

J. Walter Thompson Company and its Clients: Marketing a Relationship

Jonathan Silva
The Ohio State University

This paper examines the relationship between the J. Walter Thompson Company, a major American advertising agency, and the Corning Glass Works, one of its clients and a manufacturer of industrial and consumer glass products, from 1925 to 1940. Prior to these years, from 1916 to 1925, Thompson management concluded that clients must coordinate their production, distribution, and exchange processes into a coherent business plan. Thompson called this coordination "marketing." By 1925 Corning had successfully engineered a variety of glass products, but suffered from stagnating sales.

The dynamic combination of Thompson and Corning beginning in 1925 allowed Thompson the opportunity to expose another client to its marketing expertise. The relationship also forced Corning to alter greatly its business orientations, which evolved from strictly engineering considerations to a comprehensive marketing approach. For the first time in its history Corning coordinated its production, distribution, and exchange processes. While this paper only looks at the relationship between Thompson and one client, the Corning example is illustrative of Thompson's influence in changing clients' strategy and structure. The transformation of the advertising agency into a marketing consultant places firms like Thompson in a unique position within the American economy. Due to the close managerial relationship between agents and clients, the Thompson Company in the 1920s, and other advertising agencies after 1930, were able to observe and learn from strong marketers and advise weak ones [24].

In an effort to retain every client, increase the volume of advertising for each client, and make advertising as productive as possible for each client, Thompson's management became increasingly involved in the operations of clients' businesses. Prior to the late 1920s, Thompson's management had been experimenting with different marketing practices. The confidential relationship that Thompson's management had with its clients allowed them to view and experiment with a variety of business activities in a variety of industries. Over time, Thompson's management, through agency/client relationships, evolved a set of practices they called "marketing."

Employing increasingly sophisticated marketing methods, the J. Walter Thompson Company became a marketing consultant to its clients as well as the largest advertising agency in the world by 1930. Not surprisingly, others noticed Thompson's success and adopted many marketing practices first used within the advertising industry by Thompson. Thompson's focus on the client's entire business – from production through final exchange – posed new challenges for many firms within the advertising industry.

Not all of Thompson's clients needed the same degree of marketing help. Eastman Kodak, for example, did not require marketing aid and, in fact, was one client from which Thompson's management learned a great deal about marketing. Other clients, like the Pennsylvania Railroad, needed significant marketing attention throughout the 1920s, and Thompson drew on its observation of clients such as Kodak to help the Pennsylvania. In short, Thompson not only became a marketing consultant for its clients, advising them on a wide variety of business processes, from management structure to product design and distribution, but also a clearing-house for the diffusion of marketing knowledge to companies like Corning.

Prior to Thompson's innovations, most advertising agents limited their activities to buying space and creating advertisements for clients. For this service they were paid a 15 percent commission by publishers. Other agencies' transition to Thompson-style marketing brought both traditional agency work and the 15 percent standard compensation rule into question.

By 1930 some advertising agencies had adopted Thompson-style client service. Others remained traditional advertising agencies, producing copy and art, and buying space. The adoption of Thompson-style marketing by other agencies created problems of compensation (the 15% rule) within the industry, but more importantly, like Thompson, provided a mechanism for the diffusion of marketing knowledge.¹

This increase in service, which led to Thompson-style marketing, became the model for a handful of agencies. By the end of the 1920s, a growing number of large advertising agencies – McCann-Erickson, The Federal Advertising Agency, The Mac Martin Advertising Agency, MacManis, Inc., Erwin-Wasey, Gardner Advertising, and others – began to expand their services to clients in an effort to duplicate Thompson's success. Some new agencies, such as the Benton & Bowles Company founded in 1929, adopted Thompson-style marketing methods, while some of the oldest, such as Lord & Thomas and N.W. Ayer & Sons, resisted the service revolution.²

Thompson's relationship with Corning illustrates well how a leading agency provided marketing knowledge and techniques for clients. The Corning account first came to J. Walter Thompson in 1917. Corning withdrew its advertising during the depression of 1919, but re-appointed Thompson in 1925 [1]. Of the many Corning products, the PYREX line of glassware posed the most serious marketing problems. (Corning produced many glass products, ranging from cut and engraved glass and scientific glass to the 200-inch telescope mirror at Mount Palomar.)

¹The advertising industry engaged in conversation concerning the "Service Question" through its trade press. *Advertising & Selling* and *Printer's Ink* ran several hundred articles from 1929 to 1935 concerning the service question. Many of these articles were written by the management of the largest agencies in the country. In the end the American Association of Advertising Agencies concluded that increased marketing service strengthened the industry.

