Rowntree and Market Strategy, 1897-1939

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The British firm of Rowntree was founded in York in 1862 and converted to a public company in 1897 under the chairmanship of Joseph Rowntree. It became one of the country's principal cocoa, chocolate, and confectionery manufacturers, part of a Quaker industrial triumvirate which also included the rival firms of Cadbury and Fry. The commitment of Joseph Rowntree and his son, Benjamin Seebohm, to fair employment and company welfare policies are well documented, but the reasons underlying Rowntree's emergence as one of the world's largest confectionery makers have been left largely unexplained. They can be found in a study of the company's evolving marketing methods. Rowntree's development provides useful insights into the central role of marketing in the growth of industrial concerns producing consumer products. Per capita income more than doubled during the second half of the 19th century, and, with disposable income rising even more quickly, the demand for consumer products rapidly expanded [8]. In such market conditions, confectionery firms could afford a relaxed attitude towards product development and salesmanship, and market demand, moreover, expanded faster than firm size. But company or internal economies subsequently became greater than external market economies, and large firms were established in the cocoa and chocolate sectors during 1897-1939. Competitive pressures therefore increased, although oligopoly and collusion later occurred.

The Rowntree's which emerged from the 19th century was typical of contemporary British enterprise and had no clear commercial strategy. Business strategy comprises the explicit calculation by a company of the most beneficial policy to adopt towards suppliers, rivals, buyers, and consumers [17]. Rowntree's continuance of traditional managerial and sales practices allowed the more dynamic Cadbury's to gain a dominant position in the industry. It was the company's specific adoption of a clear strategy towards its potential sales market and the application of systematic marketing methods after 1930 which enabled Rowntree's to survive and expand as an independent company. Such a market strategy involved developing goods with wide appeal, and the almost arbitrary trial-and-error methods were replaced by consumer testing and market surveys. After assessing potential demand and possible competitor response, the selection of the best marketing and advertising approach naturally formed an important second stage of its market strategy.

The development of marketing is, not surprisingly, linked closely to the growth of the "new," mass consumer industries of the second industrial revolution. It was less critical to heavy industry, which might sell goods only to a limited number of other manufacturers. Advances in technology and greater throughputs enabled firms to cheapen production for a burgeoning consumer market, and efficient national distribution and sales networks were created to convey a large-scale company's output, especially in the case of

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perishables. Such producers needed to gain and protect their markets as a means of ensuring adequate returns to their huge commitments in plant and machinery. Advertising encouraged and sustained overall demand for their products while promoting a particular company's lines against the claims of competitors. Packaging eased distribution, and merchandising and branding served as a mark of recognition, value, or quality and as a deterrent against substitution. But this need to promote consumer goods was particularly pertinent in the case of a semi-luxury like confectionery. The consumer could exercise a large degree of preference over which non-essentials to buy or could decide against purchasing non-essentials at all. Confectionery was a product bought for pleasure and often through impulse, and its demand had to an important extent to be created through advertising. Branded consumer products were made universally recognizable, and claims for their unique or reliable qualities were carefully cultivated through advertising, a process which was critical for industries engaged in food, drink, tobacco, medicine, soap and detergent production. Consumers needed to be assured they were buying a reputable and consistent product. Purchases of consumer durables, however, were made less frequently and with greater consideration of the article being bought. While, after their first purchase, customers might gain confidence in a particular maker of cars or domestic appliances, they might continue to be influenced in their future decisions primarily not by product branding but by improvements in technology or design, the after-sales service, or credit facilities [16, 22]. Packaging, branding, and advertising, moreover, altered the relationship with retailers. Packaging facilitated distribution and storage and encouraged the formation of large multiples. Branding and advertising created consumer demand for specific articles rather than a general product. Yet manufacturers, whatever the extent of their advertising, ultimately relied on the willingness of shopkeepers to stock and adequately display their goods at the point of sale. A large number of outlets and visibility stimulated the impulse buying of confectionery and Rowntree's had always attempted to maintain the loyalty of retailers by protecting their margins through price maintenance. The years 1897-1939 did, however, see significant changes in the "marketing mix," as press and poster advertising became more important than the supply of shop and display aids and trade discounts to retailers. Rowntree's adoption of an explicit market strategy, therefore, necessitated changes in its approach towards product development, advertising, marketing, branding, and retailing. The company's earlier failures contrast strikingly with the 1930s when many of Rowntree's most famous brands were first produced.

