Rethinking Marketing in a Global Economy

Sørlandet School Ship (1927), Kristiansand

Proceedings of the 34th Annual Macromarketing Conference

University of Agder, Kristiansand, Norway
June 4-7, 2009

Program Chair and Proceedings Editor
Terrence H. Witkowski, California State University, Long Beach

Arrangements Chair
Andreas W. Falkenberg, University of Agder
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Reference:


Photos: Andreas W. Falkenberg
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Marcel Meler, University of Osijek, Croatia
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Matthew Pearce, UN Peace Keeping Forces, Georgia
James Gentry, University of Nebraska, USA

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Detlev Zwick, York University, Canada
Nik Dholakia, University of Rhode Island, USA

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Sylvain Sauvé, Services Québec, Canada
Sylvain Senecal, HEC Montreal, Canada

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Tampico, Mexico
Judith Cavazos Arroyo, Universidad Popular Autónoma del Estado de Puebla, Mexico
Alejandro Melchor Ascencio, Universidad Tecnológica del Norte de Aguascalientes, Mexico

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Les Johnson, University of Melbourne, Australia

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For the Love of God: Exploring the Potential for Deproblematising the Art versus Commerce Divide
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Morris B. Holbrook, Columbia University, USA

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Finola Kerrigan, King's College, University of London, UK

Domestication, Political Economy, and the Control of Markets
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Property Rights Design and Market Process: Implications for Market and Marketing Theory
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Michael Kleinaltenkamp, Freie Universität Berlin, Germany

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Mai Skjott Linneberg, University of Aarhus, Denmark
Poul RindChristensen, University of Aarhus, Denmark

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Many thanks are due to the track chairs who, as champions of their specialties, solicited submissions to the conference and arranged for reviewing. Their suggestions, cooperation, and diligence played a pivotal role in assembling an exciting program for the 34th Macromarketing Conference.

Art, Culture, and Markets
Alan Bradshaw, Royal Holloway, University of London, UK

Finola Kerrigan, King’s College London, UK

Competition and Markets
Andreas Falkenberg, University of Agder, Norway

Globalization
Don Rahtz, College of William and Mary, USA

Environment, Nature, and Sustainability
Pierre McDonagh, Dublin City University, Ireland

Michael Polonsky, Deakin University, Australia

Marketing and Development
Tony Pecotich, University of Western Australia, Australia

Quality of Life
Joe Sirgy, Virginia Tech University, USA

Cultural/Economic Institutions and Marketing
Bill Redmond, Indiana State University, USA

Marketing History
Terry Witkowski, California State University, Long Beach, USA

Macromarketing Education
David Hunt, University of Wyoming, USA

Stephanie A. Oneto, University of Wyoming, USA

Systems and Modeling
Ben Wooliscroft, University of Otago, New Zealand

Technology and Marketing
Nik Dholakia, University of Rhode Island, USA

William Kilbourne, Clemson University, USA

Consumption, Materialism, and Society
Jim Gentry, University of Nebraska, Lincoln, USA
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Nik Dholakia, University of Rhode Island, USA
Susan Dobscha, Bentley University, USA
Clare D'Souza, Latrobe University, Australia
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Joyce Falkenberg, University of Agder, Norway
Bjorn-Tore Flaten, University of Agder, Norway
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William Kilbourne, Clemson University, USA
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Gene Laczniak, Marquette University, USA
Rob Lawson, University of Otago, New Zealand
Dong-Jin Lee, Yonsei University, South Korea
Mike Lee, The University of Auckland, New Zealand
Marius Luedicke, University of Innsbruck, Austria
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Pierre McDonagh, Dublin City University, Ireland
Laurie Mameer, George Mason University, USA
Morgan Miles, Georgia Southern University, USA
Miranda Mirosa, University of Otago, New Zealand
Robert Mitchell, University of Otago, New Zealand
Robert Mittelstaedt, University of Nebraska, USA
Leighann Nielson, Carleton University, Canada
Alexander Nill, University of Nevada, Las Vegas, USA
Stephanie A. Oneto, University of Wyoming, USA
Andrew Parsons, Auckland University of Technology, New Zealand
Ross Petty, Babson College, USA
Sanne Poulsen, University of Otago, New Zealand
Andrea Prothero, University College Dublin, Ireland
Don Rahtz, College of William and Mary, USA
Bill Redmond, Indiana State University, USA
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Jonathan Schroeder, University of Exeter, UK
Stan Shapiro, Simon Fraser University, Canada
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Rotem Shneor, University of Agder, Norway
M. Joseph Sirgy, Virginia Tech University, USA
Mark Tadajewski University of Leicester, UK
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Terry Witkowski, California State University, Long Beach, USA
Ben Wooliscroft, University of Otago, New Zealand
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- Robert W. Nason for compiling the Journal of Macromarketing Charles W. Slater Award Winners
Macromarketing Milestones

The first Macromarketing Seminar was organized by Professor Charles Slater at the University of Colorado in August, 1976. Since then, an unbroken series of 34 meetings has been held annually. Sometimes referred to as the “macromarketing seminar” and at other times as the “macromarketing conference,” these meetings have convened in the U.S. (25 times), Canada (3), Norway (2), Australia (1), Croatia (1), the Netherlands (1), and New Zealand (1). Along with the creation of the Journal of Macromarketing in 1981 and the incorporation of the Macromarketing Society on March 1, 2004, these gatherings define macromarketing as a separate field of scholarly knowledge. For further information on the history of macromarketing, see Stanley J. Shapiro. 2006. Macromarketing: Origins, development, current status and possible future direction. European Business Review 18 (4): 307-321.

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<tr>
<th>Year</th>
<th>Theme, Host, and Venue</th>
</tr>
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<tr>
<td>2009</td>
<td><em>Rethinking Marketing in a Global Economy</em>, University of Agder, Kristiansand, Norway, June 4-7</td>
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<tr>
<td>2008</td>
<td><em>Macromarketing: Systems, Causes, and Consequences</em>, Clemson University, Clemson, South Carolina, USA, June 4-7</td>
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<td>2006</td>
<td><em>Macromarketing—the Future of Marketing?</em>, University of Otago, Queenstown, New Zealand, June 6-8</td>
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<tr>
<td>2005</td>
<td><em>Discourse, Diversity and Distinction: Macromarketing at 30 Years (special sub-theme: Remember the Titans)</em>, University of South Florida, St. Petersburg, Florida, USA, May 25-31</td>
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<tr>
<td>2004</td>
<td><em>Macromarketing Scholarship and Education for a Global Century</em>, Clemson University and Simon Fraser University, Vancouver, Canada, May 29-June 1</td>
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<tr>
<td>2002</td>
<td><em>Macromarketing in the Asia Pacific Century</em>, University of New South Wales and University of Western Australia, Sydney, Australia, June 11-14</td>
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<tr>
<td>2001</td>
<td><em>Globalization and Equity</em>, The College of William &amp; Mary, Williamsburg, Virginia, USA, August 7-10</td>
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<td>2000</td>
<td><em>Marketing Contributions to Democratization and Socioeconomic Development</em>, University of Rijeka, Lovran, Croatia, June 22-25</td>
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<td>1999</td>
<td><em>Macromarketing and Twenty-First Century Challenges</em>, University of Nebraska, Lincoln, Nebraska City, Nebraska, USA, August 12-15</td>
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<td>1998</td>
<td><em>Redoubling Efforts: Impact, Challenges, and Opportunities</em>, University of Rhode Island, West Greenwich, Rhode Island, USA, August 12-15</td>
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<tr>
<td>1997</td>
<td><em>22nd Annual Macromarketing Conference</em>, Norwegian School of Economics and Business Administration, Bergen, Norway, June 14-17</td>
</tr>
<tr>
<td>1996</td>
<td><em>27th Annual Macromarketing Seminar</em>, “Macromarketing, Marketing History, and Public Policy Track,” held in conjunction with the American Marketing Association Summer Educators’ Conference, San Diego, California, USA, August 3-6</td>
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<tr>
<td>1995</td>
<td><em>Understanding Change from a Macromarketing Perspective</em>, University of Richmond, Richmond, Virginia, USA, August 17-20</td>
</tr>
<tr>
<td>1994</td>
<td><em>Global Themes and Cultural Perspectives</em>, University of Colorado, Boulder, Colorado, USA, August 11-14</td>
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<td>1993</td>
<td><em>New Visions in a Time of Transition</em>, University of Rhode Island, West Greenwich, Rhode Island, USA, August 12-15</td>
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<td>1992</td>
<td>17th Annual Macromarketing Seminar, Nijenrode University, Breukelen, Netherlands, May 31-June 4</td>
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<td>1991</td>
<td>16th Annual Macromarketing Conference, Simon Fraser University, Vancouver, Canada, August 11-15</td>
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<td>1990</td>
<td>15th Annual Macromarketing Conference, Rutgers School of Business, Camden and Pennsylvania State University, Great Valley, Malvern, Pennsylvania, USA, August 9-12</td>
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<td>1989</td>
<td>14th Annual Macromarketing Conference, University of Toledo, Toledo, Ohio, USA, August 10-13</td>
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<td>1988</td>
<td>13th Macromarketing Seminar, San Jose State University, San Jose, California, USA, August 11-14</td>
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<td>1987</td>
<td>12th Macromarketing Seminar, Concordia University, Montreal, Quebec, Canada, August 6-9</td>
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<td>1986</td>
<td>11th Macromarketing Seminar, University of Colorado, Boulder, Colorado, USA, August 7-10</td>
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<td>1985</td>
<td>10th Macromarketing Seminar, George Washington University, Airlie, Virginia, USA, August 15-18</td>
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<td>1984</td>
<td>9th Annual Macromarketing Seminar, University of British Columbia, Vancouver, Canada, August 16-19</td>
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<td>1983</td>
<td>8th Annual Macromarketing Seminar, University of Rhode Island, West Greenwich, Rhode Island, USA, August 18-21</td>
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<td>1981</td>
<td>6th Annual Macromarketing Seminar, Emory University, Atlanta, Georgia, USA, August 13-16</td>
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<td>1980</td>
<td>5th Annual Macromarketing Seminar, University of Rhode Island, West Greenwich, Rhode Island, USA, August 8-10</td>
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<td>1979</td>
<td><em>Macromarketing, Evolution of Thought</em>, University of Colorado, Boulder, Colorado, USA, August 9-12</td>
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<td>1978</td>
<td><em>Macromarketing, New Steps on the Learning Curve</em>, University of Rhode Island, West Greenwich, Rhode Island, USA, August 13-16</td>
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<td>1977</td>
<td><em>Macro-marketing: Distributive Processes from a Societal Perspective, an Elaboration of Issues</em>, University of Colorado, Boulder, Colorado, USA, August 14-17</td>
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<tr>
<td>1976</td>
<td><em>Macro-marketing: Distributive Processes from a Societal Perspective</em>, University of Colorado, Boulder, Colorado, USA, August 15-18</td>
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Journal of Macromarketing
Charles W. Slater Award Winners

From 1966 until his untimely death in 1978, Charles Slater helped to broaden the conceptualization of marketing, applied that conceptualization to developing countries, formulated a new theory on market process, and built that theory into a class of simulation models applied around the world. By 1976 his work was so well known that he convened the first Macromarketing Theory Seminar, now in its 34th consecutive year. He coined the term “macromarketing” as a way to shift the prevailing managerial orientation back toward the societal focus of the early marketing field. He asked the fundamental question: How can marketing improve the wellbeing of the system and society of which it is a part? In 1978, he visualized a new journal to encourage scholarship to address this question. That journal, the Journal of Macromarketing, became a reality in 1981. The Charles C. Slater Memorial Award was created to recognize his dedication, intellect, and humanism which has brought macromarketing to the fore and left a rich legacy upon which our discipline has been built.

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<th>University(s)</th>
<th>Title</th>
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<tr>
<td>2008</td>
<td>Roger A. Layton</td>
<td>University of New South Wales</td>
<td>“Marketing Systems - A Core Macromarketing Concept”</td>
<td>2007 27/3</td>
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<td>2007</td>
<td>Gene R. Lacznia, Patrick E. Murphy</td>
<td>Marquette University, University of Notre Dame</td>
<td>“Normative Perspectives for Ethical and Socially Responsible Marketing”</td>
<td>2006 26/2</td>
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<td>2004</td>
<td>John D. Mittelstaedt</td>
<td>Clemson University</td>
<td>&quot;A Framework for Understanding the Relationships Between Religions and Markets&quot;</td>
<td>2002 22/1</td>
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<tr>
<td>2003</td>
<td>Paul Ellis, Anthony Pecotich</td>
<td>Hong Kong Polytechnic University, University of Western Australia</td>
<td>&quot;Macromarketing and International Trade: Comparative Advantages versus Cosmopolitan Considerations&quot;</td>
<td>2002 22/1</td>
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<tr>
<td>2002</td>
<td>James M. Carman, Luis V. Dominguez</td>
<td>University of California, Berkeley, Florida Atlantic University</td>
<td>&quot;Organization Transformations in Transition Economies: Hypotheses&quot;</td>
<td>2001 21/2</td>
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<td>2001</td>
<td>Jack Cadeaux</td>
<td>University of New South Wales</td>
<td>&quot;Market Mechanisms and the External Benefits of Consumption&quot;</td>
<td>2000 20/1</td>
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<td>1999</td>
<td>Donald F. Dixon</td>
<td>Open University of the Netherlands</td>
<td>&quot;Varagian-Rus Warrior-Merchants and the Origin of the Russian State&quot;</td>
<td>1998 18/1</td>
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<td>1998</td>
<td>Bill Kilbourne, Pierre McDonagh, Andrea Prothero</td>
<td>Sam Houston State University Stirling, Scotland</td>
<td>&quot;Sustainable Consumption and the Quality of Life: A Macromarketing Challenge to the Dominant Social Paradigm&quot;</td>
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<td>1997</td>
<td>Andreas Falkenberg</td>
<td>Norwegian School of Economics and Business Administration</td>
<td>&quot;Marketing and the Wealth of Firms&quot;</td>
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<td>1996</td>
<td>Robert Mittelstaedt, Robert E. Stassen</td>
<td>University of Nebraska, University of Arkansas</td>
<td>&quot;Structural Changes in the Phonographic Record Industry and Its Channel of Distribution, 1946-1966&quot;</td>
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<td>1994</td>
<td>Michael Mullen</td>
<td>Michigan State University</td>
<td>&quot;The Effects of Exporting and Importing on Two Dimensions of Economic Development: An Empirical Analysis&quot;</td>
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<td>1993</td>
<td>Robert W. Nason, William K. Meade II</td>
<td>Michigan State University, University of Missouri-St. Louis</td>
<td>&quot;Toward a Unified Theory of Macromarketing: A System Theoretic Approach&quot;</td>
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<td>1992</td>
<td>Oliver F. Williams, Patrick E. Murphy</td>
<td>University of Notre Dame</td>
<td>&quot;The Ethics of Virtue: A Moral Theory for Marketing&quot;</td>
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<td>1992</td>
<td>Ian F. Wilkinson</td>
<td>University of New South Wales</td>
<td>&quot;Toward a Theory of Structural Change in Evolution in Marketing Channels&quot;</td>
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<td>1991</td>
<td>Anamma Joy, Christopher A. Ross</td>
<td>Concordia University, Montreal</td>
<td>&quot;Marketing and Development in the Third World Context: An Evaluation and Future Directions&quot;</td>
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<td>1991</td>
<td>Shelby D. Hunt</td>
<td>Texas Tech University</td>
<td>&quot;Reification and Realism in Marketing: In Defense of Reason&quot;</td>
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<td>1990</td>
<td>Roger A. Layton</td>
<td>University of New South Wales</td>
<td>&quot;Measures of Structural Change in Macromarketing Systems&quot;</td>
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<td>1989</td>
<td>David D. Monieson</td>
<td>Queen's University, Canada</td>
<td>&quot;Intellectualization in Macromarketing: A World Disenchanted&quot;</td>
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<td>1988</td>
<td>James M. Carman; Robert G. Harris</td>
<td>University of California at Berkeley</td>
<td>&quot;Public Regulation of Marketing Activity: Part I: Institutional Typologies of Market Failures&quot;</td>
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<td>1987</td>
<td>A Fuat Firat, Nikhilesh Dholakia</td>
<td>McGill University, University of Rhode Island</td>
<td>&quot;Consumption Choices at the Macro Level&quot;</td>
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<td>1986</td>
<td>Dr. Johan Arndt</td>
<td>Institute of Business Administration, Oslo; Norwegian School of Economics and Business Administration, Bergen</td>
<td>&quot;The Political Economy of Marketing Systems: Reviving the Institutional Approach&quot;</td>
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Exploring the Frontiers of Macromarketing

35th Annual Macromarketing Seminar

June 9-12, 2010
University of Wyoming Conference Center
at the Hilton Garden Inn
Laramie, Wyoming

Pre-Conference Workshop on Sustainability
June 5-9
Conducted by Dr. Eric Arnowald
Especially for doctoral students and junior faculty

Conference Co-Chairs:
Terri Rittenburg [tritt@uwyo.edu]
&
Mark Peterson [markpete@uwyo.edu]
University of Wyoming
Conference Program
34th Annual Macromarketing Conference
University of Agder, June 4-7, 2009

Thursday, June 4

17:00 – 20:00 Registration, Light Meal, and Jazz (Hotel Norge)
Macromarketing Board Meeting to follow

Friday, June 5

08:00 Bus from downtown to University of Agder

08:30 – 10:00 Concurrent Sessions

Session 1a – Marketing and Development

Developing Infrastructures for Economic Progress, Market Development, and Entrepreneurship
A. Coskun Samli, University of North Florida, USA

Exploring the Character and Consumerist Attitudes of the Balkan Consumer
Tomaž Kolar, Faculty of Economics, Ljubljana, Slovenia
Rok Sunko, Valicon, Ljubljana, Slovenia
Vesna Žabkar, Faculty of Economics, Ljubljana, Slovenia

Towards the Measurement of Openness: A Critical Variable in Macromarketing
Kenneth Beng Yap, University of Western Australia, Australia
Anthony Pecotich, University of Western Australia, Australia

Session 1b – Marketing History

Colonised Cork: Trade, Boom, and Bust 1600 - 1848
Christine Moynihan, Dublin City University, Ireland
Pierre McDonagh, Dublin City University, Ireland

One Hundred Years of Advertisers at War: Motives and Consequences
Fred Beard, University of Oklahoma, USA

“I Saw a Picture of a Child Living on 14¢ a day and I nearly Choked on My $12 Scotch” Plan Canada’s Marketing of Child Sponsorship Programs: A Content Analysis of Print Advertisements from the 1970s
Robert Mittelman, Carleton University, Canada
Leighann C. Neilson, Carleton University, Canada
10:00 – 10:30 Break

10:30 – 12:00 Concurrent Sessions

Session 2a – Public Policy and Advertising Issues

Social Tolerance, Advertising Regulation, and Market Drivers
Andrew G. Parsons, Auckland University of Technology, New Zealand
Cristoph Schumacher, Massey University, New Zealand
Ann-Marie Thompson, Auckland University of Technology, New Zealand

Communicating Mixed Messages: The California Tuna Case
G. Scott Erickson, Ithaca College, Ithaca, USA
Marlene Barken, Ithaca College, Ithaca, USA

Insurance Advertising: Scary, Funny, or Ethical?
Johannes Brinkmann, BI Norwegian School of Management, Norway
Eric Breit, Hanken School of Economics, Finland
Aaron Doyle, Carleton University, Canada
Kerstin Berberich, FH Johanneum University of Applied Sciences, Austria

Session 2b – The Good Consumer

Making ‘Good’ Decisions – Dilemmas of the Consumer
Sanne Poulsen University of Otago, New Zealand
Ben Wooliscroft, University of Otago, New Zealand

Customer Citizenship Behavior in the Retail Marketplace
Jie Gao, University of Nebraska-Lincoln, USA
Sanford Grossbart, University of Nebraska-Lincoln, USA
Susie Pryor, Washburn University, USA

Antecedents of Ethical Consumption Activities in Germany and the United States
Terrence H. Witkowski, California State University, Long Beach, USA
Sabine Reddy, California State University, Long Beach, USA

12:00 – 13:00 Lunch at University of Agder

13:00 – 14:30 Concurrent Sessions

Session 3a – Special Double Session: Evolving Marketing Systems in Eastern Europe and the Balkans and Black Sea Region

Evolving Marketing Systems in Eastern Europe and the Balkans and Black Sea Region
Clifford J. Shultz II, Arizona State University, USA
Session Chair and Organizer
Lifestyle Identification and Segmentation: Implications for Regional Cooperation and Prosperity
Muris Ćić, University of Sarajevo, Bosnia and Herzegovina
Melika Husic, University of Sarajevo, Bosnia and Herzegovina

The Meaning of Macromarketing in Transition Processes
Marcel Meler, University of Osijek, Croatia
Matej Živković, Securities Commission, Federation of Bosnia and Herzegovina

Designing Higher Educational Programs on a Marketing Basis
Bruno Grbac, University of Rijeka, Croatia
Marcel Meler, University of Osijek, Croatia

Session 3b – Consumer Production and Resistance

Ritual Characteristic Congruence between Consumers’ Consumption and Production Practices
Shannon Cummins, University of Nebraska-Lincoln, USA
Sanford Grossbart, University of Nebraska-Lincoln, USA

Rethinking Consumer Resistance: Consuming ‘Anti-Consumption’
Douglas Brownlie, University of Stirling, UK
Paul Hewer, University of Strathclyde, UK

Musical Contributions to Consumer Activism – 1955-1975
Rob Lawson, University of Otago, New Zealand
Elaine Byron, University of Otago, New Zealand
Tomas Davey, University of Otago, New Zealand
Alexandra Ganglmair-Wooliscroft, University of Otago, New Zealand

14:30 – 15:00 Break

15:00 – 16:30 Concurrent Sessions

Session 4a – Special Double Session: Evolving Marketing Systems in Eastern Europe and the Balkans and Black Sea Region

Marketing and Transition Economics: An Economic Perspective
József Berács, Corvinus University of Budapest, Hungary

Trust for Market-Related Institutions, Attitudes Toward Marketing and Perceptions of QOL: Turkish Perspectives Above and Below the Poverty Line
Ahmet Ekici, Bilkent University, Turkey
Mark Peterson, University of Wyoming, USA

The Global Con-Divergence of Food Marketing and Consumption: Macro-Micro-Macro Perspectives from Greece and Romania
Claudia Dumitrescu, Arizona State University, USA
Clifford J. Shultz, II, Arizona State University, USA
Don Rahtz, College of William & Mary, USA
Georgia, Russia, South Ossetia: Preliminary Assessment of Post-War Market and Marketing Dynamics, with Implications for Future Research
Mariam Beruchashvili, California State University, Northridge, USA
Clifford J. Shultz, II, Arizona State University, USA
Matthew Pearce, UN Peace Keeping Forces, Georgia
James Gentry, University of Nebraska, USA

Session 4b – Technology and Macromarketing

E*TRADE as Shopping Mall: Neoliberalism and the Investing Self as Consumer
Detlev Zwick, York University, Canada
Nik Dholakia, University of Rhode Island, USA

The US Freedom of Information Act and Privacy
G. Scott Erickson, Ithaca College, USA

Measuring Service Quality of Government Websites: The Development and Validation of the Electronic Governmental Service Quality (E-GovServqual) Scale
Jean-François Béisle, Concordia University, Canada
Sylvain Sauvé, Services Québec, Canada
Sylvain Senecal, HEC Montreal, Canada

17:00 Bus from University of Agder to downtown
18:00 Boat Trip and Dinner

Saturday, June 6

08:00 Bus from downtown to University of Agder
08:30 – 10:00 Concurrent Sessions

Session 5a – Quality of Life Issues

Abandoning the Catholic Religion: Leading Factors
Delia Pérez Lozano, Instituto Tecnológico y de Estudios Superiores de Monterrey, Campus Tampico, Mexico
Judith Cavazos Arroyo, Universidad Popular Autónoma del Estado de Puebla, Mexico
Alejandro Melchor Ascencio, Universidad Tecnológica del Norte de Aguascalientes, Mexico

Variation in Subjective Well-Being Across Lifestyle Segments
Alexandra Ganglmair-Wooliscroft, University of Otago, New Zealand
Rob Lawson, University of Otago, New Zealand
Session 5b – Environment, Nature, and Sustainability

Green Marketing in Croatia – Research of Experience and Effects on the Establishment of Environmentally and Socially Responsible Business
Zoran Franjić, University Juraj Dobrila, Croatia
Marko Paliaga, University Juraj Dobrila, Croatia
Muljika Flego, Reifeissen Bank, Rovinj, Croatia

Sustainable Market Orientation - A New Approach to Managing Marketing Strategy
Robert W. Mitchell, Marketing Department, University of Otago, New Zealand
Ben Wooliscroft, Marketing Department, University of Otago
James Higham, Tourism Department, University of Otago

When is the Environmental Imperative the Ethical Imperative? Measuring the Resonance of Ethical Bases of Sustainable Consumption
John D. Mittelstaedt, Clemson University, USA
Patrick Murphy, University of Notre Dame, USA
John F. Sherry, Jr., University of Notre Dame, USA

10:00 – 10:30 Break

10:30 – 12:00 Concurrent Sessions

Session 6a – Macromarketing Education (and Exporting)

Teaching Macromarketing Graduate Courses During a Time of Economic Crisis
Mark Peterson, University of Wyoming, USA
Tracy Gonzalez-Padron, University of Colorado at Colorado Springs, USA

Incorporating Mission-Driven Macromarketing Content Into Core Business Courses
Terri L. Rittenburg, University of Wyoming, Laramie, USA

Effects of Scale Economies, Location and Market Concentration on the Propensity of US Firms to Export
Man Zhang, University of Rhode Island, USA
John D. Mittelstaedt, Clemson University, USA

Session 6b – Social Responsibility, Social Engineering, Social Marketing, and Social Entrepreneurs

Corporate Social Responsibility: Corporate Reputation, Business Performance, and Public Policy
Mehdi Taghian, Deakin University, Australia
Clare D’Souza, La Trobe University, Australia
Social Engineering and Social Marketing: Why is One ‘Good’ and the Other ‘Bad’?
Ann-Marie K. Thompson, Auckland University of Technology, New Zealand
Andrew G. Parsons, Auckland University of Technology, New Zealand

A Global View of Social Entrepreneurs in the Irish Landscape
Catherine Phibbs, Dublin City University, Ireland
Pierre McDonagh, Dublin City University, Ireland

12:00 – 13:00 Lunch at University of Agder

13:00 – 13:45 Multimedia Keynote Presentation

Introduction
Andreas W. Falkenberg, University of Agder, Norway

Integrity and Integration
Dominique Bouchet, Southern Denmark University, Denmark

14:00 – 15:30 Concurrent Sessions

Session 7a -- Brand Theory and Research

Blunt Surgical Instruments – Reconceptualising Brands as Semiotic Systems
Francisco J. Conejo, University of Otago, New Zealand
Ben Wooliscroft, University of Otago, New Zealand