²This paper is part of a larger piece of research I am conducting on the relationship between advertising agents and their clients prior to World War II. That research, in turn, is part of my dissertation on the evolution of marketing in the United States during the first forty years of the twentieth century. For examples of marketing history see [22, 23, 13, 9]. For recent works on the history of advertising see [10, 21].

Pyrex glass resulted from research into the durability of railroad signal lamps. The lanterns that signaled trains required glass that could withstand extreme temperatures. A sheltered flame heated the glass lanterns, but cold rain and snow caused many to shatter. Scientists in the Corning Research Laboratory perfected a heat-resistant glass in 1912, which cut lantern breakage by 60 percent.³ Corning called this new glass "Nonex" and used it to produce liquid battery jars as well as lamp lenses.

The company's initial move into cookware occurred haphazardly in 1913. One of the scientists at Corning cut the bottom off a Nonex battery jar, took it home and, as lore has it at Corning, had his wife bake a cake in the bottom half of the jar. The next morning the researchers at Corning enjoyed the cake, and in 1914 they decided to search for a glass formula more suited to cooking than Nonex. The research team developed Pyrex in 1915, and Corning began producing Pyrex Cookware a year later [15, p. 190]. Pyrex experienced a steady rise in sales beginning in 1917, reaching a peak in 1920 of over \$3,000,000. Beginning in 1921, however, Pyrex sales declined. By 1925 sales were only one-half the 1920 level [18].

Corning's management could not explain either the sales increases prior to 1920 or the drop in sales after 1920. There existed a great deal of confusion over why Pyrex should even be preferred over metal cooking utensils. One Corning executive in the first meeting with Thompson representatives said, "Well, I will tell you why [Pyrex] is better. It's the fact that Pyrex is easy to clean that makes it attractive to women." Another Corning executive replied that "it's the hardest darn stuff to clean," while another declared, "maybe it's hard to clean, but it's wonderful stuff to bake in." And still another observed, "my wife can't bake some things in it at all. Cakes are soggy in the middle" [18, p. 2]. Clearly, Corning's managers lacked even a basic knowledge of how their products were received by the public, and had no idea why they sold any Pyrex at all.

The reason Corning's executives knew so little about Pyrex sales and distribution had to do with the firm's history. Corning's management considered glass "an engineering material" and emphasized a "program of intense and continuous research" to develop the "most skillful manufacturing ability available" to make "this material steadily more useful for industry, for science, and for the home" [6, p. 1]. Corning had stumbled into the cookware business with Nonex and then Pyrex. Corning was oriented to engineering and production and placed little effort into understanding the customers for Pyrex, or in setting up an adequate distribution plan for Pyrex. In fact, Corning was selling most of its Pyrex through the hardware trade, since that was how they sold their scientific glass. When Corning began producing Pyrex baby bottles in 1922, it specifically decided to "confine nursing bottles to regular hardware channels." Corning already had connections with all of the important jobbers, and "it seemed possible that a quick distribution could be secured thru this source" [12, p. 2]. Corning did not question the appropriateness of the hardware channel for cookware or baby bottles. Once the engineering was perfected, the product was shipped.

Given the state of Corning's knowledge concerning Pyrex's sales and distribution, Thompson launched a research effort to understand Pyrex's

³Service standards were outlined in 1917 by the American Association of Advertising Agencies. For a description of agency practice prior to, and in relation with, the changes within the advertising industry brought on by the J. Walter Thompson Company, see [27, 8].

production, sales, and distribution to give Corning a more balanced marketing orientation. The scope of what both Corning and Thompson did not know about Pyrex in 1925 after it left the factory is staggering.

The Pyrex line in 1925 consisted of thirty-nine articles, and no one at Corning knew which were the best sellers. The first work Thompson did for Corning was a detailed dealer and consumer investigation in southern New England, eastern New York, northeastern Pennsylvania, and southern Ohio. The investigation concluded that distribution via the hardware channel was satisfactory in rural areas, but that Corning needed to get Pyrex into urban department stores.⁴ From the standpoint of consumers, Thompson's management learned a great deal. First, the investigation found that women in the areas under investigation generally preferred Pyrex over metal. Nonetheless, the report showed that Pyrex appeared in the average household in small quantities. Pyrex was considered expensive, was not consistently used, and was looked upon as a luxury suitable as a gift rather than standard household equipment [20].

