1971, however, when cigarette advertising was banned from TV and radio. This may have accelerated the tobacco industry's use of sophisticated forms of market research and advertising strategies to reach different subpopulations of consumers through print media. The specialization of print media such as magazines necessitated improvements in the specialization of advertising messages as well.

The means–end perspective is relevant here. Reynolds, Witlark, and Wirthlin (2001) stated that advertising creates a means–end chain linking product attributes to consequences deemed desirable based upon a consumer's values:

In the means–end framework, product attributes and their functional consequences are just the means to an end. The *end* is a personal need, goal, or value that reflects the perceptual orientation of the consumer and shows how he or she translates a seemingly inconsequential product into an object having deep personal relevance and importance. (2001: 216–217)

Contrary to Galbraith’s view, the means–end approach is a consumer-based approach that emphasizes the complementary nature of advertising in the service of the consumer. Consumers may not always think about products in terms of their concrete attributes but rather in terms of the abstract benefits (or risks) that a product provides. In the next two sections, we present evidence from the tobacco industry to illuminate the difference between such consumer-based approaches and Galbraith’s firm-based approach. The interests of the tobacco industry – to recruit and retain smokers – are decidedly at odds with the interests of the consumer. The consequences of consumption in this case are inherently dangerous. It is therefore beneficial to tobacco firms to distract consumers from linking cigarette consumption with outcomes. Rather tobacco advertisements must invoke values, or psychological needs, that are *unrelated* to cigarette consumption in order to motivate behavior favorable to the firm.

The salience of this distinction is that it is not that wants (values or psychological needs) are created *per se*, but rather that the corporation identifies such needs and then uses knowledge of them to tailor its marketing strategy to a specific target market to galvanize consumer behavior in the service of the firm. It is this sense in which the consumer is considered to be persuaded – that demand for a commodity is unrelated to the actual benefits that the product confers, and not that new demands are originated *ex nihilo* by the producer.

Of course, Galbraith allows the general climate created by advertising to impact on the aspirations of consumers. Copious advertising for similar products of competing firms elevates not just individual brands but also the product category:

This management performs yet another service. For, along with bringing demand under substantial control, it provides, in the aggregate, a relentless propaganda on behalf of goods in general. From early morning until late at night, people are informed of the services rendered by goods – of their profound indispensability. (Galbraith, 1967: 214)

What Galbraith called a ‘relentless propaganda on behalf of goods in general’ is likened to Pollay’s (1987: 105–106) ‘chorus’:

Given the common products, goals, and cultural premises of clients and agencies, some notes and themes are echoed by multiple voices. Many ads echo basic behavioural suggestions on who (You!), what (Indulge!), how (Buy!), when (Now!), and where (Here!). The why’s (e.g., Pretty, Durable, and Cheap!) vary, but repeat a short list of ideas. Other messages (Fancy and Practical!) provide harmonious counterpoints to argument rather than cancel



other messages. Between redundancies and variations, the result may be more a chorus than chaos – noisy, no doubt, but still with intelligible melody and meaning.

With the legal challenges faced by the tobacco industry, the chorus of advertisements for cigarettes as a product category benefits each firm selling its brands within the category. Promotion of cigarettes in general aids individual tobacco firms in the current environment of increasing societal concern for and legislative responses to the health effects of smoke and second-hand smoke.

Finally, it is important to note that, although Galbraith's analytical focus is on this management role, he nevertheless acknowledges that not all advertising and selling is directed to managing the consumer. That there is a role for the informative view of advertising is explicitly acknowledged:

Thus a certain amount of advertising, that of the classified ads and the department store displays, has no great purpose beyond that of conveying information – of advising the public that a particular person or enterprise has a particular item for sale and at what price. Such advertising is seized upon to show that the function of advertising in general is merely to convey information although, as I have noted on other occasions, only a gravely retarded citizen can need to be told that the American Tobacco Company has cigarettes for sale. (Galbraith, 1967: 208)

Our reading of Galbraith suggests taxonomy of advertising that separates advertisements such as newspaper classifieds from campaigns such as the examples from the tobacco industry presented below. The latter class may or may not provide information, but, more importantly, it may provide *antifactual content* that misinforms consumers about the product (see Preston, 2002). Stigler and Becker (1977: 84) stated, '[a] consumer may indirectly receive utility from a market good, yet the utility depends not only on the quantity of the good but also the consumer's knowledge of its true or alleged properties'. When (1) alleged properties are unrelated to the product and (2) a consumer's attempt to maximize utility is motivated by knowledge gained through antifactual advertising content, it is not the consumer but the firm that is principally benefiting from advertising.