Homo Mensura – Brands as Anthropomorphic Systems?
Francisco J. Conejo, University of Otago, New Zealand
Ben Wooliscroft, University of Otago, New Zealand

Exploring the Influence of Consumer Culture on Prestige-Seeking Consumption: A Three Generation Perspective
Tuğba Örten, Izmir University of Economics, Turkey
Bengu Sevil Oflaç, Izmir University of Economics, Turkey
Ela Burcu Üçel, Izmir University of Economics, Turkey

Thought Provoking Impacts of Prestige Brand Consumption on Society: An Exploratory Study in Western Turkey
Tuğba Örten, Izmir University of Economics, Turkey
Bengu Sevil Oflaç, Izmir University of Economics, Turkey

Session 7b – Arts, Culture, and Markets

Brand Communities and Addiction in the “World of Warcraft”
Gretchen Larsen, Bradford University, UK
Ahmed Nasir, Bradford University, UK
Hummer: The H3 Model and the End of a Brand Icon?
Laurie Meamber, George Mason University, USA
Fiona Sussan, George Mason University, USA

For the Love of God: Exploring the Potential for Deproblematicizing the Art versus Commerce Divide
Alan Bradshaw, Royal Holloway University of London, UK
Finola Kerrigan, King’s College London, UK
Morris B. Holbrook, Columbia University, USA

15:30 – 16:00 Break

16:00 – 17:30 Plenary Session

Session 8 – Special Session: Arts & Macromarketing – A Roundtable Discussion
Co-Chairs:
Alan Bradshaw, Royal Holloway, University of London, UK
Finola Kerrigan, King's College, University of London, UK

Panel:
Dominique Bouchet, University of Southern Denmark, Denmark
Douglas Brownlie, University of Sterling, UK
Asim Fuat Firat, University of Texas, Pan American, USA
Gretchen Larsen, Bradford University, UK
Laurie Meamber, George Mason University, USA
Alladi Venkatesh, University of California, Irvine, USA

18:00 Bus from University of Agder to downtown

19:00 Dinner at University of Agder

Macromarketing Awards and Open Discussion

Sunday, June 7

08:00 Bus from downtown to University of Agder

08:30 – 10:00 Concurrent Sessions

Session 9a – Competition and Markets

Domestication, Political Economy, and the Control of Markets
William Redmond, Indiana State University, USA
Property Rights Design and Market Process: Implications for Market and Marketing Theory
Michaela Haase, Freie Universität Berlin, Germany
Michael Kleinaltenkamp, Freie Universität Berlin, Germany

Competition and Markets in a Global Economy: Adverse Allocation of Benefits and Burdens - Regulatory and Ethical Failure?
Andreas Wyller Falkenberg, University of Agder, Norway

Session 9b – Social Responsibility and Sustainability

Good and Fair: Power and Perceptions of Justice in Corporate-Nonprofit Partnerships
Nicola Mutch, University of Otago, New Zealand
Robert Lawson, University of Otago, New Zealand

How to Compete Using Responsibility: French Sustainable Marketing as a Specific Tool
François Blanc, IAE University of Paris I Sorbonne, France
Christelle Chauzal-Larguier, Blaise Pascal University, Clermont-Ferrand, France

Contribution of Corporate Social Responsibility to Performance: The Approach of Solidarity Vacation
Christelle Chauzal-Larguier, University of Clermont-Ferrand 2, France
Anne Murer-Duboisset, G.R.E.G.O.R., IAE de Paris 1, France

10:00 – 10:15 Break

10:15 – 11:45 Concurrent Sessions

Session 10a – Family Consumption and Macromarketing

Jie Gao, University of Nebraska-Lincoln, USA
Aubrey R. Fowler III, Valdosta State University, USA

Food Choice and Consumer Behaviour – Achieving Sustainability by Preventing Childhood Obesity
Lucia Reisch, Copenhagen Business School, Denmark
Wencke Gwozdz, Copenhagen Business School, Denmark

The Meanings of Consumption in Families with Scarce Resources
Karín M. Ekström, University of Borás, Sweden
Torbjörn Hjort, Lund University, Sweden

Session 10b – Technology, Sustainability, and Macromarketing

The Bicycle as a Macromarketing Issue
Ben Wooliscroft, University of Otago, New Zealand
Market Framing Efforts of the Environmental Market Maker Better Place Denmark
Poul Houman Andersen, University of Aarhus, Denmark
Morten Rask, University of Aarhus, Denmark

Local Design & Global Dreams – Emerging Business Models Creating the Emergent Electric Vehicle Industry
Morten Rask, University of Aarhus, Denmark
Poul Houman Andersen, University of Aarhus, Denmark
Mai Skjott Linneberg, University of Aarhus, Denmark
Poul RindChristensen, University of Aarhus, Denmark

12:00 Bus from University of Agder to downtown
Developing Infrastructures for Economic Progress, Market Development, and Entrepreneurship

A. Coskun Samli, University of North Florida, Jacksonville, Florida, USA

*Infrastructure development is a necessary condition for economic development which leads to expansion of macro markets and creates better quality of life. However, infrastructure development is a very neglected topic. This article articulates that of the two strategic orientations, i.e., industrial orientation and export-import orientation, the former is critical and developing countries must use such an orientation for positive results.*

Introduction

When Friedman (2008) referred to the world as being flat and crowded he neglected to state that a big portion of that world is also flat broke. Just why is a large proportion of the world becoming poorer rather than richer? Despite the fact that most scholars agree with the point that economic development begins with proper infrastructure many industrialized countries developed their infrastructures after their economies reached a critical level of need. Many industrialized countries gained much headway in their economic advancement by colonizing some African or Asian country or countries. Hence they encouraged the colonies to sell raw materials and buy finished goods. One may say instead of classical infrastructure development they developed their manufacturing selectively and sold their products to the colonies among other markets. Early on authors posited that capitalism must expand outside of its natural boundaries in, at that time, industrializing countries because home markets are not sufficient (Muiu 2008). Thus, they emphasized basically export oriented economies with infrastructures to facilitate such orientation. Some earlier studies have indicated that distribution systems, particularly in developing countries, need to be further developed or improved. However, their orientation was to worry about over building the structures rather than developing a fully functioning infrastructure (Slater 1968, Slater 1961, El-Ansary 1979). Industrializing countries subsequently developed full fledged infrastructures but at that time they were already rich and their economies were already advancing. In this article an attempt is made to explore such a sequence in development and how it misled numerous third world countries and deprived them of sound economic development in favor of export orientation.

Economic Development and Infrastructure

If we analyze the economic history of many third world countries it becomes clear that they have not started with a proper infrastructure that would lead to a healthy and balanced economic development. Colonizers managed well by not having the necessary infrastructure first since they received much economic benefits from colonies. The colonies, however, by using the same export oriented infrastructure rather than an industrialization oriented infrastructure, ended up being a part of the third world with limited opportunities for brighter economic growth opportunities. As Muiu (2008, 86) states:

African states were not allowed to industrialize by their former colonizers because they would not only displace established exporters but also close markets for manufactured goods. Furthermore, industrialized African countries would not be in a position to provide a ready supply of cheap labor to European firms.

As can be seen, there were ample motives for western colonialists to pressure African countries to develop an export/import oriented infrastructure rather than an industrial growth oriented infrastructure. The end result is that these African countries have very limited macro markets and poor quality of life.
Reinforcing Muiu (2008) position, Fieldhouse stated that colonial countries survived on the basis of colonialism which basically meant limited industrialization. If we were to contrast infrastructures dealing with industrialization versus export/import orientation under the colonial inheritance, Table 1 can be constructed. The table first and foremost identifies the key components of any infrastructure. Although the list presented in the table is not necessarily complete, it still enables the reader to contrast the two key orientations, i.e., industrialization vs export orientation.

**Water Supply**

Water supply is one of the key features of infrastructure. How it is done and for what purpose are the important issues to consider. Whereas infrastructure development for general industrialization purposes will cater only to the production functions, water supply, if properly managed, will give the citizenry a more comfortable quality of life which in turn may stimulate the productivity and enthusiasm of individuals to work harder and produce more. This last proposition goes all the way to Rome 312 B.C. Rome boomed from the proper development and the use of aqueducts which provided over a cubic meter of clean water every day to the country’s inhabitants (Stevens and Schieb 2007). Similarly the experience of Mexico City has been that the growth is hindered if adequate water supply cannot be managed (Tortajada 2008).

**Logistics**

Perhaps the most important aspect of the infrastructure is logistics. In export/import oriented logistics, roads, air and water transportation have been and are most critical since in these situations there is a strong emphasis on importing and exporting and hence the movement of any kind of merchandise needs to be facilitated. In one sense history may simply indicate that societies either concentrated on water borne transportation infrastructure or concentrated on land borne transportation infrastructure. Olwing (2007) named them islanders or continentals. The critical point in these two cases people organized and thought about place, space and shipments in these two separate ways. The way countries thought themselves determined how they would design their infrastructure so that they could be rewarded quickly and handsomely. In fact Olwing (2007) maintains that America first had the islanders view during the era of being a British colony and much later developed a continental view. Unlike, however, during that change the country moved from being an import/export oriented country to industrialized country with the continental orientation but with a critically industrialized infrastructure emphasis.

Industrialization based infrastructure deals with logistics differently. In fact the key concept is imbedded in the Parker et al (2008) study indicating how infrastructure development would reduce poverty. The study emphasizes the fact that the poor do not have access to public infrastructure in some countries and that is one of the main reasons why they remain poor. Here industrialization infrastructure emphasizes particularly logistics to reach out to the poorer parts of the country and provide the poor with products and services that will improve their quality of life and increase their productivity.

**Labor**

In export oriented infrastructures labor can be unskilled and in fact this may be preferred because that will keep the costs down. Moving merchandise by waterways or landways will not require special engineering, technical and innovative skills. Thus if such an orientation were to be taken, then there will be only little effort to raise the quality of the labor force. Since the exportables such as mining, agriculture and other low tech related raw materials do not require higher education based skills, this extremely important aspect of infrastructure which is having a highly qualified labor for the future industrial development, remains absent. In fact, because the western countries have tried to make Africa an export country instead of trying to encourage the continents’ industrialization, many countries in Africa remained extremely underdeveloped with almost no hope for proper industrialization (Muiu 2008).
Energy Supply

If an export orientation infrastructure is opted for, there needs to be energy to produce, extract or grow the exportables. However, this proposition does not say much about making energy supply available for consumers of the country or the region so that they can improve their quality of life.

Education

Finally in Table 1 the last item is education. Perhaps this should have been the first item in terms of priorities. The fact, for instance, Nigeria has been investing heavily in the power sector, implies very strong prioritization of infrastructure development (Muiu 2008), however this author believes that at the top of such prioritization attempt should be education. Identifying, assimilating and absorbing new knowledge through education is a necessary but not a sufficient condition for economic development. Education, by definition, improves individual incomes and wages along with encouraging participation in economic development (Ozgen and Minsky 2007). The second prong of education is understanding and skill building for infrastructure development. These two prongs make education both a necessary and sufficient condition. Without infrastructure development, various social, economic, political and ecological problems in developing countries major employment challenges (Ozgen and Minsky 2007). Without proper educational background even the understanding of the need for infrastructure is basically not present let alone building and managing the infrastructure.

Table 1. Industrialization vs. Export Orientation

<table>
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<th>Key Infrastructure Components</th>
<th>Industrialization Infrastructure</th>
<th>Export Oriented Infrastructure</th>
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<tr>
<td>Water Supply</td>
<td>For industry and consumption</td>
<td>Only for export use</td>
</tr>
<tr>
<td>Logistics</td>
<td>Create access to local supplies and markets</td>
<td>Facilitate movement of local exportables</td>
</tr>
<tr>
<td>Labor</td>
<td>Developing labor force for industrialization</td>
<td>Totally unskilled labor for producing exportables</td>
</tr>
<tr>
<td>Energy Supply</td>
<td>For industrialization and personal use</td>
<td>Enough power for the exportables</td>
</tr>
<tr>
<td>Education</td>
<td>Develop organizational, financial leadership</td>
<td>To cultivate import and local distribution along with cultivating exportables</td>
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The Two Prong Education Program

The two prong education program may not be sufficient if the question of which comes first entrepreneurial economic development or infrastructure development? Although both are important, the sequential ordering of the two becomes critical since national or regional economic development priorities may be dependent on if the infrastructure development may come first or entrepreneurial or other economic development comes first. Although some scholars justifiably identify entrepreneurs as essential agents of change who are a vital component of productivity and growth (Baumol 1993), they also maintain that entrepreneurial process precedes infrastructure (Ozgen and Minsky 2007), the opposite is maintained here. There will be almost no value in promoting entrepreneurship if there is no adequate infrastructure to work with. In fact without a certain type of infrastructure component there may not be adequate entrepreneurship. Although economic activity may primarily start with identifying economic opportunities that does not mean
a lead into entrepreneurship. On the contrary, identifying economic opportunities must lead in the direction of reinforcing or developing from scratch the infrastructure that would lead to powerful entrepreneurship activity. Although some important initiatives and projects reported in developing countries that are primarily supporting entrepreneurial activity, first, there is no indication that they are emerging in the presence of a strongly conducive infrastructure and second, many developing countries simply are lacking the environmental conditions, i.e., infrastructures that are conducive to the entrepreneurship and positive and much needed economic development (Ozgen and Minsky 2007).

Figure 1 illustrates a sequential order of critical infrastructure and entrepreneurial activity sequence. It posits that infrastructure development should have the priority. However, since some infrastructure development activity may take a long time and may not even materialize, there may be a built-in bias in identifying economic opportunities for the country. Some of the best economic opportunities may require somewhat sophisticated and expensive infrastructure support and therefore may not be considered as realistic alternatives. Thus, less than best economic options are likely to be pursued.

**Figure 1. The Economic Development Sequence**

<table>
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<tr>
<th>Steps</th>
<th>Implications</th>
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<tr>
<td>1. Economic Opportunity Identification</td>
<td>Heavy educational activity about the economic conditions of the country</td>
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<tr>
<td>2. Infrastructure Development</td>
<td>Developing an all-out infrastructure capable of doing major economic difference</td>
</tr>
<tr>
<td>3. Entrepreneurship Activity</td>
<td>Developing an entrepreneurial class</td>
</tr>
<tr>
<td>4. Important Economic Gains</td>
<td>Supervising the optimal economic progress</td>
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It is critical that economic opportunity identification and evaluation is done in a totally unbiased manner so that the best economic development scenario can be put forth. This is why the economic development sequence presented in Figure 1 begins with economic opportunity identification first. In particular, countries with special features such as Malaysia which has much rubber or Sierra Leone with its diamonds, may decide in advance how and where they want to use their special natural gifts and should
consider developing an infrastructure system that would, first and foremost, accommodate the strategic plans.

The education system becomes more challenged when the country does not have certain special natural gifts with the exception of having strong will to develop. The two prong education system needed to be guided by economic opportunity identification which does not even exist. Additionally, the beginning step of the economic development sequence is considered to be lacking in general. The opportunity recognition or economic opportunity identification is the most understudied topic. As such, the whole process depicted in Figure 1 does not get started properly most of the time (Ozgen and Minsky 2007).

A number of considerations must be articulated as the two prongs of education are discussed. First, as the first prong materializes identifying, assimilating and absorbing new knowledge takes place it is necessary to generate new knowledge related to the particular conditions of that country with the general thrusts of education reasoning, problem identification and problem solving, among others must be carefully developed and imparted with.

In the second prong of the proposed educational effort, knowledge and experience are expected to play a critical role. Thus, the second key consideration in the educational venture is that the activities need to be hands-on and experiential. Most economically deprived societies are clearly beyond the theoretical indoctrination which may be not only difficult to operationalize but also counter productive in terms of applications and practical results.

The third key consideration in the educational two prongs is that there must be a very tight connection among opportunity identification, infrastructure development and the entrepreneurship activity. These three steps as listed in Figure 1 cannot be independent and self containing. They must be so closely intertwined that further steps to be taken and further decision to be made must be obvious enough that proper training in decision making and problem solving would handle effectively with positive results.

The Entrepreneurship Activity

Samli (2008) took a critical position that exogenous economic development activity has not been working well for developing countries. Instead he advocates endogenous economic growth activity via bottom up globalization. Bottom up globalization is to be accomplished by developing an entrepreneurial class (Samli 2008). Such an entrepreneurial class is likely to generate critical and viable economic activity from very modest beginnings and create new jobs, innovative valuable economic activity and generate economic growth. However, it has been said many times by many scholars that without a proper infrastructure endogenous economic activity cannot materialize and economic development through entrepreneurship becomes simply a dream without any foundations.

However, unless there are special pressures in the short run to develop export oriented infrastructure, in this article we advocated the development of industrial oriented infrastructures. Industrial oriented infrastructure can be the first step for many different types of ambitious economic development dreams.

Conclusions and Future Research

In this article an attempt was made to connect infrastructure to economic development which is a normal and widely accepted concept. It was discussed that under colonial regimes instead of developing solid, futuristic and industrial oriented infrastructure, the pressures made African countries to develop export/import oriented infrastructures. As a result many African nations are having a very difficult time jump starting their domestic economies. However, even if it is decided that industrialization infrastructure is better, there are concerns regarding the nature of such infrastructure developments. Is there only one that facilitates all economic development activities or are there clearly different forms of industrialization oriented infrastructures. Even if there were to be only one type that fits all there are still many serious questions regarding the components of this infrastructure. Do these components remain the same or do they
different forms and concentration stages for each. Much research is needed to elaborate these critical questions so that developing countries of the world can make critical progress in their efforts to develop their economies.

References


Exploring the Character and Consumerist Attitudes of the Balkan Consumer

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When consumers are explored in relation to their socio-cultural context, it is often based on the assumption that their collective background to a large extent defines their common characteristics, beliefs and behavioral patterns. In the present (working) paper four ex-Yugoslav countries (Slovenia, Croatia, Serbia and Bosnia and Herzegovina) were chosen as the context in which the national commonalities and differences of consumers were investigated. The Balkan region seems especially interesting for such investigation, as on the one hand this region is characterized by many cultural and geo-political similarities, while on the other hand important differences among consumers in these countries can be found (Dimitrić and Vida 2001). Some authors have warned against a region-centric approach to the Balkan and/or the broader (CEE) region (Lascu et al., 1996). Recent historical and political developments suggest that ex-Yugoslav countries and nations are actually striving for difference and are emphasizing their distinctiveness rather than commonalities. Taking Bosnia and Herzegovina as an example, we may even posit that nowhere else in such a small area do so many cultural, national and political differences and tensions exist among consumers in one country (see, e.g. Cicic et al., 2003 and Cicic et al., 2005). In this context, the issue of the commonalities and differences among consumers seems especially interesting and relevant.

The key research objective of the study is therefore to improve insight into the dilemma as to whether (Balkan) consumers of four ex-Yugoslav countries are highly homogenous. Homogeneity is assumed by conventional (cultural and region-centric) approaches, while highly heterogeneous is indicated by recent societal developments and various authors and studies. More precisely, the goal of this study is to compare commonalities and the extent of differences between consumers in examined countries. The second goal of the study is more epistemologically oriented and theoretically based. The issue of cross-national and cross-cultural comparisons is often approached with universal, “objective” (outside/etic or superimposed) frameworks like that of Hofstede’s cultural dimensions (see e.g. Soares et al., 2007). In the present study, we were, however, interested in approaches and concepts that are incorporated into (or at least allow for) constituent, specific, and idiosyncratic national/cultural differences as well. The question stands, however, as to which concepts, variables and approaches are appropriate for making such a comparison. When it comes to making such comparisons the issues of culture, nationality, citizenship and identity all represent potentially relevant concepts. In our case, two key concepts were chosen as a basis for comparison. The first one is the promising yet often neglected concept of national character, which is defined as the pattern of the enduring personality characteristics of nations/populations (Clark, 1990). In our case, the concept of national character was operationalized by means of the Big Five framework, which is described with five universal personality traits, namely Extraversion, Agreeableness, Conscientiousness, Neuroticism and Openness (Howard and Howard, 1995, Digman, 1990). The Big Five dimensions were found to be appropriate for cross-cultural comparisons, even though they relate to consumption related concepts and behaviors (see e.g. Mooradian and Swan, 2006). In our case, the Big Five dimensions were examined regarding their factorial structure and used for subsequent cross-national comparisons. Another concept in our study is represented by various consumerist attitudes (e.g. ethnocentrism, shopping as fun, attitudes to environmentally friendly products, etc.).

Data for analysis is derived from a representative sample of N = 8456 Slovene, Croatian, Serbian and Bosnian consumers (PGM, Valicon, 2008) by means of a syndicated field survey called PGM. In addition to various brand-related perceptions, the PGM measures the various demographic and psychographic
characteristics of consumers, among which the Big Five personality variables and shopping attitudes are included.

National character was measured with 52 items covering consumer personality traits that were measured as self-perception. Factor analysis was used for data reduction and summarization. Since our primary concern was to identify the underlying dimensions and to test whether the Big Five dimensions are replicated among Balkan consumers, a common factor analysis with principal axis factoring was applied. The number of factors was determined at five. The factors were rotated using varimax rotation with Kaiser Normalization. Variables that correlated highly with more than one factor were excluded from further analysis (20 variables). The obtained factors correspond in general to the Big Five dimensions and can be interpreted as follows: 1. Conscientiousness (explains 16% of the variance); 2. Neuroticism (9% of the variance); 3. Agreeableness (6% of the variance); 4. Extraversion (5% of the variance); and 5. Openness (4% of the variance). In all, these five factors explain 40% of the total variance of the Big Five personality items. A comparison of factor scores between the four countries shows significant differences in all factors. Slovenes have significantly lower scores than the others on Agreeableness, while Serbs have significantly higher scores on this factor (where the differences are the biggest in general). With regard to the Conscientiousness factor, Slovenes and Serbs have higher scores than Bosnians and Croats. Regarding Neuroticism, Serbs have significantly lower scores than the other three nations. The comparison of Extraversion reveals that Bosnians have significantly higher scores on this factor than Croats and Serbs (Slovenes are somewhere in the middle). The results of the Openness factor show that Slovenes and Serbs have very high scores, while Bosnians have the lowest score for this factor. In sum, the findings suggest that Slovenian and Serbian consumers exhibit the most distinctive profiles amongst the compared countries. Slovenes are characterized by non-agreeableness (as well as a “cold” temper and low competitiveness), while Serbs can best be described as the most agreeable and least neurotic consumers. Bosnian consumers are different mainly due to their closeness, while Croatian consumers do not stand out on any of examined dimensions and can thus be taken as the “most average” consumers in the region. To a certain extent these findings are surprising and are not fully consistent with previous comparable studies. Based on the available evidence (e.g. Musek, 1994, Damjan, 2000) it was expected, for instance, that Slovenian consumers would be introvertive, conscientious, non-agreeable (where the authors and the studies were not fully conclusive and consistent), relatively neurotic (more than the other Ex-Yugoslav nations, but less than Germans and Austrians) and relatively closed.

Despite the fact that a five-factor solution was obtained on the regional sample, the results indicate that the Big Five framework was not fully replicated in this region, as there were difficulties with the Conscientiousness factor (in terms of interpreting the meaning of the factor with variables with several moderate-significant loadings on other factors), but also with the Openness factor (which is unstable and explains the least share of national character variance). In the initial factor analysis, the Conscientiousness factor for instance was robust when examined on the regional level, while on the national level it did not yield any logical and consistent findings. A further factor analysis of variables (items) pertaining to the Conscientiousness factor revealed that this factor consists of three sub-factors, namely of «Conventional» Conscientiousness items (as originally defined in the Big Five framework, which explained 32% of factor variance), a «Creativity» sub-factor (9% of variance explained) and of a «Hot-temper and competitiveness» sub-factor (7% of variance explained). Although the Hot-temper sub-factor explains only 7% of the variance of the (initial) Conscientiousness factor it represents the trait that is the most differentiating (sub) trait. Namely, it was found that these sub-factors exhibit entirely different tendencies to the general Conscientiousness factor when compared between countries. Slovene consumers, for example, were found to be high on Conscientiousness, but were the lowest on the sub-factor of «Hot temper and competitiveness». Problems with the factorial structure of the Big Five framework suggest that conscientiousness is an important issue for Balkan consumers, especially as a closer look at its sub-traits reveals that this dimension is not neutral in its valence. Several specific items that point to self-confidence (e.g. competent, smart and efficient) have high loadings on them. On the other hand, inconsistencies found in regard to this dimension point to some differentiating traits of consumers in the Balkan region (like hot/cold temper and competitiveness), which can indicate specific differences and national “peculiarities”. Other traits such as
intellectual, spiritual and artistic openness on the other hand seem to be less relevant in this region in
general, and again point out some commonality among consumers in the examined countries.

Unlike national character, the concept of attitudes focuses on a specific object (or issue). Attitude is defined
as the enduring organization of motivational, cognitive and emotional processes with some link to our
environment. It is a learned predisposition to respond in a consistently favorable or unfavorable manner
with respect to a given object/issue (Hawkins et al., 1989; Schiffman and Kanuk, 2004). Consumer attitudes
were measured with 20 items covering attitudes to shopping, peer influence, ethnocentrism, hedonic
shopping, value for money and environmental friendliness. A factor analysis was again used for data
reduction and summarization as our concern was to identify the underlying dimensions. For this purpose, a
common factor analysis with principal axis factoring was applied. The factors were rotated (using Varimax
rotation and Kaiser Normalization). Variables that correlated highly with more than one factor are excluded
from further analysis (seven variables). The obtained factors can be interpreted as follows: 1. Consumer
ethnocentrism (explains 14% of the variance); 2. Value-for-money shopping (12% of the variance); 3.
Shopping as fun (11% of the variance); 4. Peer-influence (10% of the variance); and 5. Environmental
friendliness (6% of the variance). In all, the five factors explain 52% of the total “attitudinal” variance. A
comparison of factor scores between the four countries shows significant differences for all factors except
for the value-for-money factor. Croats exhibit the highest ethnocentrism among all, followed by Bosnians,
Slovenes and Serbs who are by far the least ethnocentric. Shopping is seen as fun mostly in Serbia and
 Bosnia - in both countries it is significantly higher than in Croatia and in Slovenia. Peer influence is
significantly highest again for Serbs and Bosnians, while Slovenian and Croatian consumers are both lower
on peer influence. Finally, for environmental friendliness, Slovenes exhibit significantly higher scores than
the others, while Croats, Serbs and Bosnians do not differ significantly among themselves on this dimension.
Correlations between the Big Five personality factors and attitudes factors were also analyzed on the whole
sample to test if the national character dimensions could explain consumer attitudes in the Balkan region. In
general, we found that national character traits are poorly related with consumer(ist) attitudes. Still, some
significant ($p < 0.01$) positive correlations were found among Agreeableness and Value shopping ($r = 0.21$),
Extraversion and Shopping as Fun ($r = 0.22$) and between Openness and Environmentally Friendly Attitudes
($r = 0.24$). The Consumer Ethnocentrism and Peer Influence factors do not correlate significantly to any of
the Big Five dimensions.