A Company Tradition, 1897-1920

The invention in 1828 of the Van Houten hydraulic press for extracting surplus fat or butter from the cocoa bean enabled the manufacture of a pure cocoa power. The product previously had been sold as a solid, rather oily mass, requiring an additive like sago, treacle, or starch. The Van Houten press also increased and cheapened the output of cocoa butter for the making of eating chocolate, and made cocoa and chocolate production more capital intensive in comparison to tea, coffee, and sugar confectionery. Technological diffusion was slowed by inadequate demand. Cadbury's did not use the Van Houten method till 1866 and Rowntree's launched its first cocoa essence, Elect, in 1886. These products were differentiated by their quality, and success in the high grade cocoa market came to depend on marketing an easily identifiable brand of pure essence. Chocolate was a comparatively more expensive item to manufacture, and rising incomes coupled with later improvements in its blending did not create a comparable mass market till the turn of the century [9, pp. 17-21; 23, pp. 37-41]. Rowntree's devoted much scientific expertise to the quality control of Elect and its distinctive and unrivalled line of gums and pastilles [19]. But product development, in the sense of evolving new and profitable confections, remained unplanned and haphazard. Despite the growing demand in the 1900s for milk chocolate and a more "chocolate-ly" (or alkalized) cocoa, Elect's flavour remained traditional and more bitter and Rowntree's failed to develop commercial products in line with market trends [23, pp. 78-83]. The decision to introduce new products was principally taken at the frequent Directors' Conferences or executive board, and the gauging of their market appeal was generally limited to a tasting session at these meetings. Offering the best quality was the chief deciding factor and value and marketability were secondary considerations. The company lacked an overall product strategy. New lines were approved on their individual characteristics and little evaluation was given to the commercial appeal and purpose behind the range of products, weights, and packages. The price list became overlong and stocked with too many unprofitable items. Every department was encouraged to suggest short-run, low-turnover novelties which would constantly renew the retailer's interest in Rowntree goods, and successful product development was seen as a matter of "trial and error." Rowntree's weaknesses and failures in product development facilitated the successful introduction of Cadbury's Dairy Milk in 1905. Elect remained unchanged even after the launch of Cadbury's alkalized cocoa, Bournville, in the following year [19].

Rowntree's had a conservative attitude towards advertising. The company traditionally had relied upon a reputation for product quality rather than upon promotion, but in 1896 it was accepted that Rowntree's needed to counter the strong advertising of competitors' premier cocoa brands. At the instigation of the new Sales Director, Arnold Stephenson Rowntree, the advertising agency of S.H. Benson was employed to organize some innovative publicity stunts and newspaper coupon and prize schemes in 1897-98. Rowntree's itself initiated the house-to-house distribution of samples, point-of-sales advertising, and tasting exhibitions. A special stocking discount scheme was introduced in 1898 during the slack period of September to obtain early orders for the busy pre-Christmas season [19]. But consumer resistance was greater than expected, and advertising costs in 1897-98 increased at more than twice the rate of sales [9]. Consequent cuts in press and poster advertising after 1899 were imposed, although a permanent sales scheme was begun. Coupons attached to Elect tins could be traded for a prize box of chocolates, another coupon sheet, and the first coupon. These encouraged the customer to begin collecting again for the prize and helped maintain brand loyalty. Like house-to-house sampling and point-of-sale displays, the scheme was organized by the company's own staff, and Rowntree's began to place greater faith in these methods than Benson's press and poster advertising. By February 1901, Joseph Rowntree was denouncing promotional campaigning as a "speculative quantity" producing only temporary spurts in growth, while long-term success depended on product quality [4, 19].

As well as limiting Elect advertising, financial constraints prevented the extensive promotion of any other product. Rowntree's deliberately refrained from maximizing the sales of milk chocolate for fear of incurring unwelcome capital costs in plant. The company lacked confidence in its product and in the stability of the demand for milk chocolate. By 1907 Joseph Rowntree could satisfactorily conclude that during the previous decade his firm's turnover had multiplied by ten and sales of Elect by twenty-three because of the company's practice that "the price must be fixed to suit the quality and not the quality to fit any low price." By 1907, however, market circumstances were changing. The successful introduction of the high quality but competitively priced Bournville cocoa had indicated the commercial possibilities of alkalized essence, while Cadbury's Dairy Milk had demonstrated the potential of cake (the trade term for chocolate blocks) and particularly its milk variety. Rowntree's did not have the right products to benefit ultimately from these trends, and had refused to meet the growing demand for cheap varieties of cocoa and confectionery. In April 1910 Rowntree's felt forced to manufacture a cheap, non-proprietary cocoa, but remained opposed to a low priced, branded line in case it harmed Elect's output. The cocoa's sales policy continued to be based not on direct price competition but on high margins which would fund its advertising and the prize scheme. Yet Rowntree's did not know how to respond to the fact that Cadbury's larger turnover and lower production costs could fund an unrivalled promotional budget. Rowntree's own advertising, consequently, was "done quietly, in such a way as not to incite competition on the part of others" [19].