The most robust way of exploring and evaluating Galbraith's thesis is to study historical accounts of firm marketing strategy. Internal industry documents provide a direct means for assessing how firms have sought to influence consumer behavior. In what follows we attempt to illuminate aspects of Galbraith's discussion by considering the experience of the US tobacco industry.<sup>5</sup> Litigation

<sup>5</sup> The original research presented in this article is based on an analysis of documents collected from the Legacy Tobacco Documents Library (<http://www.legacy.library.ucsf.edu>), Tobacco Documents Online (<http://www.tobaccodocuments.org>), and the tobacco industry documents websites (see the US Centers for Disease Control and Prevention tobacco documents website at <http://www.cdc.gov/tobacco/industrydocs> for information on and links to the various industry websites). These archives contain more than

brought by 46 of the states' Attorneys General against the tobacco industry resulted in the Master Settlement Agreement of 1998 that forced tobacco firms to make their internal documents available for public scrutiny. It is now possible to examine and explore a range of advertising techniques pursued by the tobacco industry and how these have evolved, without having to rely on the circumscribed word of corporate executives. This unique resource offers an unprecedented opportunity for examination of the firm from the inside and thus permits elucidation of the distinctive aspects of Galbraith's thesis of the Management of Specific Demand.

### **3. The Management of Specific Demand: managing psychological needs**

As Galbraith (1973: 153) noted 'the management of the private consumer is a task of no slight sophistication; the cost is considerable, and it uses some of the most expert and specialized talent to be found anywhere in the planning system'. In this and the next section, we demonstrate how analysis of the tobacco industry documents allows researchers to explore the accuracy of Galbraith's views on the consumer management role of advertising relative to the conventional view.

As an American Tobacco Co. document tracing the evolution of the tobacco industry's marketing strategy from 1953 to 1964 noted, it was the 'first broadside from the Reader's Digest in January 1950 [that] set alight the smoking-and-health controversy' (American Tobacco, 1964). By 1960, US cigarette manufacturers were faced with burgeoning scientific evidence about the hazards of smoking (US Public Health Service, 1960, and US Department of Health Education and Welfare, 1964). The tobacco industry did not quickly disseminate information concerning the health risks of smoking; i.e., this new highly salient product information was not swiftly conveyed to its consumers (either directly or indirectly).

The industry's response was to modify both advertising and product design in a way that attempted to temper health concerns without displacing actual demand. With Lorillard's introduction of its 'Micronite Filter' in 1952, there followed a sharp rise in offerings of low-tar filter cigarette brands accompanied by advertising campaigns meant to persuade consumers that such brands were healthier alternatives to unfiltered high-tar brands and provided safeguards adequate to make quitting unnecessary. Highlighting practicality and sensibleness, low-tar brands were marketed via 'a spate of ads on "laboratory

40 million pages of industry documents related to the advertising, manufacturing, marketing, sales, and industry research of tobacco products. For detailed information on methods for searching and analysing the documents archives, see Malone and Balbach (2000), Balbach, Gasior, and Barbeau (2002) and MacKenzie, Collin, and Lee (2003). For our analysis of Galbraith's thesis, we examined a sample of approximately 200 relevant creative briefs, marketing research reports, focus group transcripts, plans, contracts, and memoranda using the methods presented in these guides.

testing” and “scientific proof” (American Tobacco, 1964). Knowing that low-tar cigarettes do not mitigate health risks, tobacco firms sought to expand sales through brand proliferation and public reassurance about the dangers of smoking, as opposed to engaging in direct price competition.

Through the 1960s and 1970s, tobacco companies sought to differentiate their brands from others with similar product characteristics through advertising imagery. A report by Alan Cox of the R.J. Reynolds Tobacco Company (RJR) Marketing Research Department illustrates the shift in cigarette advertising campaigns in the US from selling products to selling complex user imagery. Specifically, Cox (1984) wrote that the successful marketing of cigarettes should not highlight product characteristics such as a filter configuration or a great tasting tobacco, or even on demographic characteristics. Instead, he noted, a brand positioning strategy ‘should include the main thing(s) the brand wants consumers to think about. It is the brand’s unique and meaningful benefit’. The objective is to identify what the Galbraithian ‘psychologically rewarding’ experience (1967: 206) – or unique and meaningful benefit – is for different subgroups in the market and use this to manage product demand.