With regard to the examined attitudes we can also conclude that some findings are expected and consistent
with previous studies, while others are surprising and warrant a careful interpretation and examination of
their implications. Mooradian and Swan (2006), for instance, found a robust association between
Extraversion and Word-of-Mouth, while in our study no relationship between Extraversion and Peer
Influence was found. Regarding ethnocentrism, Vida and Dmitrović (2001) also found that Croats are the
most ethnocentric consumers in the region, which fully corresponds to our findings. In Bosnia however,
consumers of Bosnian nationality are significantly more ethnocentric than Serbian and Croatian consumers
(Vida et al., 2008). Interestingly, Cicic et al. (2005) found that in Bosnia consumers of Croatian and Serbian
nationality consider domestic products to include those that are not made in Bosnia and Herzegovina, but in
neighboring countries - depending on the nation they belong to. These findings suggest that when examined
in the surrounding (neighboring, regional) context, consumer attitudes (as well as national character) may
take on different connotations and implications. In addition, they point to the need for a scrupulous
conceptual and measurement examination of the investigated concepts, as even supposedly universal
frameworks like the Big five need to be validated in the regional context.

From a socio-cultural and macro-marketing standpoint the results obtained also provide several interesting
implications. The National Character profile (especially Conscientiousness) can, for instance, be of interest
as an explanatory concept when the perceived quality of life and (national) self-esteem are in question. The
findings regarding ethnocentrism on the other hand provide an improved insight into the complex
relationships between national identity, animosity, and country-of-origin perception. Of particular interest
are also the findings on environmentally friendly products, which in the Balkan countries (except for
Slovenia) does not seem to be highly valued, which might indicate difficulties for sustainable products and
initiatives in southern Balkan. This indicates potential implications of the examined concepts for marketing-
like planning and implementing efforts of public policy. Examined concepts might serve as a promising segmentation basis for targeting various segments (e.g., on the basis un/favourability of certain attitudes). In addition, they might also be useful for developing evaluative measures needed to examine the effectiveness of public policy (e.g., whether a certain campaign results in an attitude change). Also, it will be useful to compare the size and demographic profile of the derived segments between various countries. Such comparisons are also warranted outside former Yugoslavia in the CEE region, which represents a possible extension of the present study.

Finally, interpretation of the results opens several interesting and relevant areas for the future, where the following issues seem of particular interest:

- **Marketing and public policy implications of national character and consumerist attitudes in the Balkan region.** The results obtained (due to their highly fragmented character and consumer attitudes rather than standardized region-centric strategies) support multi-local strategies and hybrid positioning (e.g, domestic/foreign).

- **Distinctions and investigation of relationships among the following, relatively neglected concepts in cross-cultural macro-marketing studies:** self-perception, self-confidence, stereotypes, auto-stereotypes, hetero-stereotypes, prejudices, etc. Namely, these concepts may clarify the established differences and inconsistencies, yet are complementary with more “central” concepts like national character and life satisfaction.

- **The dilemma whether in cross-cultural comparisons the focus should be on basic/universal concepts and dimensions or rather on specific characteristics that are relevant for the region (country, nation) and that are peculiar, contextual and differentiating.**

- **Possible explanations of the development (“genealogy”) of national character and consumer attitudes in light of recent marketing activities (Croatia, for instance, heavily promotes a “buy domestic” mind-set) and socio-economic and political conditions (note that certain attitudes such as “Value-for-Money Shopping” in some countries might be interpreted as a choice, while in others they might be interpreted as a necessity).**

**References**


Towards the Measurement of Openness: A Critical Variable in Macromarketing

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We attempt to develop a measure of openness through a series of logical steps by utilizing secondary data.

Introduction

From its earliest sources macromarketing as a discipline was presented as consisting of two defining elements: “aggregations,” and “social welfare” (Bartels 1976; Fiske 1981; Hunt 1981; Hunt 1976a; Hunt 1976b; Hunt and Barnett 1982; Meade and Nason 1982; Moyer and Hutt 1978; Shawer and Nickels 1981). By implication, therefore, two questions that are central to macromarketing are: (1) what constitutes human welfare and (2) what is the best economic and social system for achieving it (Pecotich and Yap 2005)? From the normative point of view it is these two questions that have been at the center of national and international ideological debate and conflict. Economists from institutions such as the World Bank, International Monetary Fund and World Trade Organization have argued that for poor nations, economic openness and liberalization are the necessary foundation for a reform agenda designed to increase human welfare (e.g. World Trade Organization 2004). However, evidence of the causal link between openness and economic development is rare and indeed not clearly supportive of the proposition. It is our intention to focus on the first step in an attempt to answer this question by developing a measure of openness that is conceptually and theoretically sound.

The Concept of Openness

Openness although widely used is a controversial concept that is often poorly understood and defined (e.g. Friedman 1962; Hayek von 1944; Hayek von 1960; Kuznets 1955; Lewis 1955; Mao 1967; Marx 1967; Marx 1844:1969; Myrdal 1957; Popper 1943a; Popper 1943b; Ricardo 1911; Robertson 1935; Schumpeter 1942; Smith 1776; Von Mises 1963; Weber 1958; Williamson and Buttrick 1954). However, there seems to be a degree of agreement that two elements are of essential relevance: (1) openness should infer mobility and freedom of entry and exit of material, organizations and human resources and; (2) openness should also infer an open exchange of ideas, skills and information, which in turn includes a favorable disposition towards modernization and the adoption of new technology and practices. This attribute implies that an “open society” would be one that is both dynamic and diverse, notwithstanding the conventions of cultural traditions and practices. In the process of operationalizing the concept of openness of particular interest from the macromarketing point of view are policies, infrastructure, and cultural factors that instigate, propagate, and facilitate these two attributes of openness. Emanating from this basis we propose that openness indicators will emanate from the degree of openness in five interacting systems: the (external and internal) economy, and the extent of the political, cultural, knowledge and marketing openness (Pecotich and Shultz 1998; Pecotich and Shultz 2006; Shultz and Pecotich 1997). We shall expand on the conceptual and measurement aspects of these systems below.

External Economic Openness

The issue of economic openness has been well researched by economists, but has been confined to two constructs: the extent of trade and the extent of capital mobility (Dollar 1992; Feldstein and Horioka 1980; Grassman 1980; Obstfeld 1995; Vamvakidis 2002). Several proxy measures have been developed for these constructs but no consensus exists (Krugman and Obstfeld 2003; O’Rourke 2000). In this context researchers have used the willingness to trade as a characteristic of openness in a country’s external
economic system (Barro 2000; Frankel and Romer 1999; Rodrik 1998). These authors measure economic openness by total value of imports and exports as a share of national income (GDP). A more open economy is deemed to have a higher trade volume ratio to GDP. Similarly, a country that demonstrates a proclivity towards trade would also have a higher trade volume ratio to its population (trade per capita).

Rodriguez and Rodrik (2000) argue that this ratio merely indicates trade volume, rather than openness in a country’s trade policy or the extent of trade liberalization. A review of the literature suggests that there is less agreement over the measurement of trade liberalization (Ben-David 1993; Edwards 1998; Leamer 1988; Rodriguez and Rodrik 2000; Sachs and Warner 1995; Wacziarg and Welch 2003). A popular indicator of liberal trade (or the lack of) is the extent of trade restrictions by way of tariffs and non-tariff barriers. Sachs and Warner (1995) and Wacziarg and Welch (2003) used the average tariffs on imports of intermediates and capital goods and the coverage of quotas on imports of intermediates and capital goods, in combination with other factors, to construct a dummy variable to represent an open/closed economy. A more open economy is deemed to have lower tariffs and non-tariff barriers.

Four additional indicators are used to measure openness to trade: the number of documents and calendar days required to export and import a container of dry goods (Djankov et al. 2006). These measures relate to trade facilitation and may be associated with both the extent of trade and trade liberalization. A more open economy is deemed to take fewer documents and less time to process export and import transactions.

In an open society, freedom of movement in goods and services should also be accompanied by freedom of movement in capital; nonetheless capital mobility is another theoretical concept that has eluded a consensus measurement among earlier researchers (Feldstein and Horioka 1980; Krugman and Obstfeld 2003; Obstfeld 1995). A measurement favored in this research study is one used by Kraay (1998) who gauges capital mobility using actual capital inflows and outflows as a percentage of GDP. This study adopts a similar approach by using foreign direct investment (FDI) inflows and outflows as a percentage of Gross Fixed Capital formation. A more open economy is deemed to have a greater proportion of FDI inflows and outflows.

Country-level data on the trade volume ratio to GDP are obtained from the World Bank Trade Indicators Report 2008 and the World Bank’s Country Briefs and Trade-at-a-Glance tables available online (The World Bank, 2008b); while, trade per capita data are obtained from the World Trade Organization’s World Trade Profile 2007 database (World Trade Organization, 2007). Data on the percentage of Most Favored Nation tariffs are obtained from the World Trade Organization’s World Tariff Profile 2008 report (World Trade Organization, 2008). Data on the Doing Business indicators are obtained from the Doing Business online database (The World Bank, 2007c). Country-level data for FDI inflow and outflow as a share of GDP are obtained from the UNCTAD’s 2007 World Investment Report (United Nations Conference on Trade and Development, 2007). Table 1 below summarizes the indicators used for this dimension.

**Internal Economic Openness**

The private and social benefits of competition in a market have been well documented in economic literature and do not require any further elaboration here (e.g., Hunt 2000; Lindblom 1977; 2001; Von Mises 1963). Therefore, with respect to openness, an open market would be both one that allows new firms to freely enter a market and one that allows the dynamics of competition (or the ‘invisible hand’) to operate.

Freedom of entry into (and exit from) a market is a hallmark for fair and equal economic participation in the Open Society. The time and costs incurred in establishing a business can vary with the extent to which government regulation and bureaucracy burden nascent entrepreneurs (De Soto 1990; Djankov et al. 2002). The time and costs of acquiring licenses and permits can also increase start-up and operating costs of a business (Beach and Kane 2007). These factors are considered in the annual Doing Business Survey conducted by the World Bank (Djankov et al. 2006), of which four indicators are of interest in this study: the number of procedures and costs involved in starting a business and applying for a license to
construct a building. A more open economy is deemed to require fewer procedures and less money to start a business or operations.

Another characteristic of economic freedom is that the market should be able to clear without intervention, even though this can prove difficult even in capitalist economies (Easton and Walker 1997). Several authors have acknowledged the role of the state in distorting market prices (Alesina and Rodrik 1994; Beach and Kane 2007; Easton and Walker 1997; Gwartney and Lawson 2006; Rodrik 1998), where common examples include the overstimulation of demand from the state, the imposition of price controls, and the price distortion resulting from government subsidies to producers. Whilst state intervention in markets has a redistributive effect in most circumstances, these authors agree that the economic ideal is to allow market participants to determine their own fate. The Fraser Institute and the Heritage Foundation measure freedom from distortion by examining levels of government spending (government expenditures as a percentage of GDP). A more open economy is characterised by a lower proportion of its national income attributable to government expenditures.

Country-level data on the number of procedures and costs involved in starting a business and applying for a license are available from the Doing Business website (The World Bank, 2007c). Government expenditure data are obtained from the United Nations Statistics Database online and are based on World Bank estimates for the year 2007 (United Nations Statistics Division, 2007). Table 2 below summarizes the indicators used for this dimension.
Political Openness

Democracy and political participation are the central tenets of Popper’s (1943) notion of the Open Society; however, there have been many attempts to define and measure democracy and political participation (Adelman and Morris 1971; Bollen 1980; Freedom House 2008; Gastil 1982-1983; Jackman 1973; 1975). Lipset (1959, p. 27) provides a useful conceptualization of democracy that emphasizes the role of voting in self-governance: “a political system which supplies regular constitutional opportunities for changing the governing officials, and a social mechanism which permits the largest possible part of the population to influence major decisions by choosing among contenders for political office.” The importance of voting has also been demonstrated in the work of other authors who use voting statistics as an indicator of self-governance or democracy (Coulter 1975; Jackman 1973; Jackman 1975; Shachar and Nalebuff 1999; Smith 1969; Stack 1979). Stack (1979) asserts that voter turnout is an indicator of active political participation and that high political participation would lead to elected officials who are more representative of the general population. We concur and use voter turnout as an indicator of political participation. An additional indicator of direct democracy is used to supplement this measure: whether a country’s constitution allows for mandatory or optional referendums. A more open political system is deemed to have a higher level of voter turnout and allows for referendums by its citizens.

It is also common for the conceptualization of democracy to comprise of the right to organized political opposition (Adelman and Morris 1971; Downs 1957; Lenski 1966). Downs (1957) and Adelman and Morris (1971) add that a democratic society is one where there is breadth and choice of representation in political parties – consistent with the characteristics of an open political system. Accordingly, efforts to measure democracy have incorporated a dimension of political pluralism or political opposition (Banks 1971; Bollen 1980; Freedom House 2008; Marshall and Jaggers 2005; Vanhanen 2000). Two useful measures of political pluralism is the Political Pluralism and Participation and Associational Rights sub-indices published by Freedom House (Freedom House 2008). These indices are generated from country analyst ratings on the extent to which there is liberty to organize and vote for representation of disparate interests. A supplementary measure of political competitiveness is chosen from the POLITY IV dataset, which is also generated from analyst ratings (Marshall and Jaggers, 2005). A more open political system is characterized by higher ratings of liberty in political pluralism, opposition, and competition.

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A more objective measure of pluralism is added: the Herfindhal index of government and opposition. This index, published in the World Bank’s Database of Political Institutions, is a measure of political concentration (Beck et al. 2001). Fragmented legislative partisanship is indicative of political pluralism; thus, a more open political system is deemed to have greater pluralism and a lower Herfindhal score.

The different conceptualizations of democracy covered in the literature review have also consistently included total accountability and transparency as defining characteristics of a liberal democracy. Bollen (1993) offered his conceptualization of liberal democracy which comprises two dimensions: political liberties and democratic rule. Like several authors before him (Huntington 1984; Lipset 1963; Vanhanen 1990), Bollen argued that democratic rule exists to the extent that the national government is accountable to the general population. As a co-requisite of democracy, openness and transparency in government also feature prominently in academic and policy discussions alike (Campos and Nugent 1997; Stiglitz 1999; Transparency International 2008). Transparency International publishes a Corruptions Perceptions Index that is of interest in this study because corruption in government undermines its accountability to the many in the interest of the few. An additional indicator of transparency is used to supplement this measure: whether a country has freedom-of-information legislation to provide its citizens access to government information (Banisar, 2006). A more open political system is deemed to have lesser perceptions of corruption and freedom of information laws.

Popper also asserts that an open society is one that has diplomatic relations with other societies (Popper 1943). A country’s diplomatic relations can be enumerated in both its dyadic political ties with other individual countries, as well as, its association with a group of countries in forming an inter-governmental alliance. In an investigation of the structure and culture of the global system, Wallace and Singer (1970) looked at the increase in the number of inter-governmental associations and its constituent members. It would then be possible to measure the extent of a country’s diplomatic relations through its membership in inter-governmental associations. A more open political system is deemed to have memberships in more international organizations.

The International Institute for Democracy and Electoral Assistance (2007) provides country-level statistics on voter turnout percentage, which is the total number of votes in the most recent parliamentary election divided by the total number of registered voters. The IDEA website also provides information on referendums (International Institute for Democracy and Electoral Assistance, 2008). The two sub-indices of Political Pluralism and Participation and Associational Rights are obtained from the Freedom House website (Freedom House, 2008). POLITY IV ratings are published online (Marshall and Jaggers 2007). The Herfindahl Index for political concentration is available from the World Bank’s Database of Political Institutions website (Beck et al. 2001). Transparency International’s Corruption Perception Index is obtained from its website (Transparency International 2008). Data on the Freedom of Information are sourced from the Freedom of Information around the World website (Banisar 2006). Information on membership of inter-governmental organizations is reported in the CIA World Factbook and is available on its website (Central Intelligence Agency 2008). Table 3 below summarizes the indicators used for this dimension.

Cultural Openness

Many of the ideals of the Open Society, such as dynamism, aspiration, equality, and individual freedom, guide the constituent beliefs, values and philosophy of its culture. To measure the cultural openness of a country, we have to assess the more observable manifestations of culture. These constructs include equity in social relations, heterogeneity or diversity in ethnic, linguistic, and religious groupings, and the extent of indoctrination and control in society. Such cultural characteristics have significant influence on the welfare of a society (Alesina et al. 2003; Hansen 1963; Inkeles 1966; Inkeles and Smith 1974; Lopez-Carlos and Zahidi 2005; Marsella and Choi 1993; Weber 1958).


Gender equality is an important consideration in cultural openness because it reflects a society’s fundamental beliefs and values on equity and self-assertion (Mill 1869:1970). The United Nations Development Programme publishes the Gender-related Development Index (GDI) which measures the extent to which women are given equal access to education and professional and political opportunities (UNDP 2008). Along with this indicator, we will also utilize the ratio of female to male enrolment in primary and secondary education published by the UNESCO Institute for Statistics (UNESCO Institute for Statistics 2008b) and the ratio of female to male labor force participation rate published by the International Labour Organisation (ILO 2008). A more open cultural system would exhibit greater equality for women; thus, a higher GDI score and higher levels of female participation in education and the labor force.

A society that is open to cultural exchange acts as a confluence of several sub-cultures which is evident in its ethnic, linguistic, and religious composition (Parker 1997). Popper and Bergson envision the Open Society as one that is capable of critical dualism and cultural contact with other societies (Germino and Von Beyme 1974; Musgrove 1974). As an increasing number of migrants arrive and become assimilated, the culture of a society becomes more heterogeneous. Measures of ethnic, linguistic, and religious fractionalization have been used by several researchers as a measure of cultural heterogeneity (Alesina et al. 2003; Annett 2001; Clague et al. 2001; Fearon 2003; Mauro 1995). Similar to the indicator for political pluralism, the Herfindahl index is also used to measure the concentration of ethnic, linguistic, and religious composition. A more open cultural system is one where there is greater diversity in these three groups.

Popper (1943) proposed that the Open Society is capable of critical dualism, which encompasses continual self-reflection and dissent; nonetheless, governments and societies use policies and institutions of
indoctrination and censorship to mold thought and suppress freedom of speech. The main thought control apparatus used in pre-industrial societies are tribal and religious institutions (Harris 1980). The use of religious institutions as a tool of indoctrination and control is still prevalent, although the control of mass media has become more prevalent in the post-industrial societies. Without critical dualism, religious teaching can become dogma and as a result, society becomes restrained by tribalism and fatalism (Marx 1970; Weber 1958). Without free speech and freedom of the press, the mass media can be a vehicle for propaganda by the state or ruling class.

Some researchers view secularism as a departure from religious dogma and is a characteristic of cultural openness and modernity (Granato, Inglehart, and Leblang 1996; Inglehart and Baker 2000; Weber 1958). To measure secularism at the country-level, we use two indicators: the proportion of the population that is non-religious types or atheists according to a survey conducted by the World Christian Database. We have also added a subjective indicator of secularism: whether religious education is part of the public school curriculum. A more open cultural system is deemed to be one that is more secular; therefore one with greater proportions of non-religious types and atheists and a separation of religion and education.

Openness in the cultural system is also characterized by the freedom of expression and freedom of the press, both of which are measured in the Freedom House’s Freedom of Expression and Beliefs and Press Freedom Index (Freedom House 2006b). We use these analyst ratings to measure freedom of speech. A more open cultural system is deemed to have greater freedom of speech.

Country-level scores for the GDI are available from the Human Development Reports website (United Nations Development Programme 2008). Primary and secondary school enrolment ratios are published in the UNESCO Institute for Statistics website (UNESCO Institute for Statistics, 2008b). Labor participation rates are available from the International Labour Organisation’s (ILO) Key Indicators of the Labour Market 5th Edition Statistics website (International Labour Organisation, 2008a). Fractionalization scores for ethnic, linguistic, and religious groupings are calculated from demographic information obtained from the 2001 Encyclopedia Britannica and the 2000 CIA World Factbook and presented in the Alesina et al. (2003) study’s dataset. Information on whether religious education is permissible as part of the public school curriculum is sourced from the United States Department of State’s most recent International Religious Freedom Report, available online (The Bureau of Democracy, 2007). Country-level data on the proportion of the population that is non-religious or atheist are obtained from the Association of Religion Data Archives website, which presented data compiled by the World Christian Database (The Association of Religion Data Archives 2008a; 2008b). The sub-index of Freedom of Expression and Beliefs (Freedom House, 2008) and Press Freedom Index (Freedom House 2007) are obtained from the Freedom House website. Table 4 below summarizes the indicators used for this dimension.

Openness in the Knowledge System

The knowledge system comprises the body of public knowledge in a society, as well as, the individuals, groups and institutions that participate in the creation and diffusion of knowledge. Since knowledge has value in many areas of society and is commonly regarded as ‘intangible’ capital, scholars in the sociology of knowledge such as Marx and Mannheim have debated the societal effects of the creation, possession, control and diffusion of knowledge (Boronski 1987). The knowledge system of a particular society can embody many characteristics of the Open Society. For instance, the extent to which a society’s body of knowledge is scientific knowledge may demonstrate its predisposition towards objectivity and critical dualism. The rate of knowledge creation may demonstrate a society’s leaning towards modernity and liberalism (Inkeles 1998). Moreover, the extent to which knowledge is or can be shared and disseminated may demonstrate a society’s philosophy towards transparency and open access. Even though Batscha (1974) and Pecotich and Shultz (1998) list several characteristics of a knowledge system, there are two most pertinent to this study: scientific research and scientific knowledge sharing.
An advocate of falsification (Popper 1963) and critical dualism (Popper 1943), Popper asserted that the Open Society is governed by reason and individuals are capable of differentiating natural and normative laws. Ayres (1962) argued that any society that wishes to benefit from knowledge must adopt the scientific conception of truth over the ritualistic values of the past. Inkeles (1998) also describes a modern country as one that demonstrates a proclivity towards science and research. We look to the United States Patents and Trademark Office’s patents data for a measure of knowledge creation because it is the most reliable and available data at the country level. A more open knowledge system is characterized by a greater number of patents distributed.

Scientific inquiry is facilitated by the exchange of information and dissemination of knowledge. Batscha’s (1974) operationalization of knowledge sharing involves three dimensions; one of which is the

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<tr>
<th>Characteristic</th>
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<tr>
<td>Gender equality</td>
<td>Gender-related Development Index</td>
<td>United Nations Development Programme 2008</td>
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<tr>
<td></td>
<td>Female enrolment in primary school as a share of male enrolment</td>
<td>UNESCO Institute for Statistics 2008</td>
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<td></td>
<td>Female enrolment in secondary school as a share of male enrolment</td>
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<td></td>
<td>Female labor participation rate as a share of male labor participation rate</td>
<td>International Labour Organisation Key Indicators of the Labour Market 2008</td>
</tr>
<tr>
<td>Cultural diversity</td>
<td>Herfindahl index for ethnic groups</td>
<td>Encyclopedia Britannica 2004 and CIA World Factbook 2000</td>
</tr>
<tr>
<td></td>
<td>Herfindahl index for linguistic groups</td>
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<td></td>
<td>Herfindahl index for religious groups</td>
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<tr>
<td></td>
<td>Number of non-religious types as a share of population</td>
<td>The Association of Religion Data Archives 2008a,b</td>
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<td></td>
<td>Number of atheists as a share of population</td>
<td></td>
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<tr>
<td>Freedom of speech</td>
<td>Freedom of Expression and Beliefs Index</td>
<td>Freedom House Freedom in the World 2008</td>
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Table 4: Measurement Indicators for Cultural Openness
publication of scientific and technical articles. We use two indicators to measure knowledge dissemination: the number of published Science and Engineering articles originating from a particular country and the number of Science and Engineering articles that are internationally co-authored (at least one author in the article from another country). A more open knowledge system is deemed to have a higher number of Science and Engineering articles.

Country-level data for utility patents granted are available from the United States Patent and Trademark Office website (United States Patent and Trademark Office, 2008). Data on the number of published Science and Engineering articles and the number of internationally co-authored Science and Engineering articles are sourced from the United States’ National Science Foundation (NSF) Science and Engineering Indicators 2008 website (National Science Foundation, 2008). Table 5 below summarizes the indicators used for this dimension.

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<tr>
<th>Characteristic</th>
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<tr>
<td>Knowledge creation</td>
<td>Number of utility patents granted in 2008</td>
<td>United States Patent and Trademark Office 2008</td>
</tr>
<tr>
<td>Knowledge sharing</td>
<td>Number of published Science and Engineering articles</td>
<td>United States National Science Foundation Science and Engineering Indicators 2008</td>
</tr>
<tr>
<td></td>
<td>Number of published Science and Engineering articles that are internationally co-authored</td>
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Openness in the Marketing System

The marketing system is highly relevant to any research study that seeks to improve the human condition. Pecotich and Shultz (1998) identified the marketing system as one of the interactive systems affecting the progress of a society. Many authors have also underscored the importance of marketing in society (Ahuvia and Friedman 1998; Arndt 1978; Drucker 1958; Hirsch 1961; Kaynak 1986; Moyer 1965; Nason 1989; Sirgy et al. 1985; Slater 1970; Thorelli and Sentell 1982). From a “functionalist” perspective, a marketing system can be assessed for openness because the passage of goods and information through the marketing channel should be extensive and unfettered. Two characteristics of the marketing system are of interest in this study: the extent of a country’s existing distribution infrastructure and its capacity to move goods and information through the infrastructure.

The passage of goods and information between producers and consumers is constrained by the existing distribution infrastructure. An extensive transportation infrastructure will improve consumers’ access to goods while a well-developed communication infrastructure will enable information to flow more efficiently. We measure the development of transportation infrastructure with three indicators: total length of paved and unpaved roadway per thousand inhabitants, total length of railway per thousand inhabitants, total number of airports with paved and unpaved runways per million inhabitants. The communication infrastructure is measured with five indicators: total number of fixed and mobile phone subscriptions per hundred inhabitants, total number of internet subscriptions per hundred inhabitants, total number of AM and FM radio stations per million inhabitants, total number of TV stations per million inhabitants, and total number of daily newspapers per million inhabitants. A more open marketing system is deemed to have a better-developed transportation and communication infrastructure; thus, higher scores for these indicators.

The competency of marketing intermediaries to transport goods and information through the distribution infrastructure is another important consideration for the development of a marketing system. Thorelli and Sentell (1982) observed that developed countries have more open markets that often feature
efficient distribution channels with well-developed middlemen roles and greater access to the social and economic infrastructure. We use a single indicator to measure the capacity of marketing intermediaries: the size of the labor force employed in transportation, storage, and communication sectors as a ratio of the total labor force. To measure the competency of the marketing intermediaries, we employ four indicators of the Logistic Performance Index (LPI) published by the World Bank from a survey of logistics companies: overall LPI score, quality of infrastructure, competence of private and public logistic providers, and domestic logistics cost. Countries surveyed are given a rating from 1 to 5, 5 being the highest or best. A more open marketing system would be characterized by a greater capacity and competency of its marketing intermediaries.