Despite the growing demand for cake chocolate, the company continued to concentrate on the marketing of Elect cocoa. The cost of advertising Elect had expanded from £20,000 on a turnover of £70,000 in 1900 (a ratio of 28.6%) to £108,000 on £337,000 in 1911 (32%). A total advertising budget of £132,000 had to serve by the later date a total output of £1,221,000 (10.8%) [19]. It is estimated that companies nationally were spending over £13m. in advertising and that several firms had promotional budgets of over £150,000 [14, pp. 70-1]. The bulk of Rowntree's Elect advertising was spent on its prize gift scheme, which maintained contact with over 350,000 households. The period of the special stocking discount accounted for 60% of annual output. But the appeal of the gift scheme and the discount was being undermined by cocoas sold at half Elect's price and by similar sales devices organized by competitors. Rowntree's Elect had disappeared from many shops and areas by December 1913. The company conceded that it required a cheap, branded cocoa, whilst simultaneously expanding Elect's promotional budget. Hesitation and inaction, nonetheless, effectively conceded the trade in low quality varieties to competitors and reinforced Bournville's position as the leading high-priced brand [19].

Increased working class incomes, army contracts, and supply shortages during the First World War enabled Rowntree's to sell all it could produce and obviated the purpose of marketing. National cocoa bean consumption had nearly doubled without extensive advertising by June 1918, and Elect's costly gift scheme and the special stocking discount were discontinued. Joseph Rowntree's objective in the immediate post-War years was to restore the product quality lost through raw material shortages in the belief that it was ultimately "the best advertising agency." The company, nevertheless, believed that its expanding sales could fund a greater promotional budget for Elect and milk chocolate, which had emerged as the industry's chief product. Rowntree's finally admitted in July 1919 that Cadbury's "perhaps hit the popular taste better than we do by putting in a flavour that takes on," and Elect was transformed into an alkalized cocoa in March 1920. An effective advertising campaign featuring two young personalities called the Cocoa Nibs used distinctive images and humorous story lines to encourage the interest of children, and then that of their parents, in Elect [4]. It was crucial for the company to gain a larger share of the milk chocolate market, whose growth, it was realized, would in the long term benefit only Cadbury's. Divergent views on the Rowntree board, however, left questions of market strategy unresolved, and indecision centered on whether Rowntree's should be a high-quality, low-turnover company or a mass manufacturer of cheaper lines. In practice the company was involved in both standardized, large-scale production and in the making of many goods solely "for glory." It was still held that retailers would refuse to order Rowntree products without a stream of short-lived novelties constantly renewing consumer interest in them [19].

The Problem of Cadbury's, 1921-30

Rowntree's refused offers of merger with Cadbury's and Fry's despite its two rivals uniting their interests in 1918. By October 1921 Bournville cocoa's sales were 1.5 times those of Elect, and Cadbury's milk chocolate output outstripped Rowntree's by a factor of ten. Terry's, a rival York firm, dominated the market in boxed high quality creams (as chocolate assortments were called in the industry). By October 1922 Cadbury's milk chocolate sales were nearly twenty times greater than Rowntree's. The company was in a precarious financial position when Seebohm Rowntree succeeded his father as chairman in 1923. The company began purchasing multiple retailers in order to guarantee more prominent displays for its goods. A control of sales outlets would overcome to a limited degree Cadbury's power in newspaper and poster advertising, whose influence upon consumers and independent retailers had become an entry barrier for competitive confectionery products. Cadbury's used its greater turnover and cake chocolate's highly advantageous returns to scale to trim its rates and to squeeze the earnings and advertising revenues of its rivals. It undermined Rowntree's own efforts to maintain price and profit stability. Given the level of Cadbury's advertising and its price competitiveness, Rowntree's had decided by January 1924 that the re-introduction of its Elect prize scheme was its only viable strategy for restoring cocoa sales. Gift coupons attached to the tin did not primarily rely on press and poster campaigns or on a price appeal. A comprehensive system of sales statistics and planning also was instituted, and the most profitable lines identified. It was intended to make the company more sensitive to consumer trends and so prevent the company trying in effect to "dragoon" shopkeepers and the public into buying certain lines [19].