In order to delineate psychological needs, tobacco firms attempted to identify social or personal aspirations through ‘psychographic’ market segmentation along lines of lifestyle preferences, political and social value systems, life goals, self-concept, and so forth. For example, in a 1994 report, Philip Morris (PM) clustered young male and female markets into segments based upon materialism, sexual interests, leisure time activities, orientation toward future goals, intellectual pursuits, and social aspirations (Ansberry, O’Boyle, and Roberts, 1994). Each segment is tracked into attitudes about smoking, cigarette purchasing habits, and likelihood of using a particular brand. Other tobacco companies have developed their own psychographic market segments, whether principally by similar self-perception variables (Brown and Williamson, 1996) or by perceived congruence between self-concept and brand image (R.J. Reynolds, 1981).

As market segmentation research yielded more sophisticated psychographic profiles of different target markets, advertisers moved from simple to complex user imagery that more directly addressed a target-relevant psychological need. Indeed, Cox (1984) noted that ‘currently a variety of brands are selling primarily psychographic benefits’.

Explaining ‘psychographic benefits’ to his colleagues in 1982, Richard Nordine, an R.J. Reynolds Tobacco Company (RJR) marketing executive, wrote:

A benefit relates to the consumer’s life not to the cigarette product. For example, a benefit obtained from low tar might be to project a rational image to others. A smoker whose most important benefit is to project a rational image would not necessarily be concerned about the alleged hazards of smoking. This person

wants to *appear* to be doing the *practical* or *sensible* thing to *people around him* – to his friends, family, co-workers and so on. In this case, low tar is the *means* but projecting a rational image to others is the *benefit*. [Nordine (author inferred), 1982] (emphasis in original)

By downplaying the hazards of smoking and instead emphasizing the image a consumer may desire to project to others, Nordine's words suggest that cigarette advertising is intended to exploit psychological needs through communicating psychographic benefits rather than to convey substantive information about product attributes.

#### 4. The Management of Specific Demand: Brown & Williamson's 'Project Delta'

Galbraith sought to unpack the economists' black box approach to advertising, and marketing more generally. Moreover, he explicitly challenged the view that market research was undertaken to ascertain what consumers want (and thus challenged the corollary that the firm is subordinate to such needs and thus without power). Rather, Galbraith (1973: 153) argued that market research may be used 'to ascertain the effectiveness of different kinds of persuasion or how well different products, brands or packages lend themselves to such persuasion'. Such considerations are exemplified in Project Delta, initiated by Brown & Williamson Tobacco Co. (B&W) in 1980 (Brown & Williamson, 1980a).

The objective of Project Delta was to develop a low-tar cigarette and accompanying advertising campaign targeting 25–45 year old, middle or upper-middle class, relatively well-educated women. A 1981 marketing research report by McCann-Erickson Inc., the advertising agency recruited by B&W at the beginning of Project Delta, identified clusters of important psychological needs among target female smokers; one such cluster was named Personal Experience. The Personal Experience cluster captured women whose 'goal involves the maximization of experience and excitement, to them fulfilment equals experience. The means to their goals involve focus-on-self; the psychology of entitlement; and more of a focus on money as a life-style facilitator, rather than a goal in itself' (McCann-Erickson Inc., 1981).

Such profiling was undertaken to identify and categorize the psychological needs of the target market as part of the process of managing consumption of cigarettes. Superficially, this conflicts with Galbraith's view; but consumer needs were not identified in order to create products and advertising that would service consumers but rather to identify which needs were amenable to management in the service of the firm. One of Project Delta's proposed brands, Capri, was designed to offer an experience beyond a simple moment of relaxation, promising instead a moment of total escape:

The trip to a lovely foreign land where there are no phone calls, no kids, no demands . . . our appeal is a little more keyed to the experientialist . . . someone

who is looking for something a little different . . . When we say, Only in Capri, we refer not only to the special benefit that the cigarette brings, but to the unique escape it offers, from the stress of the everyday ordinary world. This is relaxation. It's a special experience; of that we can be sure . . . It's exotic . . . romantic . . . exquisite . . . like nothing back home. (Brown & Williamson, 1980b)