Statistical indicators for the transportation infrastructure are obtained from the CIA World Factbook 2008 website (Central Intelligence Agency, 2008), and then divided by the reported population figures for that country. Statistics for phone subscriptions and internet users are obtained in its current form from the World Bank’s World Development Indicators website based on data provided by the International Telecommunications Union (The World Bank, 2007a). The indicators for radio and television stations are generated by taking the number of radio and television stations and dividing it by the country’s population, both of which are published on the CIA World Factbook 2008 website (Central Intelligence Agency, 2008). Data on newspapers are obtained from the UNESCO Institute for Statistics (UNESCO Institute for Statistics 2008a). Marketing labor force statistics are obtained from the ILO website (International Labour Organisation, 2008b). Logistic Performance Index scores are obtained from the World Bank’s Trade Logistics and Facilitation report (The World Bank, 2007b). Table 6 below summarizes the indicators used for this dimension.

<table>
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<tr>
<th>Characteristic</th>
<th>Indicator</th>
<th>Source</th>
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<tbody>
<tr>
<td>Transportation infrastructure</td>
<td>Total length of paved and unpaved roadway per thousand inhabitants</td>
<td>CIA World Factbook 2008</td>
</tr>
<tr>
<td></td>
<td>Total length of railway per thousand inhabitants</td>
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</tr>
<tr>
<td></td>
<td>Total number of airports with paved and unpaved runways per million inhabitants</td>
<td></td>
</tr>
<tr>
<td>Communication infrastructure</td>
<td>Total number of fixed and mobile phone subscriptions per hundred inhabitants</td>
<td>World Bank Development Indicators 2008</td>
</tr>
<tr>
<td></td>
<td>Total number of internet subscriptions per hundred inhabitants</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total number of AM and FM radio stations per million inhabitants</td>
<td>CIA World Factbook 2008</td>
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<tr>
<td></td>
<td>Total number of TV stations per million inhabitants</td>
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<td></td>
<td>Total number of daily newspapers per million</td>
<td>UNESCO Institute for Statistics 2008</td>
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</table>
Conclusions

The central objective of this paper has been to provide a basis for the measure of openness a variable that is hypothesized to be strongly linked to human welfare. It is our hope that in so doing we will contribute to the ongoing ideological debate and provide some evidence for action towards human prosperity.

References

Bartels, Robert. 1976. The History of Marketing Thought (2nd ed.). Columbus, Ohio: Grid, Inc.


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Colonised Cork: Trade, Boom, and Bust 1600 - 1848

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Pierre McDonagh, Dublin City University, Ireland

According to Fisk (1967) the evolution of marketing systems began when the first commodity surpluses became available after the development of pastoral agriculture. In an Irish context, marketing systems became more complex after the second wave of English colonial occupation in the 16th century. Agricultural practices become more intensive, markets and fairs were established and new products became available through international trade with Cork city emerging at the time as the most important Irish Port due to its Atlantic location. This paper will outline the key events that led to this 17th century economic boom as well as examine some of the cultural and economic consequences of the period.

Introduction

Food and globalisation are inseparable (Nützental and Tentmann 2008). The golden arches of McDonald's probably represent one of the most prominent symbols of globalisation (Wilk 2007). The impact of globalisation on food culture has arguably been to increase homogeneity and diversity (Moynihan and McDonagh 2008). What these phenomena both share is the ability to disembod the culture from its locale, creating connections with disparate people and places, and increasing the availability of foods from far off places (Ashley et al. 2005). The globalisation of food is not a new phenomenon. International trade in food items has occurred since ancient times (Mintz 1985). Greece and Rome according to Hull (2008) are examples of early affluent societies where wealth brought an appetite for prized luxury items such as frankincense and myrrh from Saudi Arabia, Chinese silks and Indian spices.

Gunpowder, the compass and the printing press transformed the food culture of early modern Europe (Cowan 2007). The printing press allowed for the widespread publication of cookery books, diet advice and gastronomic philosophy. The combination of overseas travel enabled by the compass and gunpowder shaped the rise of early modern European empires across the globe. Crosby (1972) cites the Columbian Exchange as the most important food globalisation event in world history. The discovery of the New World, the expansion of Europe and the emergence of modern colonial systems in the late 15th century created large networks of food and trade between the Caribbean, Europe and the Americas. The Atlantic world was ground zero of an intense integrated system of food chains linking plantation economies with European consumers (Nützental and Tentmann 2008). Confined first to sugar, these plantations were an important early consequence of the shaping of the first 'planetary – that is to say, transoceanic – empires' (Mintz 2008: 22). This expansion changed foodways at home by introducing Europeans to new foods and culinary influences from abroad. It is worth noting that the process of colonisation did not just affect the foodways of the colonisers. Wilk (2007) provides rich ethnographical research on the many changes in the food habits of the colonised in Belize. In intercultural encounters, one of the oldest and best documented cross-cultural encounters in European history is that between England and Ireland. From the 12th century onwards there is rich and continuous record of English observations on the neighbouring isle as it was brought into English purview and under English domination (Leerssen 2006).

While the economic history of Cork city has been discussed in many works (Bielenberg 1991; Dickson 2005; Dickson 2005; McCarthy 2001, 2003a, 2003b) and the marketing history of certain institutions such as the Cork Butter Exchange (Rynne 2008) and the English Market (Ó Drisceoil and Ó Drisceoil 2005) have been very well discussed in others far less attention has been directed at the wider macromarketing effects of economic development at the time.
The purpose of this paper is to examine and periodise the effects of British rule and early colonial driven globalisation on food trade, commercialisation and society in Cork city. The study will proceed chronologically starting with a brief overview of activities before the second wave of British colonial expansion in Ireland in the early part of the 17th century. The second time period will span the 17th century which was characterised as a time of political and social upheaval as Imperial powers sought to subjugate the native Irish population alongside as well as laying the seeds for a commercial economy. The third time period is the 18th century which saw the growth in trade and prosperity of the city due to the development of various food industries such as milling, brewing, butter and beef. This was also a time of relative social rest as well as the emergence of a small Catholic merchant class. The final time period is 1800-1848 which resulted in the beginning of a decline of the provisions trade thanks in large part to the end of the Napoleonic Wars and the Act of Union in 1800 as well as the devastating effects of the famine. These turning points reflect different stages in the commercial development of food marketing in the city and crucial turning points in society in Cork and as well as her hinterland (Hollander et al 2005). Appendix 1 provides a tabular overview of key events and consequences in each of the time periods outlined above.

Ireland: The 1st British Colony

Throughout the course of world history colonists could not do without cities as the process of colonisation and colonial rule required many unequivocally urban functions (Ross and Telkamp 1985). Dickson (2005) contends that the demands of international trade was the most influential stimulus inducing economic growth and agricultural change where Cork emerged as a specialist region for consumer imports and as a major Atlantic port for the exports of provisions. Cork harbour was considered the finest natural harbour in the northern hemisphere and until Captain Cook and the Endeavour reached Sydney in May 1770, Cork would have been the largest natural harbour known to mariners (Rynne 1998).

Cork, or Corcaigh (the great marsh of Munster) has its historic beginning in the 7th century when St. Finbarr founded a monastic settlement on what is now Gilabbey Rock (Cork Archive 2005). The monastery was sufficiently developed and wealthy to attract the attentions of Viking raiders during the 9th century allowing the city to become part of the wider network of trading posts and towns established by the Vikings in many parts of Europe (Ó Drisceoil and Ó Drisceoil 2005). Cork's coat of arms preserves an enduring image of a medieval walled town with its protective ship gate flanked by two great towers (Jeffères 2004). By the twelfth century the population of Cork was a mixture of Hiberno-Norse and Irish. Norman expansion and occupation began in Ireland around 1170 and two Anglo-Norman lords besieged Cork in 1177 (Ó Drisceoil and Ó Drisceoil 2005). The city was incorporated as a royal borough by Prince John, lord of Ireland in c.1189 (Jeffères 2004) when he granted a charter giving Corkonian's “all the laws and franchises, and frank custom of Bristol”. The charter gave the city many privileges such as powers to levy tolls and customs on all goods imported and exported as well as many powers in administrative and criminal law.

Figure 1: Cork City Coat of Arms (Statio Bene Fide Carinis: Safe Harbour for Ships)
The city operated like an autonomous Continental Republic until the accession of James I in 1603 (Cork Archive 2005). Up until the 17th century Cork's external trade was modest and the port was less significant than Youghal, Waterford and Wexford, the other principal ports on the southern coast of Ireland. Trade mainly consisted of skins, hides, woollen mantles, fish and wood. The 16th century city was loyal to the crown with political and economic life controlled and dominated by an elite that was English in identity. Elizabeth I ascension to the throne in 1558 intensified policies of conquest and colonisation leading to an increased presence of English Protestants in the south of Ireland as a result of the plantation of Munster (Ó Drisceoil and Ó Drisceoil 2005).

**Plantation of Munster**

While the early 17th century was a time which saw the continued emergence of the early capitalist world system, it is also of interest to note that it was a time that has been described by O'Sullivan (1937: 86) as 'the turning point of English rule in Ireland, after which the Royal authority found itself in full control, following the defeat of the Irish at the Battle of Kinsale in 1601. According to Ellis (1996: 8) the main aim of English plantation in Ireland during the course of the 17th century was to incorporate Ireland and its inhabitants into a wider English...State, and to create a permanent European society that was culturally English and governed in the same way as England itself by English law and administrative structures'. Direct administrative control of the countryside by the state was one of the methods by which a colonial relationship was affected in early modern times. The system of landlordism created by the land confiscations or plantations of the 16th and 17th centuries in Ireland was also a mechanism of maintaining control of the countryside. During this time period the Crown removed Gaelic chieftains (Ellis 1999) and the well-to-to Catholic descendent of Anglo-Norman settlers often in the pretext of rebellion from their role as the governing classes of Irish society. Ownership of the most fertile land was transferred to a new class of landowners whose loyalty to the Crown was guaranteed by their Protestantism and their own dependence on the state as the ultimate guarantor of their security (Miller and Hochberg 2007).

The plantation of Munster was the first major colonial experiment by the English government. According to Dickson (2005) it involved the forced displacement of a number of dependent septs, cadet branches, and freeholders on what was deemed to have been the patrimony of the earl of Desmond creating a 'powerful reservoir of resentment' in its wake (ibid:10). By 1598 it was estimated that 12,000 – 15,000 New English Protestant settlers where arriving in Munster as a result of the plantation (Bultin 1977). Colonial rule in the region was strengthened during the early part of 17th century when the Recusants who refused to proclaim James I as King were defeated (McCarthy 2003a), hence the name 'Rebel Cork' (Cork Archive 2005). The new charter of James I in 1608 deprived the city of its power to levy custom duties (Cork Archive 2005), which was accompanied by the erosion of religious freedom (McCarthy 2003a).

**Figure 2: Map of Munster**
17th Century: Early Colonised Cork

The first half of the 17th century saw a rapid transition in Irish agricultural life. After the 1600s the transition towards a more commercial economy, stimulated by plantation and the development of towns was marked by an increased exploitation of timber sources, increasing wool exports and the development of the livestock trade, with the latter representing the most important catalyst in economic growth in the 17th century. This growth in exports was largely thanks to the plantation in Ireland under Oliver Cromwell (Woodward 1973). During the 17th century Cork became a major Atlantic seaport and established an export trade in provisions that laid the foundation for the great expansion and improvements in the city in the subsequent century (Ó Drisceoil and Ó Drisceoil 2005). An unprecedented degree of political stability and order, though punctuated by two cataclysmic upheavals, allowed Cork and its wider geographical region to develop in line with its potential. The city grew in size and wealth, however, the benefits of this boom was reaped by the New English settlers who controlled the city until the 19th century (Jefferies 2004).

The Othering of the Irish

McCarthy (2003b) discusses the 'othering' of the native Irish and Old English in the mind of the New English where the Irish were stereotyped as “half-human savages” (ibid: 63). Modern style accounts of Ireland from Tudor times onwards are more attentive to the daily manners and customs of the native Irish who are drawn to be uncouth, restive, lazy and untrustworthy – the standard stock and trade of colonial degradation (Leerssen 2006). Suranyi (2006) contends the Irish were seen as the most bestial of all Europeans and received most of the vilifications in English travel writing. The 'Wild Irish' as many called them were 'barbarous and most filthy in their diet' (Moryson 1617, cited in Suranyi 2006). Even many of the Old English according to Moryson had their manners tainted by Irish ways and have 'little by little been infected by thee Irish filthinesse'. The Irish were portrayed as eating shamrock and sour milk (Moryson 1617), raw meat and diseased meat and flat brown bread (Campion 1571). In keeping with the image of the beastly Irish character, they were frequently debased by an association with naked bodies and many relate to food or eating (Suranyi 2006). Moryson (1617 cited in Suranyi 2006) claims that, 'At Corck I have seen with these eyes, young maides starke naked grinding corne with certaine stones to make cakes thereof, and striking off into the tub of meale, such reliques thereof as stuck on thighes and more unseemly parts'.

Though MacLysaght (1979) on his analysis of 17th century Irish life did agree that life was backwards in most parts of remote Ireland but states that 'we must not allow ourselves to regard the conditions of inaccessible districts as typical of the country as a whole' (ibid: 28). He also argues that 'practically everyone was dirty in those days, fashionable people in London as well as rustics in Ireland. Pepys...saw nothing very objectionable or remarkable in the fact that his head was at times full of lice, and the normal condition of Dr. Johnson's wig was notorious' (ibid: 29). This othering of vast numbers of people by European colonialist thought and their construction as backward and inferior, depend on what Abdul JanMohamad calls the 'Manichean allegory' in which binary and implacable discursive opposition between races is produced (1985). Loobma (2005) contends that these oppositions are vital, not only for creating an image of non-Europeans, but also for constructing a European self. Though racial stereotypes are not the product of modern colonialism it helped intensify and expand them.

In Ireland, the natives of Ulster rose up in revolt in 1641 seeking to rectify by physical force the land losses that they had suffered due to the Plantation of Ulster. The 1641 rebellion had considerable consequences for Cork Catholics as they were viewed, along with their counterparts in the rest of the country, as a major threat to the Protestant faith (McCarthy 2003b). Noonan (1998) states that this uprising by Catholics and its clergy fundamentally changed how the English viewed Irish people. Previous to this she claims that Tudor and early Jacobean writers on Ireland, such as Spenser (1633) and Davis (1612) stressed the superiority of English culture but acknowledged some virtues of Irish people that would be amenable to positive transformation by its colonisers. Noonan (1998) feels that religious difference has been overly stated as a catalyst for the discordant relationship between the two peoples at this time. She maintains that this attitude had as much to with ethnicity and considers the central role of John Temple's book, The Irish Rebellion (1646) in ameliorating the attitudes of the English. The book was widely read in England and
went through ten editions between its publication in 1646 and 1812. Even in the 19th century English historians of repute treated it as an authoritative read until it was exposed by Lecky as a gross exaggeration who described it as a 'party pamphlet by an exceedingly unscrupulous man, who had the strongest interest in exaggerating the utmost' (MacLysaght 1971: 14-15). Temple at the time claimed that 300,000 Protestants were savagely murdered or expelled from their homes – this figure was about ten times the total Protestant population of the Ireland outside of the towns where it is known that no massacre took place (MacLysaght 1971). Alfred Webbe, the vice president of the Irish Protestant Home Rule Association, sought to counteract the arguments that the Irish were not capable of home rule made by Temple. Identifying Temple’s work as a primary agent of such an attitude he felt that Temple’s propaganda firmly set the image of the Irish as an enraged, barbarous people in the minds of the British (Noonan 1998).

**Early Market Economy**

Within all of the discontent, it is of interest to note that strong efforts were made by the colonial authorities to stimulate development of a market economy in Ireland evidenced by the granting of patents to almost 500 market sites between 1600-1649. The purpose of these fairs was to facilitate the selling of local produce for cash which promoted the commercialisation of agriculture. With the increased demand for imported items at these fairs, Cork's customs increased. In the years 1599-1606, £225 in duties was collected rising to £880 between 1615-1618 (McCarthy 2003b). By this time Cork was also the most important port in the Irish wine trade accounting for about twenty percent of imports with an estimated value of £5,055 mainly from the French ports of Calais, St. Malo and Bordeaux (Jeffries 2004). This increase in port business is further highlighted by Dickson (2005), who shows that customs returns increased from £880 in 1615-1618 to £3,135 in 1640-1641. As the city became more prosperous and the population increased the city's economy became more diversified and sophisticated (Jeffries 2004). The restoration of Charles II in 1660 and the return to peace served to create conditions conductive to economic development in Ireland. Soon after restoration, the colonisation of the New World gathered momentum with Ireland rapidly integrating itself into the expanding English mercantilist state. It was estimated at the time by Sir William Petty that Ireland's trade quadrupled between 1652-73 (McCarthy 2001).

The Restoration years also saw the nature of Irish trade change by displacing England as its main trading partner (McCarthy 2001). The emergence of the Irish Provision Trade, where huge quantities of corned beef, butter, and to a lesser extent, bacon were exported through the empire, came as a direct result of the imposition of the Cattle Acts of 1663 and 1668, when the export of live cattle was severely penalised and eventually banned. Cork in particular emerged as one of the most important beef curing and slaughtering centres in the British Isles (Sexton 2001). Most 17th century authors and historians of modern economics are in broad agreement about the effects of the act according to Donald Woodward (1973). Though they agree that the Irish economy passed through an “acute, short term depression, they believe that what might to-day be called an economic miracle occurred” (ibid: 501). He goes on to state that the law brought many advantages to Ireland and disadvantages to England. Great efforts were made on growing the victualling trade which employed more people than the livestock trade and on the exportation of beef to the continent. In addition to this many ships on the Atlantic also made stops at Irish ports for provisions. It is alleged that this damaged Anglo-Irish trade, decreased revenues for the crown and fostered industrial development in Ireland. McCarthy (2001) states that despite questions about quality, the cheapness of Irish provisions resulted in large quantities of them being sold in the West Indies as well as in the colonies established in mainland America. In many cases, Irish beef was half the price of its English equivalent. Cork and other Irish ports had intermittently been allowed to import from the colonies during the late 17th century. Outgoing cargoes of provisions were restocked with return cargoes from the West Indies of tobacco, sugar, fruit, oils, indigo and aniseed. However a series of restrictions on the import trade was introduced by a Navigation Acts of 1651, 1660 and 1670-71 which reserved all trade between American colonies and Europe to British citizens and stating that all trade that were bound from the colonies had to be landed in a British port first and then re-exported. These prohibitions lasted until 1731. The embargo hit Irish merchants in two ways. Firstly, it increased the price of American produce and it also deprived them of a more varied returning cargo. Luckily, the acts of 1663 stated that Ireland could export provisions, horses and servants to the American colonies.
Dairy produce was central to the diet of the Irish for many centuries until well into the 17th century. Until this time, dairy products dominated the diet of the native Irish for about half the year. From about May to September the milk herds of Kerry, Shorthorn and Moiled cows fed the natives with white meats or bán bích. At a time when meat was a luxury these white meats provided protein, calcium and fat and were of course converted from milk into cheeses and salted butters. By 1713 Cork was described as an 'ambitious but ugly (Dickson 2005). The merchants of the city had succeeded in capturing a major share of the transatlantic market in foods for the colonies (Jefferies 2004). By 1713 Cork was described as an 'ambitious but ugly

Inter cultural relations in port cities are important because they are places where people from different cultures not only co-exist but also conduct business with each other. In addition to Anglicans, Cork also experienced an influx of other protestant settlers such as Huguenots, Quakers, Presbyterians and Baptists during the mid 17th century. Following the outbreak of the Irish Rebellion (1641) all Irish and Catholic inhabitants were expelled from the city in 1644 (McCarthy 2001). Jefferies (2004) states that a new charter dated 26th April 1656 restored Cork's corporation after the lapse precipitated by the expulsion of Catholics. A large number of Protestant freemen were elected to ensure Protestant dominance on the council and civic offices. Thenceforth the corporation was monopolised by the Protestant elite until the middle of the 19th century. This elite enjoyed ownership of the great bulk of lands in the city and suburbs, monopolised trade and dominated industry. In 1674-5 the ban of Catholics trading in the city was reissued and in 1675 only one Catholic merchant resided in the city walls. Catholic were also excluded from the city's guilds, though the absence of sufficient Protestant craftsmen to meet the needs of a booming city resulted in Catholics being allowed to what amounted to associated membership of guilds from the early 1670s. From the mid 17th century Catholics were confined to a very much subordinate place in Cork's trade and commerce.

Harrison (2006) contends that the first Cork Quaker was Richard Pike who, in 1648, had been in the Cromwellian army and was an 'honest, sober and just, and well-respected by his fellows' (ibid: 13). He commanded a troop and received an allotment of land in Cork for the arrears in his pay. During the 17th and 18th century the Men's and Women's Meetings that conducted the affairs of the church encouraged Quakers in different trades to get together and discuss their products, ensuring they gave good quality and good value to their customers. Many Quakers made their livings by trades based on cloth and textiles production. Land purchase since the beginning of the 18th century remained a central strategy for these Quaker merchants as well as for other citizens of Cork, given the absence of wider investment opportunities and an underdeveloped banking system. By 1760 the bigger Quaker merchants had started a new phase of buying and acquiring large tracts from other merchants in the newly developed areas east of the city walls. A Quaker partnership reopened a sugar boiling facility at Red Abbey to make treacle while another Quaker family, the Garretts, were perhaps the first chocolate manufacturers in the city. Quakers also diversified into flour milling, butter, wood and wool.

18th Century: Growth and Prosperity

By 1700 the city began to outgrow its walls. For centuries suburbs had been growing on the higher ground to the north and south of the walled city but now marshes were being reclaimed to the west and east. It was on this ground that merchants, businessmen and wealthy professionals of the 18th century lived and resumed their commercial and professional activities (Ó Drisceoil and Ó Drisceoil 2005). Between 1706 and 1725 the population of the city had doubled from 17,600 to 35,232 and reaching almost 60,000 by 1800 (Dickson 2005). The merchants of the city had succeeded in capturing a major share of the transatlantic market in foods for the colonies (Jefferies 2004).
metropolis...thrusting beyond all other Irish ports on account of its immense export of provisions' (Gough 1973). Cork was well located geographically to tap into the produce of its fertile and reasonably well-developed agricultural hinterland and operated at a low cost base arising from the lower living standards, which prevailed in Munster. After the setbacks of the 17th century, the 18th century witnessed the gradual improvement in the fortunes of the Catholic community in the city. Despite the efforts of the Protestant corporation some Catholic's managed to rise above the position of labourer and gain a slice of the city's growing prosperity, especially in the butter trade which drew its produce from the mainly Catholic managed farms in the hinterland (Jefferes 2004).

*Milling*

Bielenberg (1991) provides some fascinating insights into the grain milling industry in Cork from the late 18th centuries onwards. Milling was the first industry in Cork to adopt more industrialised methods of production. The growing urban population of Cork in the late 17th century provided a market for flour, especially for bread. Samuel Pike (son of Richard Pike, the first Quaker resident of Cork) built the first new style flour mill at Glanmire in the mid 17th century and another nearby at Ballyrosheen. Most of the people who invested in these early milling ventures were members of the merchant class of Cork. Investment in milling increased after 1758 when the Irish parliament gave a bounty on all flour transported to Dublin. This subsidy on Dublin bound flour seemed to raise the price of bread in the general area of Cork and periodically caused shortages. In the summer of 1773 the weavers rebelled because of the shortage while other members of the community such as farmers and landlords were very bitter as they received little from the bounty, as it was only the millers that really profited. Thirty-two mills were established in Cork by the end of the 18th century, with the Dublin bounty clearly an incentive for this level of development. The capital accounted for 43.4 percent of total flour outflows from the region between 1779 –81 and in the ten years to 1797 Dublin could account for up to 95 percent of total outflow. The bounty ended in 1797 and it was not long before a new customer was found. The Continental War saw British supplies of continental gain severely cut off so exports from the Cork region grew over 2000 cwt. to 48000 cwt. between 1804 to 1825.

*Butter*

In the 17th and 18th centuries Ireland was the major exporter of butter to northern Europe and the Americas. Much of the butter shipped from Ireland to the European mainland was highly salted and approximately 2/3 was shipped through the port of Waterford and Cork. Geographical and international contexts were important in shaping the Munster dairying region in the 18th and 19th centuries. Factors such as rainfall, fertile low lying land conducive to grass growing, Ireland's status as a prominent food supplier to mainland Britain and the increased demand for butter from abroad aided the provinces steady absorption within international trading regimes throughout this period (Jenkins 2004). An act in 1698, one of the many that made particular reference to the dominance of the butter trade laid down a series of measures aimed at regularising the size of the firkins (or cask) and other butter barrels. From then on all barrels had to be watertight, manufactured with seasoned timber and have the coopers initials and the district in which he lived branded on the cask. This was one of many measures aimed at maintaining quality of the casks used in the butter trade (Rynne 1998).

The processing and exporting of butter became very well managed, and the Cork butter merchants organised rural suppliers, guaranteed a constant supply, set prices and made the quality of butter a key priority. They established the Cork Butter Exchange in 1769 and for the next century Cork butter enjoyed a worldwide reputation while enriching its exporters. Considered Cork’s greatest commercial achievement, the Butter Market created a system of quality control which was without comparison in Europe. The result was that the Cork Butter Exchange became the largest butter market in the world and the centre of a trade that stretched from West Kerry to Australia. The trade had a knock on effect with other business in the city. Coopers were employed to make and repair barrels, the basic packaging for butter, beer and provisions. The quantity of shipping using the port led to the setting up of shipbuilding and repair yards while a sailcloth industry was established in the nearby village of Douglas which employed 750 people by the 1750s (Ó Drisceoil and Ó Drisceoil 2005).
By 1776, Cork City was exporting 109,042 barrels of salted beef annually to ports in England, Europe, the West Indies and even as far away as Newfoundland, consequently earning its title as the 'slaughterhouse of Ireland' and the 'ox slaying city of Cork'. This had the effect of increasing beef consumption, especially among the higher classes. The lower echelons of society made do with the copious quantities of coarser cuts and offal (Sexton 2001). Arthur Young (1897) noted that at the time that slaughterhouse workers were given seven pounds of offal weekly for their families. Many of the traditional foods associated with Cork, and increasingly only available in the English Market, have their origins in this history of provisioning: corned and spiced beef, buttered eggs and salted ling reflect preservation techniques from the 18th century, while offal and blood products such as tripe, drisheen, skirts and kidneys, bodice, and so on were by-products of the city's meat export industry (Ó Drisceoil and Ó Drisceoil 2005).

Rodgers (2000) states that the Irish provision trade was very adept at supplying the Caribbean. In the early 18th century Cork furnished the sugar colonies, “then the gem of the mercantilist system” (ibid: 176), with foods that enabled the planters to concentrate their workers on commercial crops. Special techniques were devised to ensure preservation in high temperatures. Pickled or salt beef, butter and salmon were popular with white communities. On the British islands, the protein element of the slave diet was provided by salt cod while on the French islands cow beef, an Irish speciality produced by fattening aged dairy cattle, whose carcasses were cut up for processing. According to the writer, in the late 17th century Cork perfected its beef barrelling techniques on the colonial market to become the most advanced meat packing industry in the 18th century world. In addition, between 1690 and 1760 when the Caribbean market dominated the city's butter trade, similar success was achieved in that area.