Many important Rowntree products remained unbranded and by 1924 it was recognized that gums, pastilles, and some chocolates needed to be sold in sealed wrappers to promote their sales, especially amongst fruiterers, tobacconists, and bookstalls. Rowntree's sales strategy was purportedly to secure turnover and profitability through general advertising and to cultivate conveniently-sized packaged lines which could not be made more cheaply on a small scale. Yet, despite the constant urging of its advertising agents, Benson's, the company did not implement an extensive merchandising policy of wrapped and packaged goods. The bulk of Rowntree's advertising was spent on Elect's gift scheme, creams output continued to fall, and, as milk chocolate was sold at a loss, there was no point in promoting its sale. Much of the company's product development was devoted to capturing the high quality creams market with assortments offering the best value at every price range. It was believed that the prestige attached to these products would benefit every Rowntree line. Two years' work, however, had not brought success. Despite using the newly-assembled sales statistics to initiate annual marketing programmes in August 1924, policy was still guided by the company's desire to maximize its internally-determined concept of quality. Rowntree's did launch two appealing products in 1925, Plain York Chocolate and a fruit-and-nut bar called Motoring. York was "an admittedly 'plain' chocolate," but it was successfully advertised and personified through "Plain Mr York of York, Yorkshire," a slogan which deliberately emphasized the brand name three times. Motoring was marketed as a filling confection suitable for long journeys [19].

It was not until January 1926 that Rowntree's concluded that it was pointless promoting Elect in a stable cocoa market, although the coupon scheme was retained to maintain the loyalty of present customers. Elect had lost its central importance to the company and more resources were allocated to developing chocolate assortments, Plain York, and Motoring, and to launching packaged gums and pastilles. Initially, Rowntree's just accepted its "mistake in the early days in assuming that the taste for milk chocolate would not last," but in October decided that such a large-selling product had by necessity to be the principal target of its advertising. The familiar wrapped tube of mixed gums was introduced in February 1927 and enjoyed immediate consumer appeal. The tube of pastilles was launched in January 1928, along with York Milk which depended less on its own merits than on the reputation of Plain York. Rowntree's also began manufacturing its long-planned range of high quality creams, now given the name Tried Favorites. Great attention was paid to product quality and there were few "frills" in the packaging in order to promote the line's value. Tried Favourite's advertising, however, was limited, and by July 1929 doubt was being expressed whether the chocolates were meeting the public taste [19].

The trade slump in 1929 added to the problems caused by competition from Cadbury's, Terry's, and cheaper goods which Rowntree's could not make at a profit. The company was spending as much as it believed prudent in an "advertising war" with Cadbury's to prevent itself "being crushed out" of the cake market. Only in gums and pastilles were Rowntree's not overshadowed, although the "pulling power" of their advertising was criticized. Low prices, furthermore, were hindering the appeal of coupon and gift schemes. Rowntree's sales by 1930 stood at £2,960,000, and of the £301,000 advertising allocation (10.2% of turnover) it was significant that by that date 35.9% was finally devoted to cake chocolate and only 24.1% to Elect. Rowntree's advertising expenditure had risen in 19 years by 128%, while nationally it had increased by 307.7% to £53m [14, p. 146; 19]. Despite the company's efforts in product development and marketing in the 1920s little had changed during the decade. A sales research committee was appointed in 1930 to investigate selling and advertising policies and once more to consider the use of statistics for framing marketing policies. Arnold Rowntree retired as sales director, and was replaced by F.G. Fryer [19].

The U.S. and Canada in the 1920s

Rowntree's approach to marketing had a critical influence on its multinational operations in North America. The company decided that tariffs and the Cadbury-Fry factory newly established in 1920 at Montreal was threatening its export trade in Canada [10, pp. 96-9; 19]. Moreover, while Cadbury's concluded that the United States market could not be penetrated, Rowntree's believed that it was too important to overlook [10, p. 101; 19]. The company had a sales representative in Canada, but tariffs and the problems of distributing perishable goods over so large a country (especially during its hot summers) protected a network of small, local manufacturers. As the imposition of larger import duties might have effectively nullified any attempt to increase sales, Rowntree's did not advertise. The company, in any case, was more concerned about the U.S., where it sought a shareholding in a firm by trading the rights and royalties attached to its fine ingredients process, which lowered the costs of chocolate production. Tariffs made exporting there unprofitable. Rowntree's concluded in 1924 that the competition in chocolate bars was too intense and agreed instead to sell a new and more distinctive product, a tube of fruit-flavored gums called Chufrus. A report commissioned from the agency of J. Walter Thompson gave a favorable opinion, and on failing to find a suitable partner the company decided to launch Chufrus on its own. A twelve month experiment, headed by Rowntree's George Harris, was begun in September 1925 at a total cost of £20,000. It used imports from Britain and tested the viability of a U.S. manufacturing subsidiary. The difficulties of creating a distributive system with a single line were recognized, but it was hoped that a U.S. producer would join them in the making of chocolate goods if Chufrus were successful. But by April 1926 Rowntree's had to accept that the product had completely failed. Harris, however, remained in the States to study selling methods [19].