These findings led Thompson's management to several conclusions. First, Thompson determined that the advertising coverage of Pyrex was satisfactory, and, second, that the problem with Pyrex sales rested elsewhere. Thompson proposed several alternatives for Corning concerning the marketing of Pyrex. The first option Thompson proposed, and which Corning followed, was to cut the line of Pyrex bakeware from thirty-nine pieces to twenty-one [2, p. 1]. This suggestion fit into Thompson's marketing agenda, which required consideration of the production process when looking at a sales problem. Here we see Thompson's management not just telling Corning how to sell, but what to sell. Thompson's management believed that by limiting the line, consumer confusion and manufacturing expense could be reduced. Corning made too many competing pieces with slight differences. For example, Corning made several pie plates with only 1/8 inch differences in size. They also made 14 different casserole dishes [16, pp. 1-4]. Corning adopted Thompson's suggestion and reduced its variety. Even so, Corning was unable to reduce the price per unit. Much of the production of Pyrex was done by hand by skilled glassworkers; therefore, the price per unit of Pyrex remained relatively high [26, p. 4].

The second suggestion Thompson made about the marketing of Pyrex concerned the coordination of the product with its advertising. In its consumer investigations Thompson's management learned, to the surprise of Corning, that even within the smaller Pyrex line, there existed only five popular pieces [18, p. 1]. Learning this, Thompson re-oriented Pyrex sales on these five items by bundling them as a kitchen set in an effort to overcome price resistance and the gift image and to encourage more consistent use of Pyrex within the kitchen. The advertising now read, "PYREX OVENWARE, this favorite everyday outfit, \$5.15" [16]. Both Corning and Thompson thought that advertising an entire kitchen set for \$5.15 sounded less expensive than 90 cents for one pie plate.

Through these initial changes in Pyrex's marketing in 1925 and 1926, Thompson halted the downward trend in Pyrex sales, but did not appreciably add to the 1925 sales figure of \$1.4 million. Thompson had tested the advertising and the distribution system, which had been expanded to include department stores in urban areas, and both Thompson and Corning agreed that these two functions were "doing a good job" [14, p. 11]. By 1929, therefore, Thompson's management

⁴As early as 1915, Corning had a successful relationship with Jordan Marsh in Boston but never made connections to other department stores around the country [3, 25].

concluded that the “best solution to the [Pyrex] problem is a manufacturing solution” [19, p. 4]. After studying the product through further consumer investigations, Thompson made three specific requests. First, Thompson again urged Corning to find a way of making Pyrex more cheaply. Second, Thompson recommended that Corning “introduce new features, new colors, and lighter weight articles.” Third, Thompson observed that cooking in glass would “always be a novelty” unless it could be used on top of the stove as well as in the oven [19, p. 3]. Thus, Thompson took marketing advice to a new level of development by beginning to define production methods and product characteristics.

Both Thompson and Corning believed that the high price of Pyrex had to be lowered before Corning could add color and features, such as handles, which would, under existing manufacturing conditions, increase the price of Pyrex. By 1929, Corning had designed a glass press able to handle Pyrex. The first use of this new press was in the manufacture of custard cups. This new manufacturing technique cut the price of custard cups in half, from 20 cents to 10 cents. A year later Corning developed feeder equipment necessary to automate the manufacture of Pyrex glassware. By 1933 Corning had fully automated the manufacture of Pyrex and had cut the retail price of all their bakeware in half. Finally, Pyrex was competitive with other baking utensils [7].

During the depths of the Great Depression the lower-priced Pyrex allowed Corning to keep sales from disappearing. Corning’s management, however, turned its attention to the other two problems outlined by Thompson, style and top-of-the-stove use. Corning’s research labs began work on formulating a glass product that could endure a direct flame in 1931, and by 1936 had developed Pyrex Flameware [11, pp. 190-91]. The new product could go from the freezer to both the oven and the range-top. Corning now had a complete line of price-competitive cookware, and its sales rebounded in 1937 to over \$2.3 million [5, p. 3]. The final Thompson suggestion, to add color to Pyrex, came in 1940 when Corning introduced colored Pyrex, or tempered opal, in the new “Flameware” line.

Because of its relationship with Thompson, Corning changed from an engineering-oriented company to a marketing-oriented company. Corning learned that once a product was perfected in the laboratory, the job was only half done. Thompson introduced Corning to the importance of knowing how and why consumers used products. Choosing the right number of designs and features required consumer research that forced Corning management to be less haphazard about the strengths of its products. Having limited the Pyrex line, manufacturing processes had to be created so that the product could be competitively priced. The changes created in the manufacturing process illustrated the direct linkage between manufacturing and sales, which Corning had never explored prior to its relationship with the Thompson Company.

Examining the relationship between J. Walter Thompson and Corning Glass illustrates how Thompson passed marketing knowledge to its clients. Thompson’s management, by experimenting with different business practices in many different industries, influenced clients strategy and structure, which gave Thompson and its clients a new marketing perspective. Certainly companies existed that were successfully marketing-oriented prior to contact with Thompson, but the Thompson Company in the 1920s, and other agencies after 1930, were in a unique position to both observe good marketers and consult with poor ones. The advertising industry, first led by the J. Walter Thompson Company, became an important channel through which marketing knowledge passed until 1940.

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