In 1986, B&W commissioned Analytic Insight, Inc., a market research firm, to test several proposed advertising campaigns. A 1986 focus group report by Analytic Insight showed the ideals of relaxation and introspection were communicated with varying degrees of success by different prototype campaigns. One campaign, 'The Three Faces of Capri', appeared successful in communicating the simultaneous notions of modern femininity and relaxation with two images, 'The Professional Woman' and 'Dreamer'. Focus group respondents saw the Professional Woman as indulging in 'a welcome moment at the end of the day when one *finally* has the time to enjoy a cigarette' (Analytic Insight Inc., 1986a) (emphasis in original). Analytic Insight noted that respondents:

found the model in the visual, 'Dreamer', somewhat interesting. The mood of quiet relaxation and introspective languor projected by the woman was quite appealing . . . This is the kind of quiet moment for oneself that most busy women have little time to savor. The mood is especially appropriate for enjoying a cigarette. The softness and gentleness projected by the visual is seen as especially consonant with the delicacy of the Capri cigarette and pack. (Analytic Insight Inc., 1986b)

The Management of Specific Demand involves the creation of product features around which a sales strategy can be built (Galbraith, 1967: 208). According to the focus group facilitator, 'Dreamer' was seen as a woman in her twenties and therefore not someone older respondents could easily identify with (Analytic Insight Inc., 1986b). The exaggerated slimness of the cigarette and the discreetness of the pack, however, projected 'a feminine elegance that most respondents would like to emulate', regardless of age (Analytic Insight Inc., 1986a and 1986b). The especially slim, delicate packaging of Capri had an appeal across age groups in the target psychographic segment (Barnewolt & Thrane, 1986). The ability of the cigarette and pack to communicate femininity led B&W's marketing team to develop a sales strategy based on these product characteristics in spite of the results of focus group research indicating the importance of mood. Contrary to increasing the company's ability to manage demand, however, this initial focus on conveying product attributes proved to hinder the establishment of a deeply involving brand image in Capri campaigns throughout the late 1980s.

Further, Galbraith (1967: 211) surmised, trial and error is not uncommon in attempts to manage demand, as seen in the subsequent development of

advertising campaigns for Capri. The first advertisements for Capri in 1987 and 1988 with the tagline, 'Slimmest Slim', were intended to communicate the unusually slim configuration of the cigarette and the fashion consciousness, confidence, and femininity of the brand's users (Analytic Insight Inc., 1986b). Audience response to the ads was generally positive, though many participants in market testing mistook the ads for Virginia Slims ads (Analytic Insight Inc., 1988), a fact that ran counter to the marketing goal of brand differentiation.

The Capri brand was also not making gains in market share, showing flat sales at best (Management Science Associates, 1991). After eight years of images similar in tone and style to the 'Slimmest Slim' campaigns, B&W's new marketing and advertising consulting firm, Tatham Euro RSCG, developed the 'brandscape' for Capri that would position the cigarette in a dramatically different fashion from previous attempts: as an 'Escape from the Ordinary':

The [new] Capri campaign invites women to make this escape through a combination of exotic, romantic visuals in a serene atmosphere; and confident women with a lyrical tone and manner. The women featured in the Capri ads have already made the escape; their objective is to invite like-minded to do the same. The attitude of the Capri woman combines independence, self-confidence, femininity, and comfort with herself. Her emotional state can best be described as comfortable and quietly joyous – about herself, her surroundings, and her life. (Tatham Euro RSCG, 1995)

In the case of Capri, it appears that stationary or slipping sales was one important motivation behind the shift in marketing strategy from a focus on the product ('slimmest slim') to a focus on consumers' need for a specific emotional state.

The new positioning allowed Capri to meet the escapist needs that targets had valued in previous focus groups (Analytic Insight Inc., 1986a, 1986b, 1987, and 1988). Tatham Euro's (1995) suggestion was that Capri 'signals/owns a uniqueness, elegance and femininity – driven by its slimness – that is emotionally charged'. The campaign itself, however, shifted the focus from emphasizing product characteristics on to the desired mood of the viewing audience. Whereas previous campaigns had featured some description of the slim configuration of the cigarette, the only mention of slimness in the new 'She's Gone to Capri' campaign was in the naming of the product itself: Capri SuperSlims. Figure 1 illustrates the shift from product centrality to mood centrality in these respective campaigns.