In 1925 Rowntree & Co. (Canada) was formed as a sales subsidiary. The parent firm had become dissatisfied with its former agents and the new subsidiary soon gained a reputation for aggressive selling methods. Rowntree's was concurrently negotiating with Cowan's of Toronto. This firm was founded in 1889 as a cocoa purveyor and had emerged as one of Canada's largest makers of coatings and bars. It had over-invested during the recent trade boom, and economic depression, low prices, and a highly segmented market threatened its profitability and existence [10, p. 103; 19; 20]. Cowan's needed the British firm's expertise to develop a new range of better quality and proprietary 5c. and 10c. lines which were increasingly becoming wrapped and, through intensive advertising, nationally available. Their growing popularity presented a chance to break into local markets. Improving economic conditions in 1925 were creating a demand for higher-priced, branded confections. Rowntree's sales director contrasted the "extreme reliance" placed on press and poster advertising in North America rather than on direct selling. He regarded this emphasis as not "suitable to our English temperament," but the vast areas of Canada and the U.S. necessitated a different approach [4, 19]. Cowan's was purchased in 1926 for approximately $1m., and Rowntree & Co. was founded to develop the goodwill enjoyed by the Rowntree name in Canada. The Toronto factory was extended in 1927 to make products in the Rowntree tradition, and selling policies likewise imitated those of Britain. Quality would be "placed ahead of consideration of volume of sale and profit" [6, 19]. Management, however, was conducted independently of the main company. York Plain and Milk Chocolate were amongst the first Rowntree products manufactured in Toronto and the new subsidiary also proved consistent and aggressive advertisers in the press. But gum sales were as disappointing as they had been in the United States and the attempt to market Elect cocoa in place of the Cowan's more familiar and cheaper Perfection brand only lost sales to Fry's. Disagreements with the local management led to the appointment of a British president, J.W. Wardropper, in January 1929. The company was already operating at a loss when economic depression undermined its higher-priced product range [6, 19, 20]. The emphasis upon quality proved as inadequate a basis for creating demand in Canada and the United States as it had in Britain.

The Adoption of Systematic Marketing in the 1930s

With the appointment of Fryer as sales director, a marketing department was established at Rowntree's York headquarters. Despite the failure of Chufrus in the U.S., he had enough faith in the expertise acquired by George Harris to appoint him as head of marketing for Rowntree's key cake department. By 1931 the company was said to be in a "slough of despond" and new methods were required to overcome its "inferiority complex." Rowntree's decided to change its advertising agents and employ the London branch of J. Walter Thompson. It accepted the advice of Fryer and Harris that, with its valuable consumer research organization, Thompson's had a scientific or systematic approach to marketing problems. Rowntree's needed advice if its new Extra Creamy Milk chocolate was to undermine Cadbury's supremacy. The application of scientific management through improved management structures, standardized procedures, and greater efficiency had not solved Rowntree's basic problem during the 1920s. Cadbury's, with the same management methods and overheads, had larger sales, profits, and advertising revenues, and a range of products commanding greater consumer acceptability. Marketing was diagnosed in 1931 as central to Rowntree's difficulties. Despite economic depression the advertising appropriation was increased and it was decided that "both our advertising and marketing policies would be founded upon consumer surveys of our various lines." Without adequate market information, "action tended to be dictated more by that of competitors than on a clear conception of our objective" [19].