The majority of export merchants were Protestants, the trickle down effect included Catholics whose numbers in the city were steadily expanding and who were particularity conspicuous in their control of the butter market. Butter was not the only industry that Catholics began to dominate by the late 18th century. Research conducted by Wall (1958) found that from the beginning of this century the laws that forbade Catholics from buying land or taking long leases drove many to seek a living in trade. This fact is highlighted but Archbishop Kings comments in 1716 (cited in Wall 1958) stating that 'I may further observe that the papists being made incapable to purchase lands, have turned themselves to trade, and already engrossed almost all the trade of the kingdom'. The council books of Cork also give further evidence of the strength of Catholic traders in the early part of the century. By 1704 it was decided at the council meeting that the parliament should be informed on the large numbers if Irish who were flocking to the city to the 'great damage of Protestant inhabitants by encroaching on their respective trades' (ibid: 311 Caulfield 1876, cited in Wall 1958). Though parliament was pressed to prevent Catholics from engaging in foreign trade, they were not prepared to risk revenue loss by taking any steps to protect Protestant interests and the
Catholic merchants of Cork and elsewhere continued to apply themselves to trade. Three decades later a petition from the corporation of Youghal complained that popish tradesmen were boasting that they had more trade links in foreign countries than Protestants.

Pride of race was a characteristic of this period in Ireland partly due to an increased interest at home and abroad in Celtic culture and research by some families into their ancient histories. 'O's and 'Mac's (as in O'Sullivan and MacCarthy) reappeared in Irish surnames toward the end of the 18th century and Irish merchants liked to claim linkages between their families and ancient royal Irish families. As a class, the Irish merchants differed in no marked degree from their British counterparts with success depending on individual initiatives and personal contacts with religion tending to be a connecting link. In international trade this clannishness was especially advantageous. Ever since the 16th century the Irish had been settling in Spain, France, the Netherlands and the US so it was natural the Irish trade with these countries and with the French plantations should be largely in Catholic hands (Wall 1958).

**Brewing**

Cork's Company of Brewers was incorporated by a royal charter in 1743 which suggests that brewing had emerged as a sizeable industry in the city (Jefferies 2004). There were 25 commercial brewers and 19 small retail brewers operating in the city by 1770. All of these businesses were small in size and over the course of the next few decades these small retail players were displaced by the larger commercial brewers. By '91 there was but 1 retail brewer left while the number of commercials had increased to 30. The quality was not good however which led to the importation of technically superior English beer to the tune of 60,000 barrels by 1788. This trade however had ceased almost entirely by the beginning of the 19th century as 3 new breweries had been established locally in the 1790s who had adopted new methods of production which were developed in London. They were assisted by the Irish parliament who abolished excise duty on beer with the intention of encouraging brewing at the expense of distilling. Beamish and Crawford was establish in 1792 by William Beamish and William Crawford who purchased an existing brewery which had been in use since the 1650s (Barnard 1889). They recorded 87 percent of their sales within the city on 1799 and most other customers were found in a 20 mile radius.

Living standards at the time were very poor. The growing population was concentrated in a confined area, housed in tenements along narrow, fetid lanes. The city and more especially the northern suburbs stank with the traces of the meat trade, excrement, spilled blood and guts (Jefferies 2004). Access to clean water was difficult with the majority of the city's inhabitants getting their water directly from the river and its channels. These same watercourses were used as dumps and also drained the city's sewage. Though piped water became available in the 1770s it was only affordable for the very wealthy. It took until 1815 for the first free public water fountain to be erected. Pigs roamed freely and were regarded as doing a public service in that they ate much of the rubbish thrown from windows and doorways. Up until the late 18th century wealthy merchants lived within the city walls with their poorer neighbours. The expansion of the City beyond its medieval walls gave the elite opportunity to move in larger, more palatial homes on new wide streets in the reclaimed marshes east and west of the old city walls (Ó Drisceoil and Ó Drisceoil 2005).

1800 – 1848: The beginning of the end

Commercial and industrial decline set in at the close of the Napoleonic wars. A large fall in the price of agricultural produce, a fall-off in the provision trade and the adverse impact of Anglo-Irish market integration following the Act of Union were some of the factors that caused a widespread depression leading to unemployment particularly in the textiles industry. This also lead to a deterioration of living conditions, especially in the post-famine era when the City was unable to absorb the flow of the destitute from the rural areas. However, butter exports still went on, while brewing and distilling continued to give employment, though these trades were hit by the success of Fr. Matthew's temperance campaign from the late 1830s which spread through out Ireland resulting in 5 million people taking the pledge (Cork Public Library 2008).
The 1800 Act of Union was welcomed by the local business community who hoped that it would bring further economic prosperity to the city; this sadly never materialised (Jeffries 2004). Cork in the 1800s according to Cronin (1994: 2) 'exuded a sense of disgruntlement at two levels'. Firstly, among the merchant class who were disappointed that the Act of Union didn't bring more prestige and prosperity to the city resulted in the downturn of many sectors because of cheaper products from abroad (Cork Public Library 2008). Secondly, the working class were faced with an era of industrial stagnation and collapse. As in many Victorian cities at the time, the lower class had to contend with acute poverty and squalor, local government was limited and introspective but unlike many contemporary English cities the population of Cork was falling.

The agricultural depression that followed in the wake of the Napoleonic wars resulted in the Whiteboy Insurrection of 1821. As a result of the insurrection (which was brought about by severe agricultural distress), the government, through the Office of Public Works, sought to undertake essential public works as a form of relief. An engineer called Richard Griffith was dispatched to survey the Munster region and direct the necessary works which resulted in the construction of 243 miles of road between 1822 and 1838. One of the major issues was that the roads that linked Cork, Kerry and Limerick at the time were non-existent in many border areas and the roads linking these areas with Cork followed unnecessary indirect routes resulting in the fact that it took farmers up to six days to do a roundtrip to the city with their produce. Griffith's main concern therefore was to improve these important commercial routes between principal towns in the three counties with Cork city. In 1822, the Kerry-Cork road was 78 Irish or 99 English miles from Listowel in North Kerry to Cork city. To remedy this a new road was constructed between Newmarket in Cork and Listowel in Kerry reducing the journey by 35 English miles. In south Kerry at the time, upwards of 10,000 firkins of butter were carried to Cork per year on very bad road. There was no road capable of being used by a carriage in Glenflesk (just outside Killarney town) resulting in a massive detour for farmers. By the time the road was finished on the Cork-Killarney route journey time was reduced from 2 days to 7 hours (Rynne 1998).

The City's butter trade employed a considerable amount of people both directly and indirectly. Over the course of the 1900s trade declined considerably due to changed tastes (the butter was very salty) and the introduction of substitute products in the form of margarine as well as increased domestic competition and protectionism in its export markets (Jeffries 2004). The butter production method that was employed in Ireland at this time were 'primitive and the marketing system, if such it could be called, was deplorable' (Bolger 1977: 64). A firkin of butter arriving in Britain would frequently contain layers of butters of a variety of ages, flavours, colours and textures, not to mention smells. The Danish, French and Swedes who used better machinery and scientific methods operating in a co-operative structure practically beat Ireland out of the British butter market by the 1890s (Bolger 1977).

The potato was introduced to Ireland as part of the same colonial expansion which saw Ireland come under English domination. It provided cheap, plentiful nourishment and soon became the staple of the poorer classes of Europe (Leerssen 2006) though nowhere was reliance as acute as in Ireland (Diner 2001), becoming an alternative to the dairy oriented diet of previous years (Leerssen 2006). Ireland and the potato, Diner (2001) writes, were intimately bound together. Citing Salaman (1840) she goes on to say that almost three quarters of its people chose to make it their sole or almost sole source of nourishment. Clarkson and Crawford (2001) contend that the story of the diets of the poor between the 1600s and the Great Famine is a simple one. The poor became dependent on the potato and other foodstuffs became occasional, peripheral, luxurious. There was no major difference between the diets of the poor, the extremely poor and the more prosperous. Townsfolk enjoyed a more varied diet than their country counterparts because of the opportunity to get paid work.

In 1845 Cork, a year after opening the new potato market in Harper's Lane, the fungus phytophthora infestans appeared on the stalks in the city's market gardens. The first crop had been harvested so impact was limited to the second crop. However, the next year the crop was virtually wiped out. Over the course of the next five years one million had died and a million had emigrated (Ó Drisceoil and Ó Drisceoil 2005) on what became known as coffin ships (Leerssen 2006). By December 1846 there was only 4,000 tons of 'bread
stuffs' within the city and starvation loomed and prices rose considerably (Jefferies 2004). While the supply of healthy potatoes in the city dwindled the influx of country people from as far away as the Kerry border became a flood with up to 500 dying a week in the city. The city's workhouses housed almost 5000 people while up to 30,000 were dependent on soup depots.

The massive deaths by disease and the subsequent haemorrhaging of the population through emigration represented only part of the famine’s impact on Irish culture. Much of the discussion at the time and later in political rhetoric focused on the response of the British to the crisis (Diner 2001). Almost throughout the five-year famine, Ireland remained a net exporter of food (Woodham Smith 1962). John Mitchel, a Nationalist leader at the time, summarised the popular Irish view on what happened to the Ireland and her people (cited in Diner 2001): 'The Almighty sent the potato blight...but the English created the famine', both as owners of Irish lands and as policy makers. As the potato rotted in the ground, other crops such as wheat, rye, millet and other grains continued to grow. As herds of cattle increased landowners themselves felt no pinch in income except from some unpaid rents. Pictures of carts, laden with produce streaming to the ports to be shipped to England remained one of the most potent images in Irish political thinking at the time. In 1845, 3,251,907 quarters of corn and 257,257 sheep were exported from Ireland to Britain while in 1846, 480,827 pigs, and 186,483 oxen were exported (O’ Grada 1989). Woodham Smith (1962) stated that "...no issue has provoked so much anger or so embittered relations between the two countries (England and Ireland) as the indisputable fact that huge quantities of food were exported from Ireland to England throughout the period when the people of Ireland were dying of starvation' and one of the most remarkable facts about the famine period is that there was an average monthly export of food from Ireland worth GBP£100,000. While Kinealy (1995), stated that there was a thirty three percent increase in calf exports during "Black’47", with a total of over three million live animals exported between 1846-50, more than the number of people who emigrated during the famine years. The food was shipped under guard from the most famine-stricken parts of Ireland. In terms of butter exports, in the first nine months of 1847, 56,557 firkins were exported from Ireland to Bristol, and 34,852 firkins were shipped to Liverpool. That works out to be 822,681 gallons of butter exported to England from Ireland during nine months of the worst year of famine.

Discussion

There is much macromarketing thesis on the consequences of marketing and societal development (Mullins et. al 2008, Kilbourne 2004, Slater 1968, Witkowski 2008). The British colonial system like any market is embedded in a network of social relationships that can produce both negative and positive outcome for participants and third parties (Mittelstaedt et al. 2006). As we can see from the text outlined above the colonisation of Ireland by the Crown had a wide range of consequences for Irish society. In Cork it produced many externalities and consequences, such as the development of a new food culture based on the provisioning trade, the physical redevelopment of the city and perhaps the saving of the city from the worst ravages of the famine as there was still some work available in the provisioning trade, work houses and related ventures (O’ Mahoney 2005). It also resulted in negative consequences and externalities. The provisioning trade was part of the overall system that led to the loss of traditional foods in Irish society as well as a key port that saw the exportation of food during the famine. Diner (2001) contends that the Irish famine had a detrimental effect on the relationship between Irish people and food in the post famine years. Food according to the author ‘lay on the margins of Irish culture as a problem, an absence, a void’ (ibid: 84) and in the early 20th century food was never used as an instrument along side dance, literature and language to revive the Irish culture.

Shultz at al. (2005) state that stability and agribusiness are closely linked in post war periods where the development of sustainable agrifood systems is essential. 19th century rural Ireland was a time of widespread poverty, exploitation by landlords, smallholdings and gombeen (small time wheeler/dealer of ill repute) men. Farmers had relied on landlords and traders to sell their products often for a very unfair price. A strategy was needed to improve standards of farming and marketing, to get access to farm supplies at reasonable prices and to get access to credit to keep them going through the winter (Bolger 1977). In post famine Ireland the development of a producer owed and managed dairy co-operative sector was seen by
many (but not all) the way to give power back to the farmer. The first co-operative was set up in 1889 in Dromcollogher, County Limerick by Horace Plunkett who saw cooperation as a means to improve the overall quality of life in rural Ireland. His motto was: “Better farming, Better business, Better living” (Moynihan 2005). By 1895 some 67 co-operative creameries were established in Ireland. By 1905 the figure increased to over 300 rising to 446 by 1916 (Rynne 1989). By the end of the 19th century these creameries were competing directly with the Cork Butter Exchange by encouraging farmers to sell them their milk. The closure of the Butter Exchange marked the lowest point in a protracted decline of the Irish dairy industry (Rynne 1998). Of course Cork city was just one part of the greater system. The laissez-faire economic agenda and free trade policies adopted by the British government in the 19th century had many long-term consequences for the Irish economy.

The late 1940s brought about considerable changes which helped to reverse the fortunes of the dairy industry. Rural electrification and the development of a sustainable economy were two of the main contributors. An Advisory Committee on the Marketing of Agricultural Produce was created and its report led to establishment of An Bord Bainne (The Irish Dairy Board) to improve and develop the marketing of milk products outside of Ireland. In 1961 the Board commissioned a special report on the British market. From this it was decided that an export brand would be established and the brand 'Kerrygold' was born. The Kerrygold brand today can be found on supermarket shelves in over 60 countries worldwide. Today, over 80% of Irish dairy production is exported, making a substantial contribution to the Irish economy (Kerrygold Ltd).

Figure 4: Current Kerrygold Logo

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<table>
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<th>Time Period</th>
<th>Major Events</th>
<th>Consequences</th>
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<tr>
<td>1600-1700</td>
<td>Plantation of Munster stimulated a transition to commercial economy</td>
<td>Direct control by England, Confiscation of Catholic land, Erosion of religious freedoms, 500 town markets were established, Increased Exports and the development of the livestock trade though benefits only felt by New English Catholics seen as major threat to the Protestant Faith, John Temple's book, <em>The Irish Rebellion</em> (1646) - Widely read until the 20th century</td>
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<td></td>
<td>1641 Ulster Uprising</td>
<td>Peace results in economic development in Ireland. New World colonisation gathered momentum Ireland's trade quadrupled between</td>
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<td></td>
<td>Restoration of Charles II in 1660</td>
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<td></td>
<td>Cattle Acts of 1663 and 1668</td>
<td>Exportation of live cattle banned, Cork emerged as the No.1 curing and slaughtering centre on the British Isles, Establishment of the Provisions Trade with American and West Indies Colonies</td>
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<td></td>
<td>Navigation Acts of 1651, 1660, 1670-71</td>
<td>All trade from US reserved for English citizens, imports became more expensive for export trade maintained.</td>
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<td></td>
<td>Local Diet</td>
<td>Most milk used for butter so much local cheese production stopped. New foods emerged from slaughterhouses</td>
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<td>1700 – 1800</td>
<td>Population 1706-1725 the population of the city had doubled from 17,600 to 35,232. City expanded beyond its walls</td>
<td>Catholics began to assume a more prominent role in city life especially in the butter trade and established trade links especially with other Catholic countries like France and Spain, Caribbean market became very important to butter and beef trade, 1769 – Establishment of the Butter Exchange, Beef – ‘ox slaying city of Cork’, developed techniques to preserve meat, Milling was the first trade to become industrialised, establishment of modern Brewing industry.</td>
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<td></td>
<td>Trade</td>
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<td>1800 - 1848</td>
<td>End of Napoleonic Wars and Act of Union</td>
<td>Fall in the price of agricultural produce, fall-off in the provision trade</td>
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<td>Butter Trade</td>
<td>Development of Butter Roads, decreased journey time but eventual decrease in sales as tastes change</td>
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<td></td>
<td>Famine</td>
<td>Massive immigration to the city, exports continue through worst years of the famine</td>
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One Hundred Years of Advertisers at War: Motives and Consequences

Fred Beard, University of Oklahoma, USA

This historical study contributes to the extensive literature on comparative advertising by examining the motives behind the outbreak of “advertising warfare;” i.e., when one advertiser responds to a direct or implied attack by another advertiser. Primary and secondary sources consist of articles published in historic and contemporary marketing and advertising trade journals, such as Printers’ Ink, Advertising & Selling, and Advertising Age. The findings reveal that well-publicized advertising wars occurred frequently between major U.S. advertisers throughout the past 100 years and that they most often occurred in product and service markets characterized by intense competition. Many advertisers’ principal motive for responding to a comparative advertising attack has been emotional rather than rational. The findings also show that advertising wars often become increasingly hostile, leading to negative consequences for all combatants, as well as a negative social consequence in the form of potentially misleading advertising.

Introduction

The historical research reported in this paper examines 100 years of advertisers openly at war with one another and what lessons have, or at least, might, be learned from their motives, successes, and failures. Advertising wars occur when an advertiser responds to a direct or implied attack by a competitor. Both the original attack and the counterattack consist of comparative ads, those in which advertisers contrast their own products, services, or brands with those of a competitor on the basis of some attribute, benefit, market position, or brand image.

Historian Daniel Pope (1983) identified three reasons why early advertisers condemned “knocking” or comparative advertisements: (1) they were frequently false or misleading, (2) they “besmirched” the honor of advertising and damaged its credibility, and (3) advertisers preferred to avoid competing on the basis of price or other forms of business rivalry that could prove damaging to themselves as well as their competitors. However, he attributed these negative consequences to comparative advertising in general and not, specifically, to advertising warfare.

In the 1970s, the U.S. Federal Trade Commission (FTC) began encouraging advertisers to make comparisons with named competitors, with the broad, public welfare objective of producing more informative advertising. Although the widespread adoption of comparative advertising took a little longer in the European Community, Directive 97/55/EC (European Parliament and Council of the European Union) established that it should be permitted as long as, among other requirements, it wasn’t anti-competitive, unfair, or misleading.

Although industry lore suggests the use of comparative advertising was infrequent during much of the 20th century, at least among mainstream advertisers, research indicates its use quickly increased in the U.S. during the 1970s. Researchers have estimated that the overall percentage of comparative ads in the U.S. increased from about 7 percent (Shimp 1975; Wright and Barbour 1975) to 23 percent (Taschian and Slama 1984) to as high as 30 percent (Stewart and Furse 1986). Comparative advertising is more prevalent on TV, with estimates ranging from 5 to 10 percent (Brown and Jackson 1977) to 14 percent (Abrams 1982) to 50 percent (Levy 1987) to as high as 80 percent (Pechmann and Stewart 1990). There are no estimates, however, of the frequency of advertising wars.
The comparative advertising research literature is extensive, including several reviews (e.g., Barry 1993), a meta-analysis (Grewal, Kavanoor, Fern, Costley, and Barnes 1997), and a limited emphasis on negative comparative advertising (Beard 2008; James and Hensel 1991; Sorescu and Gelb 2000). A survey of practitioner beliefs regarding comparative advertising exists (Rogers and Williams 1989), although the findings are limited by an 11% response rate from a sample of 500 U.S. advertising creative directors.

Lacking from the literature, therefore, are the insights to be gained from studying those who have employed advertising in open warfare. Consequently, the purposes of this historical study are to (1) examine the motives that encouraged advertisers over the past 100 years to declare war on one or more competitors, (2) provide some sense of the both broad and specific consequences that occurred, and (3) satisfy some of the curiosity most practitioners and scholars likely have about their predecessors and peers. As Startt and Sloan note, “Principles and problems, potential and pitfall can all be underscored by such knowledge” (1989, 18).

Method and Topical Focus

Advertising histories (Fox 1984; Laird 1998; Marchand 1985; Meyers 1984; Pope 1983; Presbrey 1929; Rowson 1970; Schudson 1984) were used during the study’s immersion stage, which consisted of reviewing them for topic familiarization, focus, and theme development (Smith 1989). Tentative themes of analysis were (1) the motives that encouraged advertisers to engage in sustained hostilities with one or more competitors and (2) the institutional, professional, and other consequences, both positive and negative, that resulted. These thematic categories were applied to the data deductively, in a search for confirming or disconfirming data. However, additional sub-themes were also allowed to emerge from close reading of the sources.

Primary sources for the earliest period were located by scanning one randomly selected issue of each of the 60 volumes of the U.S. trade journal Printers’ Ink, published between 1900 and 1913, prior to the publication of any business periodical index. Participants and firsthand observers in advertising—advertisers, marketing and sales executives, and newspapermen—were frequent contributors to “The Little Schoolmaster.” Three periodical indexes were then used to identify sources for latter periods through present day: the Industrial Arts Index (1913-1957), the Business Periodicals Index (1958-1973), and the ABI/Inform Complete search engine (delimited to the Business & Industry database). Many sources, in turn, pointed to historically significant advertisements, some of which are included among the findings. The research was conducted as part of a broader study of comparative advertising. The data consist of nearly 560 trade journal articles, of which some 60 describe sustained hostilities between two or more advertisers.

Findings

Findings are presented chronologically, with the presence of dominant themes and sub-themes supported by representative observations and statements of the majority of primary and secondary sources in each period. Contradictory themes are also presented whenever they occurred. The periodization scheme (Hollander, Rassuli, Jones, and Dix 2005) follows the lead of several important advertising histories (Fox 1984, Pollay 1985, Pope 1983) and for similar reasons. Modern advertising emerged and matured during the first three decades of the 20th century. The Great Depression of the 1930s and war years of the 1940s substantially impacted advertising spending and message strategy. The 1950s and 1960s are considered by many to be the golden age of advertising creativity and include the industry’s much vaunted “Creative Revolution.” The three earlier histories also discriminated between the 1960s and 1970s, although it is especially relevant for the present history because comparative advertising began in earnest in the U.S. during the 1970s. The final two decades are presented as a single period mainly for consistency and convenience.

Overall, the findings reveal that many well-publicized advertising wars occurred throughout the more than one hundred years represented by the data. A substantial degree of consistency exists regarding motives throughout the century. Outcomes and consequences, for the most part, also remain consistent,
saying some validity in the observation of philosopher George Santayana (1905): “Those who cannot remember the past are condemned to repeat it.”

The Turn of the Century to the Great Depression: Baking Powder Wars and Cigarette Wars

Most advertisers early in the 20th century claimed to disapprove of comparative advertising, or what they often called “knocking” copy. As a Printers’ Ink writer noted, “In the early days of the art an advertisement was the voice of a single individual proclaiming the merits of his own goods, often coupled with a warning against similar goods sold by competitors. This one-man advertisement is still the commonest form of publicity, but among advertisers nowadays, the knocking of a competitor is considered not only bad form, but bad business” (“Broad-gauge Advertising” 1906, 30). Influential copywriter Claude Hopkins (1930, 20) spoke for many: “Rule 1 in all salesmanship courses I have studied is: Never attack a competitor.” Such statements, however, should not be taken to mean advertisers rarely attacked each other nor that they did not engage in warfare. The data reveal that several wars occurred during this period among, for example, the marketers of cigarettes, baking powder, automobiles, and tires.

Industry observers who wrote or were cited as sources about advertising wars agreed that the decision to respond to an opponent’s attack, rather than a strategically rational one, is often an emotional one, or one based on “human nature.” One writer—describing a particularly vicious war between Calumet and the “Trust” baking powders—expressed this belief: “It may seem strange that, where an advertiser has such direct evidence that straight promotion talk is the best thing for him, he should be persuaded to depart into the by-ways of competitive attack. The explanation lies in the fact that it is human nature to return a blow for a blow” (Hill 1910, 23). An advertiser in 1928 offered almost the identical observation: “But there is much of the peacock in many of us. We like to strut our insinuating advertisements up and down in front of our competitors. … It is human nature—and when human nature runs contra to sound business judgment, our viewpoint is apt to be somewhat blurred” (Brisacher 1928, 161).

Many writers reported that wars often occurred when advertisers faced intense competition, explaining why they referred to comparative as “competitive” advertising. The term “comparative advertising,” in fact, did not appear in the literature until 1931, and then infrequently until the 1970s. In reference to the Baking Powder War, an observer reported: “As competition began to show itself and as many new powders began to be offered at lower prices, the competitive and denunciatory style of copy was adopted” (Hill 1910, 24).

Sources described the intense competition among cigarette marketers in the 1920s. Most linked the competition to combative advertising and, in particular, P. Lorillard’s forceful attempt to enter the market and steal sales from leaders Camel, Lucky Strike, and Chesterfield. At the time, these brands held nearly 75% of the U.S. market (Woods 1929). As one writer observed: “By 1928 all four companies were in the thick of an advertising melee such as has not often been witnessed. … The retail price war, which broke out in 1928, added fury to the conflict” (“How the ‘Big Four’ Cigarette Advertisers…” 1929, 592). Another directly attributed an attack by P. Lorillard to the intensity of the competition: “It is doubtful that competition within any other industry today could have brought forth the type of copy used by Old Gold…. The copy implied that Reynolds, Liggett & Myers, and American Tobacco, the big three, jealous of Old Gold’s success, sought to clip its wings by forcing wholesale price reductions upon it” (“Lorillard Goads Big Three…” 1928, 856). See Fig. 1 for a sample from this campaign.

A majority of writers and observers during this period proposed that many advertisers who engaged in open warfare often came to regret it. As the observer of the Baking Powder War noted: “…the Calumet people now concede that their most successful advertising has been that from which attacks or even replies to competitors’ attacks have been eliminated” (Hill 1910, 25). Two related consequences help explain why advertisers came to regret advertising wars. First, experts reported a tendency for hostilities to escalate, with claims on either side becoming increasingly vicious (or what they called “invidious”). As an advertiser wrote: “The average advertiser who casts insinuations at competitors usually soon finds the weaknesses of his own products alluded to in his competitors’ advertising. Few, if any, products are made so perfectly that
certain weaknesses cannot be found and perhaps exaggerated to such an extent that they will prove both embarrassing and harmful” (Brisacher 1928, 167). Following George Washington Hill’s raid on the “sweets” industry (i.e., “Reach for a Lucky Instead of a Sweet”), a chain of candy stores counterattacked with this warning: “Do not let anyone tell you that a cigarette can take the place of a piece of candy. The cigarette will inflame your tonsils, poison with nicotine every organ of your body and dry up your blood—nails in your coffin” (as cited in “Lucky Strike and the Candy Industry” 1928, 10).

A second and related consequence, also explaining regret, is the tendency for the escalation of hostilities to cause harm to all the combatants. The observations of an advertiser many years after the Baking Powder War confirmed these consequences could last for years: “Lots of people still alive and well can vividly recall the days of some years ago when they were repeatedly warned to beware of ‘benzoate of soda.’ … Eventually, the various manufacturers and advertisers of foods discovered the alarming effect such copy was having on their business, and they recovered their reason by stopping all such publicity” (Hanley 1927, 10).