By 1997, Perception Research Services, Inc., another firm working with B&W, concluded, '[t]he current campaign for the Capri brand of cigarettes appears to easily transition/evolve toward the exclusion of models/people in the advertising. In many ways, it appears to strengthen the aspirational feel of the campaign, and make it more personally relevant/compelling' (Perception Research Services, 1997). Joe Schurtz, Vice President of Perception Research, summarized 1998 focus group testing, noting the absence of a model 'allows each individual to

Figure 1. From the mid 1980s to the late 1990s, advertising for Brown & Williamson's Capri brand of cigarettes shifted from emphasizing the uniquely slim character of the product (left image) to positioning the brand as the vehicle by which the target audience could escape to a place of romantic luxury and relaxation (right image). Removal of the product and model from the image and the use of impressionistic print techniques were shown to emotionally engage viewers with the brand.



place themselves in the setting and “I can make it what I want to” (Schurtz, 1998). The target audience was no longer asked to think about the cigarette, or indeed, about smoking, but rather only about a longingly sought fantasy. This aligns with the Galbraithian vision:

Management involves the creation of a compelling image of the product in the mind of the consumer. To this he responds more or less automatically under circumstances where the purchase does not merit a great deal of thought. For building this image, palpable fantasy may be more valuable than circumstantial evidence. (Galbraith, 1967: 324)

The tobacco industry discourages audience thought for fear of counter-argumentation that would negate advertising messages (Pollay, 1995). In purchasing the Capri brand, the consumer was not encouraged to attend to the needs of nicotine addiction, the act of smoking, or the purported benefits of low-tar products, but rather simply to ‘go to Capri’ – where her escapist fantasy lay waiting for her.

## 5. Discussion

It is important to note that we have focused here more on the *what* (the marketing process) than on the *why* (why consumers are motivated by it) of advertising. We have presented research evidence that highlights how tobacco firms have sought to manage their market and manipulate consumers and that supports Galbraith's view of process of the Management of Specific Demand. We have not, however, documented the effectiveness of such strategies in stabilizing demand. That said, our analysis of the tobacco documents has uncovered sales reports which seem to suggest a degree of effectiveness following the launch of a new campaign; B&W noted a slight increase in brand profits following the release of the 'She's Gone to Capri' campaign (Brown & Williamson, 1998). We have not yet been able to find a comprehensive record of sales-by-campaign. Further, management of the consumer is not a static exercise; rather it requires ongoing development and evaluation:

When a firm is enjoying steady patronage by its existing customers and recruiting new ones, the existing sales strategy, broadly defined, will usually be considered satisfactory. The firm will not quarrel with success. If sales are stationary or slipping, a change in selling methods, advertising strategy, product design or even in the product itself is called for. Testing and experiment are possible. Sooner or later a new formula that wins a suitable response is obtained. (Galbraith, 1967: 211)

It is unclear that slipping sales was the prime reason for the shift in Capri advertising, as the change was also instituted after a change in marketing firms. Nevertheless, we consider it telling that the escapist message intended for Capri was conceptualized in 1980 but not acted upon until sales were clearly stagnant in the early 1990s.

Equally, the literature has not been conclusive about the actual effects of advertising. Although, for example, the UK Smee Report (UK Department of Health, 1992) concluded that cigarette advertising has a positive impact on smoking and that bans would reduce demand, there have been several important caveats raised. Chaloupka and Warner (2000: 1592) asserted that 'there is no "smoking gun" that proves that advertising and promotion play a significant role in expanding or maintaining the market for tobacco products, or that they do not', but that it is more likely than not that advertising and promotion do stimulate cigarette consumption. The tobacco industry spends approximately \$12.5 billion each year in the US alone to market cigarettes (Federal Trade Commission, 2003); such an enormous annual expenditure would be counterproductive if it did not significantly benefit the firm.

The current review should not be interpreted as providing conclusive support for the Galbraithian hypothesis. Nevertheless, we argue that our research



highlights the potential import of Galbraith's thesis of the Management of Specific Demand and suggests several avenues for further exploration.