J.W.T. was commissioned to prepare reports on Rowntree's gums, milk chocolate, and creams. Consumer tests were employed to determine the final nature of Extra Creamy Milk, which Harris would not launch till 65% of those questioned preferred it to Cadbury's popular alternative. J.W.T. also investigated the effectiveness of Rowntree's shop display materials, and research was conducted in 1932 on discovering appealing bars with chocolate-enrobed centres. These were termed count lines in the British trade (candy bars in the U.S.). The Mars Bar had already been introduced successfully into Britain and accounted for 46% of count line sales in the U.S., where it was known as Milky Way [19]. Immediate plans, however, focused on restoring Rowntree's trade in high-class creams with a plain chocolate assortment called Black Magic. The National Institute of Industrial Psychology interviewed 7,000 people over six months on their conception of the perfect chocolate assortment. In another survey, 3,000 preferences for hard, soft, and nut centres exactly determined the proportions of chocolate types in the assortment. Retailers were consulted and their recommendations on margins and price maintenance were followed carefully. Shopkeepers, moreover, supplied information on buying behavior, and it was discovered that most assortments were purchased by men for women and that they were influenced entirely by value rather than fancy boxes. The now familiar, simple black-and-white box was distinctive and chosen from fifty similar designs [4, 19].

Other tests of Extra Creamy Milk demonstrated the continued appeal of Cadbury's Dairy Milk. Its chief selling point or "advertising story" was based on the amount of milk contained in each bar and it was designed directly to counter Cadbury's "glass and a half" slogan for its leading product. In fact, J.W.T. was preparing "stories" for every Rowntree line in order to improve the originality and distinctiveness of Rowntree's advertising [2, p. 23; 19]. The agency's strategy was intended to highlight a particular brand rather than the name and reputation of the company. But the board accepted the decision not to promote the Rowntree name extensively with Black Magic as only temporary and as justified by the company's lost reputation in chocolate assortments [19].

Favorable results from consumer tests in July 1933 enabled the company to begin manufacturing Extra Creamy Milk, and although further surveys were less positive the product was marketed. By January 1935 Harris had abandoned his attempt to capture a sizeable proportion of the milk chocolate market. No amount of advertising could overcome the public's preference for Cadbury's and it was decided that only chocolate count lines could increase turnover with current machinery by finding a "niche" within the rival firm's dominance of the bar market. A breakthrough was announced in May 1935 with the development of Aero, an aerated milk chocolate. It was novel and distinctive and its light texture provided it with a good advertising "story." With its unique centre, it had the properties of a count line while opening opportunities in the bar market, and consumer tests showing a 58-34% preference over Cadbury's principal brand were the best results Rowntee's had ever achieved for a milk chocolate. Sales reports of the "universal acceptance" of Aero were unprecedented. The Chocolate Crisp wafer-and-chocolate bar, which later became better known as KitKat, was also released in 1935. It was a count line with a distinguishable "idea which could be built into it." It was marketed as a two-centre meal and as suitable, unlike bar chocolate, for a mid-morning break with a cup of tea [19].

The development of other count lines was postponed while Aero and Chocolate Crisp were pushed. Both were sold in large volume and on principles of "straight merchandising." The Aero and Chocolate Crisp wrappers were plain and distinctive and boldly stated the brand rather than the Rowntree name. They were marketed only at the chief selling prices as a means of reducing production, packaging, and selling costs, and advertising was intense enough to establish them as staple products. Greater reliance was placed upon the "pull" effect of press and poster advertising than on the "push" given to sales through the offer of discounts and the guarantee of high margins to wholesalers and retailers, although both remained important marketing approaches. Extensive advertising budgets stimulated demand for higher-priced brands, and Cadbury's was left to pioneer rate reductions and price competition. Rowntree's marketing, it was concluded, was "properly co-ordinating the basic acceptance of a consumer selling story with a product that has individual character and is not a direct copy of someone else's product." Rowntree's milk chocolate bars, therefore, were not advertised. By 1936 Harris, as the new marketing director, concluded that Rowntree's was at last "definitely fighting Cadbury for market leadership ..." [19].

By October 1937, Dairy Box, a milk chocolate assortment developed with the techniques used in the case of Black Magic, was selling well. In June 1938 the board was finally convinced of the value of single line marketing, although cocoa, jellies, gums, and pastilles continued for historical reasons to be largely promoted under the Rowntree name. Chocolate beans were first sold loose in May 1938, but later were merchandised in a cardboard tube and branded as Smarties. The product and the packet were designed to appeal to children. The wrapped tubes of gums and pastilles, as a result of consumer testing, were re-modelled as fruit gums and fruit pastilles in order to tell an advertising "story" about their fine, distinctive flavours. Polo, the tube of mints with the distinctive hole, was developed in 1939 as an advertised line in an untapped market. But their planned introduction in 1940 was delayed by the prospect of war [19].