Fig. 1. Old Gold “Lions,” 1928

As message strategy among the major cigarette brands turned to which was mildest, a tobacco industry observer warned: “To convey to the cigarette smoker directly or indirectly the idea of any harmful or unpleasant effects from cigarette smoking cannot be considered good policy either from the standpoint of the industry generally, or, eventually of the manufacturer who advertises it” (Hanley 1927, 11). Writing about the Lucky Strike “anti-sweets” campaign, the president of the New York Coffee and Sugar Exchange Inc. observed: “Has Mr. Hill forgotten that it was only a short time ago when some of our states, on health grounds, were legislating against cigarettes and that the term ‘coffin nails’ was applied to them? Would it not be well for the American Tobacco Company to ‘Let sleeping dogs lie?’” (Lowry 1928, 790).

Advertisers and observers who addressed the strategic value of a war consistently noted the tendency for combatants to lose focus on their own selling. George Washington Hill spoke for many in this reference to his confectionary opponents: “If they would forget about our campaign and devote themselves to making their own merchandising interesting and constructive, they would never have occasion to complain. When
you start worrying about the other fellow’s business you cease to sell your own merchandise” (as cited in Hughes 1929, 401).

Some writers proposed that the media favored advertising wars. John S. Grey (1902), a frequent contributor to *Printers’ Ink*, described an example of tobacco monopolist James Buchanan (“Buck”) Duke’s confrontational, competitive methods, after Duke acquired a British tobacco firm in 1901 and began a raid on the British tobacco industry. As Grey (1902) reported: “It is a golden harvest for the advertising agents and also for the newspaper and periodical publishers…” and “…the vendors of publicity in every form are rubbing their hands with glee, while pretending to say, ‘May the best man win’” (16).

Advertisers often expressed the belief that consumers tend to respond negatively to advertising wars. “Isn’t the public suspicious of sweeping claims of superiority and allegations that no one except the advertiser himself should be credited with common honesty? Isn’t it human nature to take the part of the underdog and to resent a holier-than-thou attitude?” (Hill 1910, 25). In early 1930, R. J. Reynolds directed Fig. 2’s vicious attack on Hill and American Tobacco, after the FTC had ordered Hill to cease using “tainted” testimonials and making the claim that “Luckies” would help smokers lose weight. Claude Hopkins described the likelihood that consumers would respond negatively to Reynolds’s opportunistic attack: “Some methods strike a responsive chord which lead to overwhelming favor. Some arouse dislike. I hope that George Hill will not take up the gauntlet Camel has laid. I think that a shiver went over all of us when we read that page attack” (1930, 20).

Only one source attributed positive consequences to an advertising war. An anonymous banking executive described his view of Hill’s attack on sweets, arguing that not only do both sides often benefit, but that consumers do also: “Even the public at large may derive advantages sufficient to justify the cost, it is contended, since such advertising brings out values in products that have never been generally known. This type of sales effort helps to make the public the real arbiter of what it shall buy; and, if properly weighed, tends to raise the level of intelligence upon which demand and consumption are based” (“What a Bank Thinks…” 1929, 101).

**The Great Depression and the War Years: The “Dirty Laundry Effect”**

Sources during the 1930s revealed the occurrence of numerous advertising wars between major competitors, among them tires, automobiles, gelatins, salad dressing vs. mayonnaise, coal vs. natural gas heating, iceboxes vs. mechanical refrigerators, and even Florida vs. California orange growers. On the other hand, only a few contributors addressed advertising wars in the 1940s, possibly a consequence of large reductions in advertising spending during WWII and an expanding economy, product shortages, and a seller’s market at the end of the decade.

The belief that it was “human nature” to launch a counterattack was prevalent during the 1930s. One advertiser summarized the view of the majority: “Human nature being what it is, there comes a time when fighting back seems to be the only recourse of the advertiser who has tried to do business on a constructive basis” (“Calls for Showdown…” 1931, 105). As another writer observed, “It is an understandable temptation for any dealer selling in a given community to strike vigorously at competition which he regards as unfair. … Yet, it is a fact of human nature that, however right he may be in his thinking, he must be careful how he calls such a condition to the attention of the community” (“Copy Should Avoid Criticism…” 1936, 83).

Two additional motives were mentioned during this period, but only by a minority. The first is that advertisers often respond to attacks because they enjoy a fight. Writing about the advertising war between California and Florida orange growers, a source observed: “Much as they may publicly deplore the violence done professional ethics, advertising men privately relish nothing more than a juicy competitive copy fight” (“Califlorida Orange Growers Fight” 1937, 21). The second is that wars can occur inadvertently. “Some smart young advertising man gets what is known in the trade as a ‘swell idea.’ … Too frequently such an idea is loaded with dynamite because it will almost inevitably lead to a competitive war” (Larrabee 1934, 57).
That intense competition leads to warfare was mentioned by industry leader Joel Benton, then president of the American Association of Advertising Agencies, in a lecture to members of the feuding tire...
industry. He also stated that advertisers may engage in warfare as a defensive response: “They can do little by themselves; they are in the grip of a relentless competition which sets the pace; if their opponents fool the public with false offers and slurring statements, they feel they cannot afford to let the culprits get away with it and so do likewise” (1932, 55).

Many sources again argued that hostilities can escalate, often leading to exaggerated claims. In his description of a war between manufacturers of refrigerators and increasingly obsolete iceboxes, one writer noted that during a war an advertiser often “directly points the finger at competing products and says that they are of no value—or even harmful. Once a company commences a competitive campaign of this kind it is in for a long battle with other companies in its industry” (Larrabee 1934, 58). According to an advertiser, “Sometimes even those who believe in talking about their own products and not about competition are so righteously incensed by the destructive attacks of competition, that they are tempted to fight fire with fire, while realizing that both users of this dangerous weapon are likely to get burned” (as cited in “Calls for Showdown…” 1931, 105).

Printers’ Ink identified the “dirty laundry effect” by name in its description of a war between Royal and Knox gelatins, after the former used “gelatine smell” in a disparaging attack. “If the battle of the coffees, which started when Chase & Sanborn, another product of Standard Brands which owns Royal, is any guide, the consumer is in for some unpleasant months as she watches national manufacturers, forced into competitive tactics, washing their linen in full view of the public” (“Knox Fights Back” 1934, 18). Knox actually warned consumers about exaggerations in advertising and promised they would not do it themselves (see Fig. 3).

Contributors during this period also expressed the belief that wars could lead to damage for both sides. An agency executive summarized this view: “And what does the old advertiser do defensively—the obvious come-back, to our disappointment, with an attack that imputes the basic quality of the competitive product. And they both must suffer in consequence, as such competitive claims can only substitute doubt for confidence in the public mind. How unnecessary, wasteful and foolish!” (“Tinsman” 1941, 64). Another stated the theme even more simply: “But when one party says one thing and the other states what seems to be a directly conflicting fact, the likely conclusion of the consumer is that one of the two is a liar—probably both” (Erbes 1934, 46).

Fig. 3. Knox “Warning,” 1934
Several contributors noted that competitors often became so preoccupied with attacks that they forgot to sell their own products. *Printer’s Ink* columnist George Laflin Miller, who wrote for decades under the pen name “Aesop Glim,” summarized this view: “The temptation is to try to do or say something your competitor has never said. The further you go along this path, the greater the danger that you will stop using your basic sales arguments” (“Competitive or Positive…” 1947, 76). Writing about the advertising war between U.S. automakers, an observer similarly noted that “The participants are so apt to become absorbed in strategy that they forget that their principal job, after all, is to sell automobiles” (“Round Four…” 1933, 12).

Although one writer claimed that advertising wars often led to “the great glee of the purveyors of white space” (“Word War” 1933, 21), the majority agreed that wars create problems for the media, leading to what advertisers simply referred to as “censorship.” An observer of the Tire Wars noted: “How do the publishers—who in the last analysis are in the best position to censor advertising—look upon this competitive copy? Askance, undoubtedly, but they take it” (“Tires Throwing Mud” 1931, 21). A publisher, writing anonymously about the problems created by advertising wars, lamented: “...must the publisher always be the one to play the part of the wet nurse? Must the publisher always be the one to suffer when a couple of advertising prima donnas start tearing at each other’s hair?” (“Prima Donnas at War” 1937, 17).

Since attacks published in their own catalogs couldn’t be censored, both Montgomery Ward & Co. and Sears, Roebuck & Co. compared their private brand tires with those of branded competitors, by name. As the only one of the big five U.S. manufacturers who didn’t make private brand tires, Firestone president Harvey Firestone counterattacked (see Fig. 4). Despite not directly identifying his mail-order foes, many newspapers rejected the ads. Montgomery Ward & Co. both returned fire on Firestone (see Figure 4) and, ironically, filed a complaint with the FTC against comparative tire advertising and directed at, as one source noted, “obviously that of the Firestone Tire & Rubber Co.” (“Comparisons Become Invidious…” 1931, 9).

Fig. 4. Firestone and Montgomery Ward at War, 1931

Sources made numerous references to how consumers respond to advertising wars. When they did, the majority pointed out two likely consequences. First, they noted that wars often led to confusion. Describing the war among the Big Three U.S. automakers, a writer summarized this belief: “After reading
the contradictory facts and figures, many a prospective automobile buyer must have decided to follow Ed Wynn’s advice and buy a horse” (“So He Bought a Horse” 1933, 10). Second, contributors consistently claimed that consumers rarely respond positively to advertising wars. Writing about the Cigarette Wars, an advertising executive noted: “Meanwhile the rather reasonable impression is gaining ground that the American people do not care a Hannah Cook about the private quarrels of advertisers; that they are getting a severe pain over the expensively staged dog-fights which they are beginning to have a sneaking suspicion they and they alone are paying for” (“When You Knock Your Competitor…” 1931, 18).

As during the previous period, there were almost no positive consequences attributed to an advertising war, with one Depression-era exception: “it is probably true that Mr. Average Tire-Buyer is more interested—especially in this year of hard times—in price comparisons than he is in the word-sparring of the contestants. Consequently, this advertising may be selling him more tires simply because it is telling him more forcibly than ever before at how low a price tires can be bought. Firestone claims that this is the case, that sales are mounting because the public had no idea a tire—a Firestone tire, mind you—could be bought so cheaply” (“Tires Throwing Mud” 1931, 21.).

Finally, the first proposal appeared regarding how advertisers should respond to attacks. Printers’ Ink praised Knox for not airing dirty laundry in its counter to the Royal attack. “It is significant, perhaps, that Knox wisely has not interrupted as yet the even tenor of its advertising. Its ‘Warning’ is extra space taken with the sole purpose of fighting back and the washing of linen in the regular campaign is noticeable by its absence” (“Knox Fights Back” 1934, 19).

The 1950s and 1960s: Avis Tries Harder

Trade articles on advertising wars were infrequent during this period. However, sources confirm the occurrence of several wars between, for instance, toothpastes, margarine and butter, rental cars, cigarettes, automobiles, and razors. Most important, the early 1960s saw a war that many agree established the modern era of comparative advertising—Avis Inc. vs. Hertz Corporation. Although it took several years for Hertz to counterattack, and their early rejection of this strategy led to an agency change, they ultimately did with the following copy: “For years, Avis has been telling you Hertz is No. 1. Now we’re going to tell you ‘why.’”

Few mentioned motives for engaging in advertising wars, but those that did reaffirmed the earlier belief that the decision is rarely arrived at rationally. Writing metaphorically about an advertising war between two hypothetical paint companies, an advertiser noted that “Asserting that you are the leader in your field is probably good for your ego—if your ego is the kind that requires such assertion” (Eccleston 1950, 66). An American Dairy Association executive, explaining the decision to declare war on margarine marketers, declared he was “fighting mad and ready to slug it out with the makers of that lower-price spread. … They’ve been rough with us, such as calling us that higher-price spread, and we’ve had enough” (as cited in “ADA Ads Aim to Tweak…” 1959, 8).

The likelihood that intense competition encourages a war was also evident in this period, with the sole reference to it suggesting that increasing sales and limited competition would reduce the odds of a counterattack. After Rambler launched attacks against the “gas-guzzling monsters” of Chevrolet, Ford, and Chrysler, a writer argued that it was unlikely they would reply because all three were “…enjoying higher sales than at this time last year, and may simply let well enough alone” (“Rambler Taunts Trio of Rivals…” 1959, 12).

Many sources acknowledged the potential for wars to escalate and lead to exaggerated and often misleading claims. Describing a three-year war between Bostitch and 3M over the superiority of packaging tape vs. staples, the writer noted it included ads many criticized, “such as one of a worker opening a stapled carton and holding up a blood-soaked finger with a staple hanging from it,” or that they “presented competing closure methods in an unfavorable light—for example, by not picturing the proper instruments used in that method” (“How Ethics Inspired…” 1961, 38). An agency executive with 40 years experience similarly criticized one of Hertz’s counterattacks: “As so often happens when you concentrate on
competitive experiments, the zeal of combat led this company into an ad which many people believe hit below the belt: ‘Avis can’t afford television commercials, aren’t you glad?’ is the headline…” (“Advertising: A Bare-Knuckle Brawl” 1964, 58).

The president of the U.S. National Better Business Bureau made the point directly: “Exaggeration by one ‘knocking’ advertiser leads to further exaggeration by his competitors and eventually to outright misrepresentation. … As exaggerated competitive claims or half-truths are hurled by scores of business rivals, none will have any effect at all on any but the small unthinking part of the public” (as cited in Christopher 1965, 79).

The beliefs that consumers respond negatively to wars and that they can lead to damage to all parties were again expressed by numerous sources. In a speech to the Advertising Club of Greater Boston, an agency president summarized this belief: “There are certain industries and certain product areas today in which the battle of competitive advertising claims has reached the harsh crescendo of jungle warfare … public confidence [once] shaken … [usually exerts] a stern reaction against the industries themselves” (“Overly Competitive Ads…” 1965, 68).

Although the media were rarely mentioned during this period, there is a reference to an example unique in its approach to avoiding their censorship (see Fig. 5). As a writer described it: “Comes now a substitute for the substitute phrase, ‘high-price spread,’ in margarine ads. … Throughout the ad, Lever uses the verboten word ‘butter’—except that the word is blacked out every time it occurs” (“Lever Masks Out Taboo Term…” 1964, 176).

Notably, not a single contributor attributed positive outcomes to a war during this period. However, one source did acknowledge the possibility that both sides might benefit. “Hertz absorbed the Avis blitz for quite some time and then came out with a campaign of its own, stating the whole thing was little more than a mosquito bite, and, in fact, saying that the Avis barbs actually helped Hertz business. Perhaps the whole controversy will end with that ironic discovery” (“Just a Mosquito Bite” 1966, 78).

The 1970s to 1980s: Pepsi Challenges

The use of comparative advertising in the U.S. expanded in the 1970s. The FTC not only reversed itself and began encouraging comparative advertising, the agency actually threatened industry groups with legal action if they didn’t strike down codes that limited comparisons with named competitors. Consequently, wars broke out among many products, including colas, analgesics, fast food, spaghetti sauce, household cleaners, razors, and California wines.

Only two sources directly addressed the motivations behind an advertising war; again, they acknowledged the emotional theme. Writing about the evolution of comparative advertising law, an attorney warned advertisers to avoid attacking competitors: “When a competitor’s name is used, its temperature goes up and there is a greater likelihood of a lawsuit” (Meyerowitz 1985, 84). The author of a regular column in Direct Marketing similarly observed: “Sure, it feels good to get your feelings about your competition off your chest. But if your attack results in a poor response, that’s a pretty high price to pay for feeling good” (Brock 1982, 93).

Sources described three additional and related motives. First, and in reference to the “Pepsi Challenge” and outbreak of the Cola Wars, the writer observed that Pepsi executives chose to attack because “they learned it gave them some recognition they had failed to attract by other techniques…” (Giges 1980a, 64). Second, the motive for advertisers to defend themselves after an attack was mentioned. Writing about the war between Procter & Gamble’s Scope and Warner-Lambert’s Listerine, the author noted: “Listerine, the company said, turned to name-calling as a last resort to defend itself” (Giges 1980a, 64). Third, a minority pointed to a growing reluctance to engage in a war in the first place. Referring to the outbreak of the first Cola War, an Advertising Age reporter revealed: “The signal to go after Pepsi was eventually given
The effects of intense competition were also quite evident during this period, but many observers began directly linking it to sales declines on the part of the combatant initiating the aggression. For instance, “Lurking behind Ragu Foods’ complaints about Campbell Soup Co.’s comparative ads for Prego spaghetti sauce is a slow but sure drop in Ragu's market share. And … the company is considering ‘alternative’ ad approaches for fall [which could] … make way for a comparative counterattack against Prego” (Dagnoli 1989, 4). The effects of slow growth and sales declines were also evident at the outset of the Burger Wars. As reported by one source: “Desperate to resuscitate its growth momentum, Burger King Corp. is hitching its
company fortunes to a massive comparative marketing campaign, replete with ‘Pepsi challenge’-style taste-test research…” (Kreisman and Marshall 1982, 1).

A competitor’s entrance into a market sparked one of the most infamous wars during this or any other period. When Johnson & Johnson subsidiary McNeil Laboratories learned Bristol-Myers would launch Datril at a lower price and with a comparative attack, the company invested $20 million to send out 700 “detail men” to mark down every Tylenol package they could find. The goal was to nullify the Datril price claim before the attack. A writer noted, prior to the Datril launch: “Absence of competition enabled it to sell for a highly profitable $2.85, and to steer clear of tv and other high budget consumer media” (Giges 1975, 1).

The belief that hostilities often escalate was also evident in this period. Agency Ogilvy & Mather’s chairman Andrew Kershaw (1976, 26) spoke for many: “We have already seen that ferocious hostility erupts between corporations that used to be sensible, honorable competitors—all because of some stupidly provocative advertising.” As Johnson & Johnson and Bristol-Myers battled over the non-aspirin market, Sterling Drug sought to slow Bayer Aspirin’s steep decline in sales with the extraordinary attack shown in Fig. 6. As a writer noted: “The copy scolded the maker of Tylenol for trying to mislead consumers in making the claim, ‘Why doctors recommend Tylenol more than all leading aspirin brands combined’” (Giges 1980a, 66).

Many contributors, again, pointed to the tendency for combatants to lose focus on their own selling points. A Coca-Cola bottler spoke for many: “I’ve always felt the best way to sell is to try and communicate why consumers should buy your goods and not why they shouldn’t buy your competitor’s…” (as cited in Giges 1977, 35). A Burger King executive also mentioned the problem of losing focus, even when referring to what was widely considered to be a victory in the opening battle of the Burger Wars: “It’s very easy to get off track. You can get so caught up in competition that you forget the positioning’” (“Comparative Ads Paying Off” 1984, 18).

Several sources again mentioned the tendency for both sides of a war to suffer damage. A Coca-Cola executive called a ceasefire because comparisons based on “highly subjective areas … can only work to the detriment of the industry” (as cited in Giges 1977, 32). Comparing the likely consequences to an earlier decline in coffee consumption—after coffee marketers “thought it would be smart to turn inside and begin feeding upon each other”—he warned executives and bottlers: “We must never forget that the real competition facing soft drinks is, first, and foremost, other types of liquid refreshment” (as cited in Giges 1977, 32).

The majority agreed that consumers often respond negatively and with confusion to advertising wars. “Father of motivational research” Ernest Dichter (1977, 8) warned members of the American Marketing Association that “The more confusing and vicious the mutual attacks become, the more the respondent comes to the conclusion that he had better rely on his own judgment and not on what he is being told in the ad.” Agency BBDO, which publicly debated the merits of comparative advertising with Ogilvy & Mather during this period, warned advertisers that the smaller competitor, the “underdog,” tends to benefit from an advertising war because “The American housewife … can be alienated by what she feels to be an unfair attack on one of her favorite products” (as cited in “Underdog Advertiser Wins…” 1975, 1).

Two additional consequences found expression during this period. First, some sources agreed with agency Ogilvy & Mather that both sides of a war often benefit. Consistent with this belief, a McNeil marketing executive said the company “does not feel the Datril advertising has been detrimental to Tylenol. The company is now shipping all the products it can make, and the ads have had the effect of acquainting consumers with Tylenol as well as Datril…” (as cited in Giges 1975, 61). A second positive consequence refers to a war’s publicity value. For instance, after Burger King agreed to an out-of-court settlement with McDonald’s Corporation and Wendy’s International, the executive who ordered the first attack claimed that media attention may have been worth as much as $20 million in added sales (as cited in Moran 1984).
Successful strategies and tactics for responding to attacks appeared during this period. For instance, Cola-Cola employed brand Fresca as a “stalking horse” in one of its first responses to the Pepsi Challenge (Giges 1977). The stalking horse is an exercise in misdirection and risk assessment. A surrogate is used to launch an attack—in this case, Fresca, rather than the Coca-Cola flagship brand—to assess the likelihood of success or failure. The “Fresca Surprise” involved ads claiming “one out of three Pepsi drinkers chose Fresca.” Second, in another indirect counterattack, Coca-Cola responded with a campaign designed to

Fig. 6. Bayer Aspirin’s Attack on Tylenol, 1980
disparage Pepsi’s taste test advertising. A Coca-Cola executive explained: “We felt like we weren’t really knocking Pepsi, which we didn’t want to do, but we were knocking the technique an advertiser was using—and that advertiser just happened to be our competitor, Pepsi” (as cited in Giges 1977, 75).

Another strategy was demonstrated in a response to a *Business Week* magazine attack on the *Wall Street Journal. The New York Times* ad showed the *Journal* stuffed in a wastepaper basket and implied that the Friday issue had little value. Rather than respond directly, the *Journal* “...retaliated in a low-key way. It ran a spread ad in the March 22 issue of *Advertising Age* showing a backseat rider in a Rolls-Royce asking? ‘Did you see that story in Friday’s *Journal?’ Although it made the point that the *Journal* was ‘top-of-the-day reading every business day,’ it especially touted the Friday *Journal* as a wrap-up of the week’s events” (Emmrich 1982, M6).

The 1990s to 2000s: Credit Card Wars, Beer Wars, and a Pizza War

Although the data don’t lend themselves to quantitative analysis, it seems likely that advertising wars were more frequent during this period than any other. Several wars carried over from the 1980s (e.g., the Analgesic Wars, Burger Wars, and Credit Card Wars) and many new ones broke out in industries such as long-distance services, computer hardware and software, pizza, brewing, and batteries. As in the beginning, many advertisers condemned attack advertising. A Microsoft executive captured the view of many: “I don’t think there’s ever been a study that shows that negative advertising sells products” (as cited in Jaben 1992, 3).

Again, as in previous periods, many sources either implied or stated directly that the decision to respond to an attack is an emotional, rather than a rational, one. Referring to the Credit Card Wars, a writer noted: “Some analysts say the efforts are better at soothing CEOs’ egos than swaying public opinion” (Levin 1994b, 4). In the Long-Distance War, a source noted “Neither AT&T nor MCI were running ads for consumers; instead, they were targeting each other’s boardrooms. ... They were meant to get the other guy’s goat” (Benezra 1998, 46). The comments of an *Advertising Age* editorialist summarized this view with the following question: “In the heat of the marketplace battle, are there now product advertisers that can’t resist the allure of ‘going negative’...?” (“A Food Fight Out of Control” 1999, 16).

The effects of intense competition were clearly apparent in the descriptions of nearly every advertising war that occurred during this period. Moreover, and as implied during earlier periods, counterattacks were sometimes motivated by the need for advertisers to defend themselves. An observer of the Long-Distance War offered an example: “Ma Bell [AT&T] tried to ignore MCI’s nonstop attacks, but its competitor’s blows were clearly drawing blood” (Benezra 1998, 46). Similarly, another source proposed that after Visa USA invested millions of dollars in an official Olympic sponsorship, the company was forced to respond to American Express ambush advertising: “The Visa-American Express standoff is a bit testy, the public display of a bitter behind-the-scenes battle in which Visa is fighting to protect its investment” (Davidson 1996, 11). A Pizza Hut executive summarized the thinking behind this motive succinctly: “If you want to call it aggressive, that’s your decision. We feel we have to take remedial action to set the record straight with consumers” (as cited in Kramer 1999, 4).

Several sources also noted the tendency for advertisers to regret becoming involved in advertising wars. No one, however, throughout the 100 years of data analyzed for this study summarized the theme of regret as colorfully as a soldier in the Spaghetti Sauce War: “between [Unilever and Campbell], we’re spending $60 million a year to convince consumers that our spaghetti sauce is really crappy” (as cited in Neff 1999, 26).

The belief that advertising wars tend to escalate was also evident in this final period, with many specific examples. In late 1994, the attacks and counterattacks between Visa USA and American Express Co. became increasingly hostile, following American Express’s launch of its Optima True Grace card. After the card was launched with the promise there would be no interest charges during the grace period, Visa USA
fired the salvo in Fig. 7. Within days, American Express replied with a counterattack, also shown in Fig. 7, including the satiric “Visa. It’s everywhere you want to pay more interest charges.” The speed with which the counterattack was launched may help explain why American Express failed to identify itself in its own full-page newspaper ad.

In the Beer Wars, which continue today between Anheuser-Busch and Miller Brewing, combatants often turned their attacks to the quality of opponents’ products. In one of the most infamous examples, Anheuser-Busch ran commercials criticizing Coors Brewing Co. for diluting its “pure Rocky Mountain Spring Water” with local water, once the Coors Light concentrate reached Northeastern markets. It’s worth noting that during the year prior to this attack, Coors Brewing had been claiming, based on taste tests, that a majority of Budweiser drinkers preferred the taste of Coors Extra Gold. Two years later, Anheuser-Busch launched an almost identical attack on Boston Beer Company, with a campaign revealing that Sam Adams was regionally brewed by other brewers under contract.

**Fig. 7. American Express and Visa at War, 1994**

Several other wars revealed the tendency for hostilities to escalate, leading to dirty laundry and mutual damage. As the competition increased in the computer business, some attempted to exploit consumers’ fears of technology with warnings of how difficult their competitors’ products were to use, and others, like Compaq Computer Corp., ran ads implying competitors were on the verge of going bankrupt (Johnson 1993). In the Pizza War, Papa John’s and Pizza Hut accused (and sued) each other over advertised attacks that one or the other was serving customers either six-day-old dough or stale sauce. This latter episode provided a stunning example of the “dirty laundry effect,” as summarized by an observer: “Part of the court hearings involved both chains revealing less than appetizing facts about their sauce preparation processes” (Edwards 2001, 28).

However, few wars more perfectly illustrate hostility escalation and its consequences than Tylenol vs. Advil. As one writer summarized it, “…the main educational benefit of the Tylenol-Advil war has been
Many sources also mentioned the tendency for warring advertisers to lose focus on selling their products. In the Hardware War, Compaq ran an ad calling for a ceasefire, including the copy “Mudslinging, be it at a political candidate or a computer company, serves little purpose other than to muddy the waters” (Jaben 1992, 3). Referring to the Credit Card Wars, the chairman of a New York management consultancy observed: “It almost becomes defensive communications…. The benefit message is so clouded in irritable language and sort of bullying tactics that I just think most people tune it out” (Levin 1994b, 2). Explaining his decision to not join other software vendors in an alliance against Microsoft, an executive said: “There are times when alliances make a lot of sense, but if the alliance is formed for any other reason than to benefit the customer, it can get off focus” (as cited in Jaben 1992, 3).
Advertising Age summarized many of these problems in an editorial about the Pizza War: “Yet there’s a line that should not be crossed. On the wrong side of that line is advertising that loses sight of its selling mission in its eagerness to score points at the rival’s expense. Pizza Hut has arrived at that point in its ad war with rival Papa John’s” (“A Food Fight Out of Control” 1999, 16). The executive director of a global brand consultancy similarly observed: “I would advise them that they are completely missing the point. … They’re denigrating a brand in the category instead of building their own brand. For any company, I can tell you this advice would be the same” (as cited in Edwards 2001, 30).