First, there is an urgent need to explore more extensively Galbraith's neglected distinction between the appeal to, and management of, subjective psychological needs, as separate from product-related needs. Since at least the 1960s, the tobacco industry's intent has been to convey an intangible social or psychological 'benefit' associated with a cigarette brand. Such attempts were refined in later decades to exclude cigarettes from the equation altogether. In attempting to manage the consumer, tobacco firms have sought to augment demand by appealing to unrelated psychological needs rather than conveying information regarding the physical attributes of the product. In the context of the health hazards associated with tobacco, such management clearly challenges traditional notions of consumer sovereignty. As Galbraith (1967: 219) pointed out: 'It is true that the consumer may still imagine that his actions respond to his own view of his satisfactions. But this is superficial and proximate, the result of illusions created in connection with the management of his wants.' Some of the tobacco industry's marketing strategies have been designed to alleviate health concerns associated with consumption or create an illusory escape from stress, so as to stabilize and grow demand even though product consumption results in detrimental welfare effects.

Second, there is a need to consider the historical evolution of *actual* marketing strategies as they relate to the firm. The information portrayed by cigarette advertisements has been increasingly unrelated to the underlying product attributes. Although tobacco manufacturers have sometimes stressed certain product aspects, such as low tar, this has been to appeal to psychological needs and is not tantamount to providing clear, balanced product information. Indeed, low-tar advertising was largely constructed to misinform (Pollay and Dewhirst, 2002, and Leavell, 1999).

Such considerations impact how economists conceptualize tobacco as a commodity. For example, it has been customary to categorize tobacco as an experience good and not as a search good (e.g. Nelson, 1970 and 1974). Tobacco advertising is viewed as indirectly conveying product information, which perhaps reflects the fact that it conveys little or no direct product information. What this review highlights, however, is that tobacco firms have instead sought to manage certain psychological needs and limit conscious consideration of the costs and benefits of tobacco consumption either between brands or, more generally, between consuming tobacco or not. Tobacco companies have long recognized the indispensability of addiction to their market success (Dunn, 1972, and Teague, 1972). It would seem misleading to interpret the emphasis on marketing (narrow) specific product characteristics as tantamount to conveying substantive product information. For example, communicating lower tar and nicotine numbers in the 'scientific' or 'clinical' manner popular in the 1960s was intended to lull smokers into complacency with authoritative-sounding jargon rather than

provide empirically accurate information about tar, nicotine, smoking, and health. The fact that superficial product characteristics were highlighted in these advertisements is consistent with Galbraith's hypothesis:

Most goods perform commonplace functions – they suppress hunger, serve alcohol or *nicotine addiction*, move people gradually through heavy traffic, move waste products more rapidly through the intestinal tract or assist in removing filth. Little or nothing of importance can truthfully be said about the way a product performs these routine functions. Flat lies as to their performance are generally impermissible. But a surrogate for the truth, in which minor or imagined qualities confer great benefits, is essential. (Galbraith, 1967: 323) (emphasis added)

The tobacco industry may be a special case, in that many view the industry with cynicism in light of the growing knowledge about the tobacco industry's political, scientific, and marketing activities. Though the internal corporate documents of other firms are not available, and are less likely to become available from industries considered socially benign, investigation into other market-oriented industries (health care, education, not-for-profit) would further elucidate the economics of advertising and would provide a point of comparison for our Galbraithian analysis of tobacco industry demand management strategies.

Third, the fact that B&W executives appeared to have ignored much of their marketing research by emphasizing the product attributes of Capri raises questions as to the ability of Galbraith's thesis to generate clear testable hypothesis. On the one hand, it appears to support the contention about the indispensability of the management of needs in the management of demand. Yet, on the other hand, it underscores the fallibility of the technostucture and may demonstrate a lack of confidence in the robustness of the art of marketing. As the Capri marketing experience demonstrates, the firm's planning processes are not always successful. The B&W documents reveal substantial trial and error. Indeed the imprecision of the marketing process is acknowledged in *Economics and the Public Purpose*:

Much of what is called market research, it may also be noted, is imprecise. Subjective, random or fraudulent judgements are offered in impressive pseudo-sociometric tables to suggest a precise relationship between outlays on different kinds of persuasion and the resulting sales. This will not be surprising. An industry that employs much carefully tempered mendacity will not be sensitive to its application to itself. (Galbraith, 1973: 154)

Ultimate success is by no means assured; Galbraith (1967: 211) 'unhesitantly concede[s] . . . that it doesn't work perfectly', but this does not mean that it does not work at all. On average, one would expect the firm to get it right, but it is by no means inevitable, and to point to failures of marketing does not refute Galbraith's broader contention.