Rowntree Canada and the U.S. in the 1930s

The products which were developed through the application of systematic marketing techniques in Britain eventually benefited Rowntree's in Canada, although the sales and profit position remained unstable. In the circumstances of 1930 the subsidiary recognized its need to increase turnover and lower its production costs, and by 1931 it was consequently making toffee products for the rival British firm of Mackintosh on a royalty basis. Rowntree's had the largest sale of plain chocolate in Canada but was third in the milk variety and faced the heavy advertising of Cadbury's Dairy Milk. The company responded to depression and an atomized market by abandoning the strategy it had inherited from Britain of creating demand for high-quality, advertised products. Rowntree's believed that low purchasing power in a non-expanding market had greatly diminished the pull of advertising and the promotional budget of $122,000 (9.6% of sales) was reduced to $43,000 (3.1%) in 1933. The company was forced to compete on a price basis. It began to sell Cowan's Perfection cocoa again at half the cost of Elect. The prices of Rowntree chocolate bars were trimmed and their weights increased, and a number of lower-quality goods were launched under the Cowan name. But Cadbury's and the Canadian company, Neilson's, continued to advertise their chocolate extensively. Fry's equally promoted its cocoa. Rowntree's, therefore, remained unconvinced that its price strategy would succeed in the long term. It needed outstanding products which could be differentiated from the large number of competitors. By 1936 it was hoped that Aero and Chocolate Crisp made in Toronto would rehabilitate the business, and they were at first marketed in a limited number of areas. The machinery to manufacture them on a large scale was not immediately available and they remained largely unadvertised. Rowntree's policy by 1938 was to have a distinctive product in every segment of the market and to market Aero as its chief milk chocolate. Only the sales of Aero and Biscrisp (as Chocolate Crisp was known in Canada in the 1930s) continued to expand, and the research department at Toronto combined the attributes of these two brands with the flavour of coffee to develop Coffee Crisp [19, 20]. An increasing demand coupled with economical management accounted for the subsidary's improved sales and profits in the late 1930s. Smarties were first distributed but not made in Canada in 1939 [10, p. 114; 19]. With Hershey controlling some 67% of its home market in cake chocolate, Rowntree's in Britain decided to sell its U.S. Aero rights to the Pennsylvania company. It recognized that Mars and O'Henry dominated the trade in count lines, but still hoped to establish a company to make products (like Smarties) which would face less direct competition. War in Europe forced Rowntree's to abandon its plans [19].

Conclusion: the Impact of Market Research

Rowntree's promotion of Elect cocoa in Britain from 1897-1914 represented a significant change in the company's marketing [9]. Success, however, was brief, and product development and a skepticism about press and poster advertising were at the root of Rowntree's subsequent problems.

Many firms like Cadbury, Fry, Mackintosh, and others in food, drink, drugs, tobacco, and soap were earlier or more enthusiastic advertisers [5, p. 69; 13, pp. 26-7; 14, pp. 36-75]. The growing demand for milk chocolate, particularly after 1914, was encouraged by improved real incomes and falling production costs. By 1920, 4 oz. of confectionery were consumed per head per week, but by 1930 the figure was 5.3 oz. and by 1938 7 oz. The monetary price of milk chocolate bars fell from 4s 2d to 1s 4d per lb. from 1920-1938 [19]. These market trends secured Cadbury's dominance of the industry. Although Rowntree's output in general expanded during the 1920s, none of the products which were launched cured its poor profit return. During the economic depression of 1929-32 the future of the company was threatened.

In the 1930s Rowntree's abandoned its failed efforts to rival Cadbury's in every aspect of the business and ceased to be a multi-purpose, wide-range, me-too, and consequently high cost manufacturer. Rowntree's decided on an explicit "niche" market strategy of developing branded, inimitable, and large-volume products which avoided directly confronting Cadbury's superiority in solid block chocolate [18]. The advertising of the brands launched in the 1930s carefully cultivated a marketing "story" about their distinctive and appealing characteristics, and greater prominence was given to the product's name rather than to Rowntree's itself. Such single-line marketing made each brand more recognizable and memorable and so encouraged the impulse buying so important to a semi-luxury and frequently-purchased good. It also eased the change in Rowntree's "marketing mix" by moving the company away from its traditional reliance on point-of-sales promotions and trade discounts towards press, poster, and some limited radio advertising. The previous emphasis upon interesting the retailer in Rowntree goods with high margins came to be viewed as an inadequate means of obtaining volume sales on a national basis. Advertising and a high level of demand were required. By 1938 the company was spending nearly 10% of its turnover of £5,106,000 on advertising [19], when the national aggregate outlay was approximately £58.8m [14]. With its new commitment to advertising, Rowntree's promotional budget had grown by some 69% during the 1930s, while the national increase had been 11%. The Canadian subsidiary's market and profits remained precarious. With its emphasis upon value rather than promotion, its advertising budget was equal to 1.1% of its $2,043,000 output in 1938 [20]. Yet the Second World War prevented both the British and Canadian companies from fully exploiting the products developed for a growing count line market until the more prosperous 1950s [19], when the subsidiary was finally able to adopt the marketing policies of the parent firm. In Britain Cadbury's approach was different to Rowntree's. Dairy Milk's volume was used to sell the product both through extensive advertising and a price-cutting strategy. Moreover, Cadbury's in the Inter-War period employed the profits from its bar chocolate sales to develop and advertise other lines, and a heavy emphasis was placed on the name and reputation of Cadbury [2, pp. 14-25].