A handful of sources also mentioned the likelihood that going to war could benefit the opponent. Although a MasterCard executive launched a counterattack against American Express, she also observed that she was “leaning against naming their product because on TV why create more buzz around that name?” (as cited in Levin 1994a, 4). Similarly, Pepsi was criticized for mentioning a competitor in a TV spot that showed singer Ray Charles taking a sip of Diet Coke and then realizing it wasn’t Diet Pepsi (Winters 1991, 24).

The role of the media as arbiters of warfare was also mentioned during this period. Fearing it was losing the Cola War, Coca-Cola Co. led a drive to pressure U.S. TV networks to revise their clearance practices. The company called for the change after it took between six weeks and three months for the networks to stop airing a spot in which Pepsi claimed Diet Pepsi is “the taste that beats Diet Coke” (Winters and Walley 1990, 1). Another source observed that the televised portion of the Tylenol-Advil war came to an end when “In the face of all the hubbub and confusion, television networks refused to air the worst of slash-and-burn executions” (Goldman 1996, 26). Network ABC actually banned all comparative drug company spots.

Many sources also mentioned the concern consumers would respond negatively and with confusion. The CEO of agency BBDO/LA observed: “If the negative advertising is scary and manipulative, it’s a disaster for a brand” (as cited in Jaben 1992, 3). A Visa USA marketing executive pointed out that “You risk coming off like a bully and no brand really wants that” (as cited in Koprowski 1995, 22). Regarding the Credit Card Wars, the president of an advertising agency noted: “Our research shows consumers don’t want to be a pawn in the fight. They feel the companies are not interested in them and only want to make a sale” (as cited in Koprowski 1995, 22). A veteran of the Hardware Wars also pointed to the concern with backlash: “Last year we responded to negative advertising by IBM by being negative about OS/2. We got word our customers didn’t like it, and we stopped. We were told being negative was not what customers wanted to hear” (as cited in Jaben 1992, 3).

Regarding the war among battery marketers, a senior VP-marketing noted: “I think it’s caused consumer confusion…. People hear what are accurate claims [from different types of tests] but contradictory from one competitor to another. ... And because of that, I don't think consumers know what to believe and tend to be more skeptical about the claims” (as cited in Neff 1999, 26). This wasn’t the only view, however. As a Visa advertising executive observed: “…veracity tempers an advertising counteroffensive. If people know it’s true, that takes away the negative association” (as cited in Koprowski 1995, 22).

Summary and Conclusions

In general, the findings of this historical study reveal that advertisers’ motives for engaging in advertising warfare, concerns about the potential consequences that might occur, and the consequences that actually did occur, remained remarkably consistent throughout the past 100 years. Especially noteworthy is the harmonious nature of these beliefs and experiences, as well as the lack of contradictory beliefs.

Specific findings point to the identification of many of the “principles and problems, potential and pitfall” that Starrt and Sloan (1989) suggest historical research facilitates. For instance, it seems apparent that advertising wars may be responsible for many of the negative consequences that Pope (1983) attributed to comparative advertising alone. As the findings of this study show, these consequences—the creation of...
potentially misleading advertisements, damage to advertising’s institutional credibility, and the employment of a mutually damaging form of business rivalry—were among those that often occurred when an advertiser’s intended victim chose, instead, to become a foe.

As Grewal et al. (1997, 3) noted: “The potential for increasing consumers’ information was one reason the FTC reputedly did not condemn comparisons ads.” Indeed, the FTC began encouraging comparative advertising for precisely this reason. Ironically, the tendency for advertisers to respond to comparative attacks emotionally, for hostilities to escalate, and for advertisers to increasingly lose focus on their own selling points and benefits all suggest that the public benefit of much comparative advertising envisioned by the FTC would be unlikely to occur. Similarly, numerous academic and industry studies suggest consumers often do not respond positively to comparative advertising (for a summary, see Grewal et al. 1997). Sorescu and Gelb (2000, 26) also noted the “Principal downside to negative advertising is backlash: the perception that negative advertising is unfair or in some other way undesirable.” The findings of this study reveal that not only is it likely that advertising wars are responsible for many negative consumer attitudes toward comparative advertising, advertisers were aware of and concerned about this unintended consequence throughout the previous century.

In a conceptual piece on aggressive attack advertising, Beard (2008, 210) questioned what advertisers should do if they are the victims of an attack: “Should they respond?” The findings of this study provide insights into what the answer to this question might be. Many advertisers expressed regret that they became engaged in advertising wars and, later in the century, began openly acknowledging reluctance to do so. Advertisers should take this into account when considering whether to respond. The findings also point to specific questions that could be asked to assess the risks of responding. For instance, is the company, product, or brand especially vulnerable to counterattack? The findings of this study suggest that the answer to this question may almost always be yes. Does the advertiser’s industry have dirty laundry? If so, and should hostilities escalate, how likely or severe is the damage that may occur?

Others findings related to responding to an attack point to the possibility that it might be done while avoiding many of the negative consequences of an advertising war. Sources throughout the past 100 years consistently warned that, should advertisers choose to counterattack, they should take special care to stay focused on their own selling points, benefits, and positions. Such a strategy would likely help avoid the escalation of hostilities. More important, and although they were probably not knowingly adopting military strategy, the findings reveal that advertisers who responded to attacks sometimes did so with what military strategists would call “flanking maneuvers,” employed to avoid direct, head-on confrontations. Today’s advertisers could learn from the experiences of Knox gelatin, Coca-Cola, and the Wall Street Journal.

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“I Saw a Picture of a Child Living on 14¢ a Day and I Nearly Choked on My $12 Scotch” Plan Canada’s Marketing of Child Sponsorship Programs: A Content Analysis of Print Advertisements from the 1970s

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The marketing of child sponsorship programs has been laden with accusations of deceitfulness and disrespect towards the dignity of the children they purport to help. This research takes a critical, historical approach to investigating the use of marketing techniques by Plan Canada, a subsidiary of one of the oldest and largest child sponsorship based non-governmental development agencies, Plan International, in their endeavour to improve the quality of life for children in developing countries. We examine a sample of Plan Canada’s print advertisements from the 1970s, the era just before these accusations came to the public’s attention, to assess the visual techniques used, the major themes, the impact of world events, and whether Plan Canada was guilty of promoting the image and needs of children in the developing world in a manner described as ‘hunger porn’ or ‘development porn’.

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Introduction

For many years, our television sets, print media, and mailboxes have been filled with appeals from non-governmental development organizations to financially support impoverished children in the developing world. The images often depict the sad and dire situation in which these children must try to grow up. Public debates have emerged around the truthfulness and effectiveness of such programs as well as whether they portray those in developing countries with respect and dignity (Stalker 1982, Williams 1982, CEDOIN 1985, Coulter 1989, Rance et al. 1989). The debate came to a head in a well publicized and scathing series of reports by the Chicago Tribune in 1998 entitled “The Miracle Merchants: The Myths of Child Sponsorship” which concluded that in many cases, one-to-one child sponsorship was employed as a tool to raise money for the organization and that the funds raised did not reach the child who was supposed to benefit (Anderson 1998). This research takes a critical, historical approach to investigating the use of marketing techniques by child sponsorship agencies in their endeavour to improve the quality of life for children in developing countries.

According to UNICEF (1996), the 1970s marked a turning point in international development efforts focused on children. Whereas the 1950s were marked by mass campaigns to reduce epidemic diseases such as tuberculosis, leprosy and malaria, the development movement in the 1960s can be characterized as focusing on the improvements expected to result from the transfer of capital and technology from rich countries to poor. By the 1970s, this assumption had been proven incorrect. Two events of the early 1970s proved to have an important impact on development efforts – the so-called ‘oil crisis’ and the occurrence of wide spread famine. During the 1980s, the child sponsorship movement was faced with negative publicity which struck to the heart of their mission to improve the quality of life of children in developing countries. At about the same time, sponsorship agencies like Plan USA were implementing “hard-headed business practices” such as long-range planning and customer research while increasing their marketing budgets by as much as 50 per cent (Rutigliano 1987).
This paper reports the results of our initial examination of the impact world events had on the marketing communications of one child-sponsorship agency, Plan Canada. We examine a sample of Plan Canada’s print advertisements from the 1970s to assess not only the impact of world events but also whether Plan Canada was guilty of promoting the image and needs of children in the developing world in a manner described as ‘hunger porn’ or ‘development porn’. In the context of globalization, our results have important implications for the portrayal of the ‘other’ in marketing communications. We also make a methodological contribution by drawing on visual analysis techniques from multiple disciplines. Although previous research (e.g., Hibert et al. 2007, Huhmann and Brotherton 1997) has contributed to our understanding of how the verbal elements of charitable organizations’ advertising appeals work, far less is known about the role of the visual aspect of ads.

We begin with a short introduction to Plan International and Plan Canada. We then set the context with a description of international development in the 1970s and explain the marketing of child sponsorship programs and some of the issues it presents. Next, we conduct a content analysis of print ads from Plan Canada’s child sponsorship marketing program in the 1970s and 1980s and report our results.

A Brief History of Plan International and Plan Canada

The origins of Plan International date to 1937, during the Spanish Civil War. According to Plan sources, a small child walking alone on the streets of Santander was found by a British journalist. The child had a note in his pocket that read, "This is José. I am his father. When Santander falls I shall be shot. Whoever finds my son, I beg him to take care of him for my sake" (Plan International 2008). Profoundly affected by this request the journalist, John Langdon-Davies, along with relief volunteer Eric Muggeridge, were inspired to establish Foster Parents Plan for Children in Spain. Langdon-Davies is credited with conceiving of the one-to-one sponsorship model (Plan International 2008).

During World War II, the organization became known as Foster Parents Plan for War Children and worked in England, helping displaced children from all over Europe. After the war, the organization extended aid to children in France, Belgium, Italy, the Netherlands, Germany, Greece, and briefly in Poland, Czechoslovakia and China. As Europe recovered, Foster Parents Plan for War Children gradually moved out of these countries and opened new programs in less developed countries. The organization removed the reference to war children and became Foster Parents Plan Inc. to reflect the new focus of their sponsorship activities (Plan International 2008).

Foster Parents Plan of Canada was incorporated in 1968. Canada was an ideal choice for a donor country since many Canadians were already sponsoring children through the U.S. office. In fact, one in four of these North American sponsors were Canadian (Plan Canada 2008).

In 1974, the global name became Plan International as programs then spanned South America, Asia and Africa. Into the 2000’s, the name Plan International evolved to simply Plan and a unified global identity was created to help make the organization more easily recognized around the world. In 2006, Foster Parents Plan of Canada also changed its name to Plan.

As of this writing, Plan International is present in 49 developing countries, focusing on health, education, livelihood, housing, water and sanitation development projects. In 2006, Plan spent almost $600,000,000 on its development programs (Plan International 2008). Approximately three-quarters of their income derives from private sponsors, 90% of their 8,000 staff are local employees working in their program countries, and a further 60,000 volunteers work in community programs worldwide (Plan International 2008). Through Plan Canada, Canadians sponsor more than 162,000 children in developing countries (Plan Canada 2008).
Plan’s Child Sponsorship Program

Child sponsorship is the foundation of the Plan organization, with about one million sponsors in 17 donor countries sponsoring over 1.4 million children, together with their families and communities, worldwide. Plan Canada describes their child sponsorship program as follows:

Child sponsorship is an opportunity for donors to experience the results of Plan’s work through the eyes of a single child and family. It’s a way for you – or your children – to learn about the lives of people in other countries by exchanging letters with a child’s family and receiving annual updates. When you sponsor a child, you’ll receive a photograph of the child and his or her family, information about the community, and an annual update on the improvements your generosity is helping to bring about. Sponsorship donations are used for community projects that improve the lives of children – building schools, health clinics and soccer fields; providing clean water, safe housing, sanitary latrines; supporting small business and agricultural projects; advocating for children’s rights [www.plancanada.ca].

The process of sponsorship requires sponsors to pledge a financial contribution directed toward programs in a particular child’s community. Most sponsors commit to donating money over a long-term period, providing a reliable source of funding for Plan and highlighting the importance of maintaining sponsors (Kristoffersen and Singh, 2004, Rutigliano, 1987).

Setting the Context: International Development in the 1970s and 1980s

In Canada, by the late 1960s, a climate of public disillusion and distrust surrounded foreign aid programs. The Canadian government responded by creating the Canadian International Development Agency (CIDA) in 1968, and in 1970, establishing the International Development Research Centre (IDRC), the world’s first organization devoted to supporting research activities as defined by developing countries (IDRC 2005). After his retirement, former Prime Minister of Canada, Lester B. Pearson headed the Commission on International Development. Its 1969 report, Partners in Development (also known as The Pearson Report), declared, “Both sides (i.e., the North and the South), have learned that cooperation for development means more than a simple transfer of funds. It means a set of new relationships … founded on mutual understanding and self-respect … [and] … a clear division of responsibilities which meets the needs of both partners” (IDRC 2005, p. 3).

The idea that transfers of capital and technical know-how would quickly dispense with gross poverty had been proven incorrect. Although many developing countries had achieved high rates of economic growth (increases of 5 per cent or more in GNP), little of this new found wealth reached the poor. In fact, the gap between rich and poor, as well as the gap between rich and poor nations, had grown. Within the development community, programs supported by humanitarian agencies began to enjoy new attention and legitimacy (UNICEF 1996).

Two events occurred in the early 1970s which had particular significance for international development. The first was the OPEC oil crisis which heralded the end of low-cost energy and with it, low-cost development. The second event was the global food shortage resulting from disastrous world harvests in 1972 and 1974. By 1974, the world’s reserves of grain had reached a 22-year low and traditional surplus-producing nations, such as Canada and the United States, reduced the amount of food they normally gave as aid (Time 1974). Nearly half a billion people were suffering from hunger, with 10,000 dying of starvation each week in Africa, Asia and Latin America (Time 1974). The world food shortage of the early 1970s had serious implications for the health and well-being of the millions of children who lived in the countries designated 'most seriously affected' (UNICEF 1996).

But the mission of Plan Canada, as holds true for Plan International, is to act as a development, not a relief organization (Rutigliano 1987). While the organization has at times become involved in disaster relief
it essentially adheres to what Brown (1992) has described as the capacity-building perspective on international development. That is, beneficiaries of Plan’s aid are regarded as active creators of change, rather than as victims of disaster. The goal is to strengthen local capacity for development rather than deepen dependency on outside resources. This situation gives rise to the following research questions:

Q1. What were the main international development themes of Plan Canada’s print advertisements during this period?

Q2. Did the global food shortage of the early 1970s influence Plan Canada’s marketing of child sponsorship programs, and if so, how?

The Marketing of Child Sponsorship Programs

During the time period in question, the marketing of child sponsorship programs, by Plan and other organizations such as World Vision and Christian Children’s Fund, employed various communications forms including print ads, direct mail, television spots, and outdoor advertising. While the marketing message seemed to indicate that the sponsor’s financial contribution would be helping one specific child, the child in the picture they received after signing up, operational practice did not always match this public expectation (Stalker 1982). The one-to-one sponsorship model was, however, effective in creating that personal connection and feeling of individual responsibility. Because it was, and continues to be, so powerful some agencies were tempted to use it as a marketing tool divorced from the true realities of their field operations, and turned it into an abusive fund-raising scheme (Anderson 1998, Stalker 1982, Tanguy 2003). As such, most of the contentious debates about public fundraising for international development programs have been over child-sponsorship.

Within this atmosphere of skepticism over sponsorship program effectiveness and truth-fulness, controversy has arisen concerning the images deployed by organizations, like Plan International, in their marketing communications. Particular emphasis has been placed on the imagery deployed within fundraising campaigns, critiquing the patronizing or demeaning images which failed to recognize the agency or dignity of the poor (Smith and Yanacopulos 2004). Amidst increasing competition for scarce sponsorship dollars, development agencies launched campaigns with taglines such as “a dollar can mean the difference between life and death” (Sankore 2005). The graphic image of starving, hollow-eyed children, helpless and feeble, menaced by vultures, has been used repeatedly by several agencies, in a phenomenon angrily coined by relief workers as ‘hunger porn’ or ‘development porn’ (Tanguy 2003). The cumulative effect of the repetition of such graphic depictions of poverty by multiple organizations over an extended period of time is said to have resulted in unintended but disastrous consequences (Sankore 2005) – the creation and solidification of stereotypes, such as “the entire continent of Africa being rife with poverty, disease, and malnourishment” (Goldfinger 2006).

Commentators argue that the subliminal message is that “people in the developing world require indefinite and increasing amounts of help and that without aid charities and donor support, these poor incapable people in Africa or Asia will soon be extinct through disease and starvation. Such simplistic messages foster racist stereotypes, strip entire peoples of their dignity and encourage prejudice” (Sankore 2005). Furthermore, the root causes of poverty are masked, and attention diverted “from issues of justice and basic human rights toward values of charity and pity - with an associated reinforcement of the belief that the North is superior - full of generous givers who can ‘cure’ poverty through aid - and that the South is helpless and powerless” (Goldfinger 2006). While the poverty is real, the subliminal message ‘development pornography' conveys is unreal (Sankore 2005).

In an awkward effort to self-regulate, relief agencies have tried to explicitly define standards (Tanguy 2003). In 1992, the American organization InterAction, described as “the largest coalition of U.S.-based international nongovernmental organizations focused on the world’s poor and most vulnerable people” (InterAction 2008), laid out fifteen points to guide the use of child-sponsorship marketing tools and operational plans, from the obvious yet historically problematic “members shall be truthful in marketing and
advertising” to more specific recommendations on policies, resource allocation, and accountability (InterAction 1992). The complete guidelines, along with all InterAction’s Private Voluntary Organizations Standards including additionally those around governance, finances, management and human resource among others, can be found at [http://www.interaction.org/pvostandards/index.html](http://www.interaction.org/pvostandards/index.html).

While Plan Canada has set no guidelines, they abide by the global guidelines and child protection measures set by Plan International. This includes all marketing of child sponsorship programs, images, profiles, stories, and logo. Plan Canada is also a member of the Canadian Council for International Cooperation (CCIC), a coalition of Canadian voluntary sector organizations working globally to achieve sustainable human development. The CCIC’s Code of Ethics outlines the guidelines its members must follow when communicating with the public. This includes truthfulness in fundraising solicitations and that members do not use messages which fuel prejudice, foster a sense of Northern superiority, or show people as hopeless objects for our pity, rather than as equal partners in action and development (www.ccic.ca). The complete CCIC Code of Ethics can be found at [http://www.ccic.ca/e/002/ethics.shtml](http://www.ccic.ca/e/002/ethics.shtml).

The preceding discussion has raised a number of issues about the marketing of child sponsorship programs, its messages, images and efforts at self-regulation. The following research questions are suggested:

Q3. What type of visuals dominated Plan Canada’s print advertisements during the 1970s?

Q4. Was Plan Canada guilty of promoting the images and needs of children in the developing world in what has been described as ‘hunger porn’ or ‘development porn’?

**Methodology**

**Research Team**

The first author had a pre-existing relationship with Plan Canada, as a volunteer, a co-founder of the Plan Leadership Council, and the sponsor of a child, Maria, in Guatemala. The first author, therefore, was acquainted with Plan’s operations and current child sponsorship material. The second author had no previous relationship with Plan Canada, nor any direct exposure to child sponsorship programs, but had experience with the analysis techniques employed. Our differing genders and backgrounds with respect to international development efforts and the analysis of visual images helped to enrich our understanding of the material being analyzed as we brought different perspectives to bear.

**Data Sources and Description**

The first author was offered exclusive and unfettered access to Plan Canada’s marketing archives, located at their Canadian corporate offices, along with the cooperation of their in-house marketing department. Due to Plan’s longstanding history in Canada and its parent organization’s pioneering role in child sponsorship programs around the world, it was felt that this provided a unique opportunity to investigate the marketing practices of an important non-profit, non-governmental organization. The archives include just over 700 newspaper and magazine clippings, as well as some of the original advertising agency master copies, dating from the 1970s through to the 1990s. From the 265 print advertisement clippings dating from the 1970s, we drew a purposive sample of 70 clippings, as a starting point for our analysis. Advertisements in the sample ran in a variety of secular (e.g., Canadian Magazine, Time, Reader’s Digest), religious (e.g., Catholic Register, Canadian Baptist) and professional (e.g., Canadian Lawyer) publication outlets. However, rather than focus on publication outlet or other elements of the ad (e.g., gender of featured child) in our sampling design we selected ads with unique headlines in order to answer our research questions related to the international development themes present in the ads and whether Plan’s marketing efforts were influenced by world events (see Appendix I for a list of ad headlines). All of the ads selected were created and used in the 1970s but some continued to be used in the 1980s and even into the 1990s. Only a few of the ads contained coloured headlines, but since the use of colour is thought to attract more attention
and stimulate longer viewing (Chute 1980, Lamberski and Dwyer 1981), ads in the sample group were standardized by scanning into black and white.

The advantages of using a collection of historical ads include: 1) the benefits of hindsight and the possibility of placing marketing actions within a socio-cultural context, and 2) the creation of a qualitative ‘time series’ that permits the investigation of “the causal motors that drive change over time” (Smith and Lux 1993, p. 595). In future research, we plan to compare our results from analysis of ads from the 1970s with those of later time periods.

**Analysis Method**

To accomplish our research objectives we conducted a content analysis of the advertisements. Content analysis is a ‘research technique for the objective, systematic, and quantitative description of the manifest content of communication’ (Berelson 1952, p. 55 as cited in Kassarjian 1977). To assure the objectivity and reliability of the research results, we followed Kassarjian's (1977) general guidelines for content analysis. According to Kolbe and Burnett (1991), benefits of content analysis consist of: (1) the unobtrusiveness of the communication evaluation, (2) the assessment of the environmental variables of the communication/message content, (3) the empirical onset or starting point of new research evidence on the nature of the communication, and (4) the ability to provide statistical information for multimethod studies. Further, this method proved to be a valuable technique for understanding print advertising in past studies (Belk and Pollay 1985, Soley and Kurzbard 1986, Rice and Lu 1988, Stevenson 1992, Peterson 1994, Huhmann and Brotheron 1997, Razzouk et al 2003, Sciulli and Bebko 2005, Lawson et al 2007).

The combination of verbal (text) and visual (image) elements is common in advertising (McQuarrie and Mick 1992). Advertising visuals are often used to gain attention, create impact and stimulate interest (Moriarty 1987). Verbal elements (headlines, captions, text, etc.) can provide explanation, frame an appeal, and motivate a reader to action. Following previous research in visual consumption, we understand the image as being polysemic, or multiple and ambiguous in its meaning (Penn 2000) with the verbal component of the ad, along with the status of objects appearing in the image (e.g., clothing, housing) serving to ‘anchor’ or disambiguate the visual (Barthes 1964). In turn, the visual serves to amplify the verbal content. We therefore sought to understand the visual by referencing the captions and cutlines located near the image as well as the ad copy. By coding both verbal and visual elements we sought to capture the ad’s content in a holistic manner.

Based on the first author’s experience with and understanding of child sponsorship and international development programs, we established a provisional coding scheme for the verbal elements. Each advertisement was coded for the following major categories:

- International development issue contained in the headline: general need, hunger, poverty, education, water, financial;
- Strategic theme used to persuade the reader, based on the ad headline: Awareness/Ignorance (reader’s knowledge of living conditions in the developing world), Hope/Despair (vision of the future for the child), Help/Helplessness (the ability of the child to change his/her circumstances), Love/Pain and Suffering (referring to the child’s emotional needs and available support), Family/Lonely (whether the child was alone or not), Health/Disease (the child’s current state of health), Life/Death (whether there was imminent concern for the life of the child), and Their Life/Your Life (whether the child or the sponsor audience was influenced by the program).

Combining techniques from the literatures on non-verbal communication, print advertising, and visual consumption, we arrived at a preliminary coding scheme for the visual element of the advertisements, as follows:

- Category of Visual: whether the image was executed as an illustration or a photograph;
- Gender: whether the ad featured a boy or girl, based on the image as well as the ad copy;
• Overall valence of the image: based on whether the child in the image was smiling, crying or had a neutral expression, the ad was coded as positive, negative or neutral, respectively;
• Direction of the child’s gaze: either directly at the camera/target, looking up at the target, or looking away;
• Dignity of the child: whether the child in the image was clothed, wearing shoes, and whether they were viewed as dirty.
• Role of the image, coded in terms of its function. Here, we adopted Moriarty’s (1987) typology of image functions which sets out two broad categories: literal and symbolic. Literal images may serve the purpose of: 1) identification (brand or logo); 2) description (product attributes); 3) comparison (e.g., before and after); or 4) demonstration (e.g., how to perform a task). Symbolic visuals function in terms of: 1) association (typifying a lifestyle or situation); 2) association using a celebrity or fictional character; 3) metaphor (a substitution based on similarity of some feature); 4) storytelling (narrative, drama); or 5) aesthetics (art, pattern, abstraction).

Each author coded the ads independently and then we met to discuss our results. Inter-rater reliability for most coding categories was very high, ranging from 94% agreement over the valence of the image, to 97% agreement on gender of, and 100% agreement regarding the dignity of, the child. For coding categories such as gaze (75%) and cleanliness (82%), where inter-rater reliability was lower, we discussed our differing interpretations and came to agreement.

Results and Discussion

Issues in International Development

The issues presented in international development are many; children in developing countries face not just one but multiple hurdles. The result of the analysis of which issues in international development are most prevalent in the ad headlines illustrates this general need (see Table 1 below). When the ad headline did not fit into one of the major single-issue themes, it was coded ‘general need.’ Examples include: “Must Marjula live with hopelessness?” and “Isn’t there a better life for Glenn?” When one issue was obviously singled out, the most dominant issue was hunger. Examples of headlines coded as ‘hunger’ include: “Starving to death… slowly,” and “For a hungry child... one day can be forever.” Although we can’t be sure that our collection of ads is a representative sample of all ads that Plan created and ran during the 1970s, it is worth noting that the first hunger headline appeared in 1976 with continual use of this appeal throughout the end of the 1970s. Other ad headlines that address issues of poverty, education, water, and cost of living include: "I saw a picture of a child living on 14¢ a day and I nearly choked on my $12 Scotch" (coded ‘financial’), “Water. Key to life?” (coded ‘water’), “Liza is poverty’s child” (coded ‘poverty’) and “Ignorance is bliss?” (coded ‘education’).