Fourth, tobacco industry marketing strategies encompass the whole production planning process and are much broader than the development of a concerted media advertising campaign.<sup>6</sup> Galbraith's thesis is much broader than the black box approach to advertising characteristic of the conventional wisdom and approximates the focus of the contemporary marketing discipline (cf. Fergenson and Fergenson, 1989). It considers the larger process of production covering product development, configuration, and targeting, *as well as* advertising. Accordingly, the firm uses an array of strategies to manage psychological needs in order to assure the requisite demand for its products:

advertising will be thought the central feature of this management, [and it] is certainly important . . . [but] much more is involved . . . The management of demand consists in devising a sales strategy for a particular product. It also consists in devising a product, or features of a product, around which a sales strategy can be built. Product design, model change, packaging and even performance, reflect the need to provide what are called strong selling points. They are thus as much a part of the process of demand management as an advertising campaign. (Galbraith, 1967: 207–208)

Fifth, once the manner in which the planning system operates is recognized, such knowledge can be marshalled to improve social policy. 'This consists in disciplining [the firm's] purposes – in making it serve, not define, the public interest' (Galbraith, 1973: 240). As research on the tobacco documents makes clear, industry demands for more lenient regulation of tobacco marketing should be understood not as a response to consumers' wishes but as part of a protective response aiming to resist outside interference and as an affirmative response seeking to grow and enlarge the influence of incumbent technostructures.

## 6. Conclusion

Galbraith's theory of the Management of Specific Demand has much to promote it, both theoretically and empirically. Galbraith makes an oft-ignored yet important distinction between the management of basic needs and abstract needs. This is embedded in a richer view of the process of advertising than is commonly considered. We have highlighted such aspects of the Galbraithian hypothesis by considering the advertising and marketing strategies of the tobacco industry. Drawing on primary research, we have noted how internal industry documents

<sup>6</sup> For example, first filter cigarettes and later low-tar cigarettes were advertised to consumers increasingly concerned about the health hazards of smoking (Pollay and Dewhirst, 2002). Similarly, as second-hand smoke has also been recognized as a health hazard, the social acceptability of smoking became a concern. This has resulted in tobacco companies experimenting with several ways of modifying the odor and visibility of smoke (though without reducing actual toxicity) with the intention of increasing the social acceptability of smoking (Connolly, Wayne, Lymperis, and Doherty, 2000). Additionally, to increase demand in the young market, the industry was sought to manipulate tobacco blends, additives, and cigarette papers to appeal to young palates (Wayne and Connolly, 2002).

reveal that the modern tobacco corporation has attempted to target psychological needs in order to manage and stabilize demand for its product. The tobacco industry has engaged in extensive market research to identify the psychographic markers of various segments of the population, including what psychological needs are salient to different groups of people. Moreover, the targeting of such psychological needs is misaligned with the objective properties conferred by tobacco (addiction) and runs directly counter to the welfare of the consumer in the strongest sense possible (reduced life expectancy). Our analysis shows that tobacco firms do not impart the knowledge a consumer needs in order to make an informed decision designed to maximize well-being; quite the contrary, the industry instead presents fantasies that intentionally exclude the information necessary for making an informed, truly utility-maximizing decision.

Of course, the specific nature of tobacco with its known harmful effects on health means that such a case study represents an extreme example of the nature and extent of consumer manipulation and its welfare implications.<sup>7</sup> It nevertheless provides a unique opportunity to draw out many of the theoretical and empirical implications of Galbraith's thesis in a manner that should promote further study and development. In the words of Stigler and Becker (1977: 76), '[o]n the traditional view, an explanation of economic phenomena that reaches a difference in tastes between people or times is the terminus of the argument: the problem is abandoned at this point to whoever studies and explains tastes (psychologists? Anthropologists? Phrenologists? Sociobiologists?)'. This needs remedying. Such considerations call for the rehabilitation of Galbraith's approach to economics, as well as cross-disciplinary investigation into the precise nature, content, and context of the economics of advertising.

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<sup>7</sup> Recent advances in economic theory (e.g., Gruber and Koszegi, 2001), however, have argued that the rationality axiom may be extended (with modifications) to the domain of addiction. Such considerations suggest that we should be careful in dismissing the experience of the tobacco industry as isolated and unrepresentative.

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