The success of Rowntree's "niche" market strategy depended upon the application of research techniques. They enabled the company to develop a range of products enjoying wide acceptance. Unlike the chemicals, pharmaceutical, and electrical industries, the success of these confectionery products was not dependant upon technological innovation or scientific discovery but on meeting consumer tastes. Indeed, Rowntree's deliberately sought new lines which could use existing plant. Before 1930 Rowntree's had adhered to the principle that the proven quality of products, as determined by the company and without reference to consumers, was the best method of securing sales. There was an underlying belief that there would always be a market for the "best" goods that could be made. Rowntree's had been a production or quality-orientated business, but as products were marketed merely on the hunches and personal opinions of directors and management, product development failures had been significant. Many companies are known to be equally production-driven, including the British biscuit makers Huntley and Palmer [5, p. 155], and the American flour manufacturer Pillsbury. Although the term marketing first appeared in the United States at the turn of the century, industry between 1900-30 was more concerned with increasing and managing mass production. The growing importance attached to distribution merely reflected the problems associated with delivering this greater throughput. There was no concept of marketing as an approach integrating product development, merchandising, advertising, and distribution in a deliberate attempt to ascertain and meet the wishes of consumers until the arrival of market research in the 1920s [21, pp. 48-74]. In Britain, market research at the time was rarely employed and seems largely to have involved the collection of aggregate economic data rather than the systematic testing of individual products by companies for a specified commercial purpose [5, p. 69; 14, p. 150; 19]. Rowntree's viewed it as merely consulting its travelling sales force [19]. Although Rowntree's entry into the United States in 1925 was a commercial failure, the lessons it learned in market research were invaluable. The marketing department established at York in 1930 employed J. Walter Thompson for its expertise in market research and the firm's own staff increasingly imitated them and were cognisant of the problems of random sampling and scientifically assessing the collected data [20]. Rowntree's concept and use of market research in the 1930s was relatively advanced compared to contemporaries. Large British firms like Morris, Ford U.K., Austin, Beecham, Clark, Wills, Huntley and Palmer, Associated Electrical Industries, Mackintosh, and Cadbury did not conduct systematic consumer surveys before 1945 [1, pp. 407-9; 3, pp. 6-14; 5, pp. 73-8; 11, p. 101; 12, pp. 48-57; 13, pp. 32-3], and the detergent and food conglomerate Unilever's use of market data appears less extensive than Rowntree's and had no impact on the nature of its products [24, pp. 71-4]. Consumer research became more widespread in Britain and the United States in the 1950s [21, pp. 70-97].

The application of systematic market research enabled production-orientated companies to transform themselves into marketing-orientated businesses. It supplied them with the consumer data required to make all activities cater and respond to markets rather than to the pre-conceptions of entrepreneurs, managers, and production experts. The increasing size of industrial enterprise and distribution, in any case, made individual marketing "flair" inapplicable [5, pp. 80-1; 7, pp. 4-20, 100-3]. The adoption and application of a marketing-orientated philosophy throughout a company necessarily required the explicit calculation of commercial objectives and a clear market strategy. Rowntree's underwent this critical alteration in the 1930s. Becoming a marketing-led firm was essential to its survival and subsequent growth and was symptomatic of 20th century industry [15, pp. 133-4]. Rowntree's carefully ensured that each new product commanded an adequate profit, but, although this consideration was by no means unimportant, marketing considerations determined company objectives. Product development adjusted in the light of consumer requirements, brand awareness, and competitive advertising were more crucial and in the long term safeguarded the company's sales and profits [19]. They enabled markets to be secured and maintained against rivals and the brands which were first marketed by Rowntree's in the 1930s defied product life-cycle theories.

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