Table 1. International Development Issue

<table>
<thead>
<tr>
<th>Issue</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Need</td>
<td>42</td>
</tr>
<tr>
<td>Hunger</td>
<td>17</td>
</tr>
<tr>
<td>Poverty</td>
<td>6</td>
</tr>
<tr>
<td>Education</td>
<td>2</td>
</tr>
<tr>
<td>Cost</td>
<td>2</td>
</tr>
<tr>
<td>Water</td>
<td>1</td>
</tr>
</tbody>
</table>
Strategic Theme in Ad Headline

The print ad headlines for Plan Canada’s child sponsorship program were judged to contain various themes. Some, in fact, communicated more than one theme. When this occurred the ads were counted for each theme that appeared in the main headline. As Table 2 illustrates, the majority of ad headlines were coded under the Their life/Your life label. Headlines were themed to the impact on the lives of the sponsored child in 44 instances. The impact on the life of the sponsor was noted in nine instances. In thirteen headlines both the lives of the sponsored child and the sponsor were linked. For example: “No child should have to live the way Edwin does…” (Their life), “What have you done for a child this year?” (Your life), and “Targelia’s family is waiting – for you” (Their life and Your life). Examples of some of the other frequent ad headlines themes include despair, and pain and suffering: “A dark life… a darker future” (Despair), “Why must she suffer? Doesn't anybody care?” (Suffering), and “Condemned to face a future full of pain” (Pain).

Table 2. Strategic Theme

<table>
<thead>
<tr>
<th>Themes</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Their life/Your life</td>
<td>66</td>
</tr>
<tr>
<td>Hope/Despair</td>
<td>19</td>
</tr>
<tr>
<td>Help/Helplessness</td>
<td>10</td>
</tr>
<tr>
<td>Love/Pain and Suffering</td>
<td>9</td>
</tr>
<tr>
<td>Life/Death</td>
<td>8</td>
</tr>
<tr>
<td>Family/Loneliness</td>
<td>5</td>
</tr>
<tr>
<td>Awareness/Ignorance</td>
<td>5</td>
</tr>
<tr>
<td>Health/Disease</td>
<td>3</td>
</tr>
</tbody>
</table>

In addressing our first research question, the main themes show a personalization of the experience, and encourage a sense of personal responsibility for the welfare of others. This is where the power of the child sponsorship program comes from. The appearance of ‘hunger’ as a headline theme from 1976 onward, answers our second research question. The global food crises of the early 1970s had an impact on Plan Canada’s marketing efforts in that hunger began to be ‘featured’ in Plan’s marketing communications. However, it should be noted that the basic format of the ads remained the same, suggesting that Plan did not succumb to the temptation to sensationalize the food crises in order to attract donors, and that the theme of general need predominated, in accord with Plan’s express mission statement.

Category of Visual

All of the ads in our sample included a visual image; one ad (1.4%) contained illustrations whereas 69 (98.6%) employed photographs. The preponderance of photographs may perhaps be expected since they are often thought to provide a visual record of how things really are (Schroeder 2008), and may serve the goal of educating the audience to the living conditions of children in need of sponsorship. Since the illustration originated with the United Nations International Year of the Child campaign, that is, Plan Canada did not create this visual, we decided to drop this ad from the remainder of our analysis of ad visuals.

Gender

The results of the analysis of gender show that 25 ads (36.2%) featured pictures of boys and 42 ads (60.9%) featured girls. In two ads (2.9%), we were unable to determine the gender of the child and one ad (1.4%) did not feature a child at all. As children, regardless of gender, are forced to endure the challenges of growing up in the developing world, it is not surprising that both boys and girls are well represented in the ads. However, since girls are featured in 60% of the ads while boys appear in only 36% of the ads, a number of questions can be asked: Are girls seen as more deserving of support? Is it harder to witness the challenges of a young girl in the developing world than those of a young boy? Do donors respond better to images of girls than boys?
Valence of Imagery

One of the charges around the use of ‘development pornography’ is the portrayal of utter despair. While the situation may indeed be bleak, critics claim that images used in marketing campaigns create an unrealistic vision of the conditions in the developing world. The use of positive, negative, or neutral facial expressions is used as a proxy for this claim. Previous research has shown not only that humans express seven main emotions (happiness, surprise, fear, sadness, anger, disgust/contempt, and interest) through facial expressions (Argyle 1975), but also that we can accurately ‘read’ such emotions when shown photographs of others’ facial expressions (Argyle 1975, Ekman and Keltner 1982), even cross-culturally (Ekman and Keltner 1997). The results indicate a clear preference for neutral expressions in Plan Canada’s marketing campaign (see Table 3).

Table 3. Valence of Imagery

<table>
<thead>
<tr>
<th>Image</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neutral</td>
<td>54</td>
</tr>
<tr>
<td>Negative</td>
<td>12</td>
</tr>
<tr>
<td>Positive</td>
<td>4</td>
</tr>
</tbody>
</table>

In 77% of instances, Plan’s marketing images featured children with a neutral expression, meaning that they were not pictured as being in obvious distress. They may not be smiling, but are not in obvious pain or discomfort. Only four ads (5.7%) featured the children in a positive way, either happy or smiling, while 12 ads (17.1%) featured children in a negative way, either crying or screaming. Appendix II contains examples of how ads were coded in terms of valence of imagery.

Gaze

Patterns of gaze play an important role in establishing relationships between people (Argyle 1975). One of the criticisms of the marketing images used in some child sponsorship programs is that the pictures place the Southern child in a subservient position (either looking up at the camera from a ‘lower’ position or looking down or away and unable to make eye contact with the camera/donor as an equal) waiting for powerful, rich (usually white) Northern sponsor to reach down and help them up out of poverty. The complaint is that the sponsor child and the sponsor are not viewed as equal human beings. Table 4 outlines the results of our analysis.

Table 4. Direction of Gaze

<table>
<thead>
<tr>
<th>Direction</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Straight Ahead</td>
<td>51</td>
</tr>
<tr>
<td>Not Looking at the Camera</td>
<td>12</td>
</tr>
<tr>
<td>Looking Up</td>
<td>6</td>
</tr>
<tr>
<td>Can't Tell</td>
<td>1</td>
</tr>
</tbody>
</table>

Plan Canada’s print ads, in 51 instances (73%), have the child looking directly into the camera, and therefore, on a similar level to the sponsor/target audience. In only 6 instances was the child deemed to be looking up at the camera thus potentially portraying them in an inferior position to the target audience. ‘Levelness’ and directness of gaze has been interpreted by researchers as indicating that the interpersonal communication channel is open and interest is being shown (Argyle 1975). Appendix III contains sample ads illustrating our coding practice.
Dignity of the Child

One other criticism of child sponsorship marketing and development pornography is that it strips the children of their dignity. We chose to look at three elements to determine whether the dignity of the child was protected, namely if they: were clothed, wore shoes, or were dirty. There is a wide range of functions that clothing performs (decoration, protection, self-assertion, group identification) and a number of interpretations that might be made with respect to the clothing another wears (social status, authority level, cultural affiliation, etc.) (Knapp and Hall 2006). To simplify our task we chose simply to observe whether the child was wearing clothes and shoes or not. With respect to being dirty, cleanliness is one of the socially accepted norms that Northerners expect from each other in most circumstances. Douglas (1966, p.5) argued “Reflection on dirt involves reflection on the relation of order to disorder, being to nonbeing, form to formlessness, life to death” and therefore displaying children as dirty is akin to their lives being in disorder.

The images used by Plan Canada’s child sponsorship marketing materials in the 1970s show the following results with respect to these three dimensions:

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shirt</td>
<td>63</td>
</tr>
<tr>
<td>No Shirt</td>
<td>6</td>
</tr>
<tr>
<td>Can't Tell</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shoes</td>
<td>18</td>
</tr>
<tr>
<td>No Shoes</td>
<td>37</td>
</tr>
<tr>
<td>Can't Tell</td>
<td>15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dirty</td>
<td>21</td>
</tr>
<tr>
<td>Not Dirty</td>
<td>48</td>
</tr>
<tr>
<td>Can't Tell</td>
<td>1</td>
</tr>
</tbody>
</table>

The overwhelming majority of children in Plan Canada’s images where wearing a shirt, thus promoting a sense of dignity. Approximately half of the children could be seen not wearing shoes while one quarter were wearing shoes and another quarter of the images did not show the child’s feet. While this could be seen as an infringement on the dignity of the child to a certain degree some cultural considerations must be taken in account, such as the accepted use or nonuse of shoes in a given circumstance such as playing outside the home as opposed to going to church. More than two thirds of the children in the ads do not appear to be dirty. Appendices IV and V provide illustrative examples.

Taken together, our analysis of visual components allows us to arrive at a composite picture of the visuals which dominated Plan Canada’s advertisements during the 1970s. The vast majority of ads contained photographs of children who were clothed, clean and displayed a neutral expression. The relatively few portrayals of sad or crying, scantily clothed, dirty children would seem to indicate that Plan Canada demonstrated respect for the dignity of the child and was not guilty of the accusations of development pornography leveled at child sponsorship programs as a whole. Their images realistically portrayed the impoverished situations in which the children lived while maintaining their dignity as people.

Function of Visuals

Moriarty (1987, p. 550) argues that literal visuals are used to communicate factual information, “their role is to identify, describe and report details.” Symbolic visuals, on the other hand, communicate
photographs can be used to create an accurate, detailed record, marketing researchers agree that they are also representations which encompass processes of composition, editing, and selection (Schroeder 2008, Witkowski and Jones 2006). By analyzing the ads in a holistic manner, we concluded that most of the ads performed a symbolic function. Although the children in the photographs were often identified by name, this was not intended to perform a literal function. That is, the reader was not intended to clip the photograph and use it as a finding aid the way a consumer might use a brand logo to locate a product on a supermarket shelf. Instead, the photograph, along with the caption and cutline, was used to perform a storytelling function in 59 of 70 images. Take, for example, the following cutline, “Suwarni Sakaria: Lives in a one-room hut. Three metres by five metres in size. No furniture, no water, no electricity. Family exists on $10 a month.” The photograph of Suwarni is meant to enhance the story of her family’s living conditions. David Ogilvy (1963) has suggested that the more ‘story appeal’ you inject into the photographs that form part of advertisements, the more people will look at the ad.

Similarly, we have no reason to believe the photograph in the advertisement is not a realistic portrayal of Suwarni. However, the photograph, together with the text of the ad serves an additional purpose, one of association (typifying a lifestyle or situation). This is reinforced by the statement, “By now, Suwarni will have a Foster Parent – but thousands still wait.” Suwarni is not only typical of other children living in a similar situation, but she serves as a symbol of other children in need. When we take into consideration our conclusions above regarding the dominant visuals, we may also conclude that the representation of children in need as clothed and clean may serve to reduce the psychic distance between potential sponsors and children in need. This conclusion is strengthened when we consider that several ads contained text similar to the following, “The normal reaction to the fact that millions of children around the world are starving, is to shut it out of your mind. It’s just too big to cope with. But if each of us thought in terms of one child – just one – the situation isn’t quite so hopeless anymore.” Suwarni, and the other children whose photographs appeared in Plan’s ads, represents that one child. She’s not ‘so far gone’ as to be un-helpable and the one-to-one sponsorship model makes it possible to help.

Future Research

This paper reports the results of our initial explorations of a rich data source. In the future we plan to include ads from the 1980s and 1990s in our analysis, in order to ascertain changes and continuities in Plan’s marketing communications over time. Although we were able to hypothesize about the impact of the disastrous world harvests of the early 1970s, and resulting famines, on the content of Plan’s advertisements, with a longer perspective we hope to identify additional causal motors of change in Plan’s marketing communications strategy.

During our analysis new areas for investigation emerged which may lead to more extensive analysis. For example, the cleanliness of the child (foreground) compared to surroundings (background) may serve to distinguish a ‘deserving’ recipient of aid – one who already ‘stands out’. Several ads contained references to Plan’s charitable tax status and the availability of financial statements. This could be analyzed as a tactic to overcome negative impressions from media coverage. In addition, analysis of the negative appeals contained in this collection of ads may further our understanding of how verbal and visual elements of guilt appeals work together, and how guilt appeals can be combined with other negative appeals such as shame and fear.

Conclusion

This paper examined 70 print ads from Plan Canada’s marketing of child sponsorship program from the 1970s. It was determined that the general needs of children in developing countries was the preferred theme for advertisements but that the global food shortage did in fact have an influence on the use of hunger as a message strategy. It was also determined that Plan Canada’s advertisement did not cross the delicate line between showing the hardship and realities of life in the developing world for these children and what became known as ‘development porn’. The dignity of the child was maintained in the images used over this time period. This was illustrated using a variety of indicators examined in each of the ads.
References


Appendix I

Print Advertisement Headlines

1. "I saw a picture of a child living on 14¢ a day and I nearly choked on my $12 Scotch"
2. A child's eyes are pleading for help… will anybody answer?
3. A cry for help.
4. A cry from the heart
5. A daily pain… a lifelong chain
6. A dark life… a darker future
7. A helpless child… A hopeless future
8. A life without hope… without you
9. An empty stomach, an empty life, an empty future
10. Can you close your eyes to his pain?
11. Condemned to face a future full of pain
12. David needs to know that somebody cares
13. Don't stand between Marcia and hope
14. Emma de Leon had no one else to turn to. Except YOU.
15. For a hungry child, one day can be forever
16. For a rare and wonderful feeling - try saving a life
17. For Silvia, childhood means fright and pain…
18. He could change your life… while you are changing his
19. Helpless, Hungry, and Afraid
20. How would you like to share a dream?
21. Ignorance is bliss?
22. Is there no hope for this child?
23. Isn't there a better life for Glenn?
24. Jesus Angulo Needs Your Love
25. Juana is old before her time
26. Kruni's family exists on $6 a month
27. Laxmi is starving - both body and mind
28. Lilibeth's parents have sold their belongings to buy food…
29. Liza is poverty's child
30. Love can't fill an empty stomach. YOU CAN.
31. Maria Augusta Tito. 7 Years Old. Family situation precarious.
32. Maria has outlived half the children of the slums
33. Marked for life… by poverty's pain
34. Matilde's life is a crying shame
35. Missing.
36. Must Marjula live with hopelessness?
37. No child should have to live the way Edwin does…
38. No clothes. No shoes. No medicine. No Hope.
39. No hope for today. No dreams for tomorrow…
40. Nothing could save his life… until someone cared.
41. Old enough to know poverty's pain… too young to understand
42. Osman knows hunger and all its pain…
43. Please salvage a little girl's life
44. Reaching out for help… but is help out of reach?
46. Renya is fighting for her life
47. Roberto Estores. Age 5. Father has TB. Not improving.
48. She can have a future.
49. She can't run from poverty's pain
50. She could have a future
51. Six years old… will she live to be seven?
52. Someone ought to show they care…
53. Somewhere in the world, a child is waiting
54. Starving to death… slowly
55. Suwarni is pleading for her life
56. Targelia's family is waiting - for you
57. This child is starving
58. Tired, hungry, alone, and afraid
59. Today Isaias is hungry and sick. Tomorrow he could be dead.
60. Waiting for help - will it ever come?
61. Wanted. Dead or Alive?
62. Water. Key to life?
63. We're not asking you to help the millions who are hungry. Just one.
64. What do you get when you help a child?
65. What have you done for a child this year?
66. Where children are hungry… we teach farming.
67. Where in the world can Francisca find help?
68. Why must she suffer? Doesn't anybody care?
69. Won't you answer a little boy's plea?
70. You can free a prisoner of poverty
Appendix II – Valence of Imagery

Neutral

![Neutral Image]

Positive

![Positive Image]

Negative

![Negative Image]
Appendix III - Gaze

Straight Ahead  Looking Up

A child's eyes are pleading for help... will anybody answer?

What have you done for a child this year?...
Appendix IV – Dignity of the Child

Clothed, Shoes

Unclothed, No Shoes
Appendix V – Dignity of the Child

Not dirty

Dirty

Today Isaias is hungry and sick. Tomorrow he could be dead.

You can free a prisoner of poverty.

CALL TOLL FREE ANYTIME 1-800-544-6496

PLAN

CALL TOLL FREE ANYTIME 1-800-544-6496

PLAN
Social Tolerance, Advertising Regulation, and Market Drivers

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Cristoph Schumacher, Massey University, New Zealand
Ann-Marie Thompson, Auckland University of Technology, New Zealand

In this paper the regulation of advertising is examined by considering market driven firms (those seeking to keep within the boundaries set by social and industry norms) and market drivers (those seeking to stretch boundaries so as to gain a competitive advantage). Thought is given to the costs of regulation and tolerance to the social purse, and the benefits gained by compliance and violation. A simple game theory model is used to illustrate the conclusions. Implications for advertisers, industry, and Government are offered.

Introduction

In 2005 the Australian Tourism Board launched a worldwide campaign using the line “So, where the bloody hell are ya?”. Criticised and briefly banned in the UK as offensive; the subject of attempts to persuade lawmakers to ban it as offensive in many US states; banned in a number of Asian countries as offensive; and banned in Canada (albeit for appearing to promote liquor, rather than for being offensive), the Australian Government considered the campaign to be hugely successful because of the media attention it gathered, and because it was estimated to have increased the tourism spend by approximately A$2 billion. However, while the campaign has continued, the tagline was quietly dropped in 2006. The use of language that to an Australian was considered fairly innocuous, breached the boundaries set by society and advertising regulation standards in the northern hemisphere; the marketer was censured, but still considered themselves to have gained an advantage in the marketplace. Interestingly, the campaign was also used in Australia’s closest neighbour, New Zealand, but gained little media attention until the international furore erupted. What was the difference between New Zealand and northern nations? Offensive language is not only extremely rare in New Zealand advertising, but television (the primary media for the campaign) in general is heavily regulated by broadcasting standards with all non-news material previewed by a Government censor and subjected to a rating system determining when it can and cannot be shown. However, a few years earlier, Toyota had conducted a similar campaign, using mildly offensive language as an appeal to local cultural identity. At that time, the Advertising Standards Authority in New Zealand received numerous complaints, and the campaign was put under the type of local media scrutiny that the Australian campaign later attracted internationally. After much debate, the campaign was deemed inoffensive and became acceptable by society.

The boundary in New Zealand had shifted, such that by the time the Australian campaign arrived, whilst it was still extremely rare to see and hear such language, it had been judged before. Even though the language was new to advertising, and technically stretched or breached the boundaries established, the Government and society decided this time around to be tolerant, and not interfere with the self regulation of the industry. In this paper we suggest that a firm which is a market driver can gain potential benefits from stretching the boundaries of what is considered acceptable in advertising, particularly in an environment that is self-regulated, or only partially regulated by Government.

Background

Advertising is a multi-billion dollar activity evident throughout the world’s economies. Varying in form from simple institutional messages such as opening hours, prices, or location, to complex positioning messages invoking images, perceptions, and attitudinal responses, advertising per se is an accepted method of communicating information to existing and potential customers. The nature and approach used however are subject to the constraints imposed upon any communication by society. Even in open societies where freedom of speech is embodied in the social order there are often conflicting norms of decency and fairness
which serve to regulate what is acceptable in advertising and what is not. More often than not, the elected
governments of such societies see fit to formalise in law those norms, creating boundaries for advertisers and
the general public. As is often the case in such attempts to legislate societal practice, the boundaries are
generally wide creating ‘grey’ areas which need review as required. Furthermore, the norms of decency and
fairness for today’s society are often far removed from those as little as a generation back, and are unlikely to
hold beyond a subsequent generation, resulting in a constantly shifting boundary. The consequence of this
wide and moving frontier is reluctance on the part of governments to fully regulate advertising, and a
preference for leaving it to self-regulation, with the option to step in if an advertiser oversteps the mark and
society cries foul.

Advertisers on the other hand are under pressure to achieve a degree of cut-through with an audience
exposed to a myriad of messages, gain or maintain a brand leadership position, and constantly challenge the
consumer to connect with their marketing. One way to be at the leading edge of communication is to stretch
the boundaries of what is accepted as normal. This does not necessarily mean illegal or even indecent
behaviour – there was a time for example when buses only advertised their own service, college sports
arenas were sponsor-free, and the idea of banner-ads on the internet was laughable. The terms ‘shock-tactics’
and ‘innovativeness’ however, are often interchangeable in the world of integrated marketing
communications. In some ways the advertiser has taken the role of the academic in society; to challenge and
question what is right, believed, and accepted. The essential difference lies in the motives of the advertiser.

The Australian Tourism Board advertising campaign was neither the first nor the last to use bad
language or some other form of shock tactic. Brown (2001) catalogues a litany of such campaigns in his
chapter entitled “Revolting Marketing: Gross is Good”. As Egan (2007) points out, the boundaries of what is
acceptable are forever being tested and pushed forward by advertisers. Once those boundaries have been
stretched, the floodgates do not necessarily open, but it can be difficult to switch off the tap. While Benetton,
an early advocate of shock tactic campaigns, was heavily criticised for their approach, it did not stop the later
French Connection in their cheeky UK approach with the FCUK campaigns. Saren (2006) suggests that
provocative communication works because it stands out, is efficient (because it necessitates a second look),
it is cheap because it generates free publicity, and is easily emulated.

In this paper we consider the costs and benefits to the marketplace of self-regulation versus
Government regulation when firms are profit maximising in the spirit of Armstrong and Collopy (1996), by
considering the case of the market drivers (Jaworski, Kohli and Sahay 2000), who will want to stretch the
boundary, and the market driven (Maignan and Ferrell 2004, Jaworski et al. 2000), who will want to
maintain the status quo. We argue that boundary stretching is acceptable and the Government should not step
in straight-away. This is because a/. it allows market drivers seeking profit maximisation to become the focal
points of implicit collusion and test society’s tolerance, and b/. interference by Government is a “non-
credible threat” because Government and the social purse would be better off if Government allows self-
regulation.

Self-regulation in a marketplace exists when an industry creates its own standards of behaviour (1)
where no such statutory or regulatory requirements exist or (2) when such standards assist in complying with
or exceeding statutory or regulatory requirements (Hemphill 1992). Thus, a breach of self-regulation is a
breach of one’s own market’s expectations, putting the rule-breaker outside of the market’s confidence (for
an excellent review of the concept and practice of self-regulation at the national and global level, see
Wotruba 1997). The question which arises is what are the costs and benefits to the market when there is non-
compliance with the regulations? Furthermore, what happens when the firm attempts to “stretch” the
boundaries of the regulation, ostensibly to gain a benefit? Traditionally, self-regulation has been
promulgated through variants of a “code-of-conduct”. Organisations benefit from such a code in a number of
ways: it may be that a code implies to the marketplace that the standards to be upheld are above those
required by law; it may discourage potential entrants who need to adhere to the code; it may reduce the risk
of Government-imposed regulation that is more restrictive; or it may be that a code helps counter a negative
image for an industry. Wotruba (1997) also suggests that self-regulation is inherently more effective (and
cost-efficient) at inducing desirable behaviour because it results from internal efforts by those who understand the subtleties and nuances far better than Government personnel.

*Regulation in Advertising & Other Industries*

Industry self-regulation is becoming an increasingly widespread approach to correcting market failure (Ashby, Chuah, and Hoffman 2004) whether through Government initiatives in delegating the regulatory process to the industry, or through being employed by organizations to pre-empt, complement, or even replace public regulation (Wotruba 1997). Regulation debate in the advertising industry has revolved around the First Amendment and subsequent decisions in the U.S. (see Boedecker, Morgan, and Wright 1995, for a review of the evolution of First Amendment protection for commercial speech), and similar constitutional or Government legislation concerning freedom-of-speech entrenched in most other liberal nations, which are repeatedly tested by the actions of market players (e.g. competitors, consumer groups, Government agencies).

Whilst we have chosen advertising regulation as the focus of our discussion, examination of the literature suggests that regulation is an important consideration in most marketplaces, from life insurance and newspapers (Ashby et al. 2004), to cigarettes (Scheraga and Calfee 1996), to food and claims about food (Burton, Garretson, and Villiquette, 1999; Papparlardo, Kohanski, and Ringold 2000, Li, Miniard and Barone 2000, Shaffer and Zettelmeyer 2004). Much of the debate can be viewed as self-regulation versus Government imposed regulation, and this appears to stem from two issues; what is the effectiveness of an activity that may attract regulatory measures (e.g. does advertising actually work?) and what is the intent of the market players (e.g. what is it that the players want advertising to do?). If the answer to the first issue is positive (i.e. the activity does have an effect), of concern is if the answer to the second is unacceptable to one or more players in the marketplace (i.e. the effect is perceived as undesirable by other stakeholders). If this is the case, the question has traditionally then become, which sort of regulation should there be; self- or Government? There has been research that has examined what might happen without any regulation – Rust, Kannan, and Peng (2002) for example investigated a case where internet erosion of privacy is explored with no Government intervention, and privacy is left to free market forces. Their conclusion was that privacy will decline and will become more expensive to maintain, and that a separate market for privacy will emerge. Generally, however, it is a question of what degree of intervention is required, and by whom?

When examining advertising regulation, we need to consider what it is we are regulating. Shaffer and Zettelmeyer (2004) suggest that most advertising literature falls into one of three branches – advertising in an informative role; advertising in a persuasive role; or advertising in a signalling/coordinating-between-channel-members role. Advertisers who stretch the boundaries or even break the rules fall into what Jaworski, et al. (2000) would call the “driving markets” strategy (as they are proactively shaping customers views, competitor responses, and other stakeholder positions), whereas those who stay within the (self) regulated boundaries are “market-driven”, focusing on keeping the status quo. Whilst there are debates over whether a customer-centric approach with boundary conditions is preferable (e.g. Sheth, Sisodia, and Sharma 2000), perhaps even with the advertising of conformity to stakeholder norms being used as a way of generating stakeholder support (Maignan and Ferrell 2004), it seems clear that the firm which uses advertising/promotion for profit-oriented objectives is maximising their marketing effort under traditional economic theory (Armstrong and Collop 1996) because of the positive relationship between levels of advertising and promotional spending, and the market value of the firm (Conchar, Crask and Zinkhan 2005, in their meta-analysis of 88 models). Not only is this preferable to a competitor orientation (Armstrong and Collop 1996) but explains why a stretching or even breaking of the boundaries may be advantageous to the firm. However, advertising effectiveness is going to vary just as regulatory effects and responses are going to vary. Take Shaffer and Zettelmeyer’s (2004) advertising in an informative role, for example; whilst Franke, Huhmann and Mothersbaugh (2004) show that advertising information effectiveness depends on the product category – e.g. search products versus shopping products versus convenience products, Li, et al. (2000) show that the Nutrition Labelling and Education Act (NLEA) of 1990 depends on consumer knowledge of how to use the information, so the regulation of the information role is not effective on its own. Thus, the effectiveness of informational advertising used for some foods may differ depending on how the consumer perceives the food, and the effectiveness of any regulated boundaries on the information given about the
food may differ depending on how well the consumer understands the information. Concurrently, we need to consider the effects of regulation per se. There may be effects beyond correcting market failures; LaBarbera (1982) found that for a no-reputation-firm regulation (self- or Government) was effective in increasing purchase intent. Scheraga and Calfée (1996) found a series of unintended regulatory effects when cigarette advertising is regulated, and Carlson, Laczníak, and Walsh (2001) showed that just as stakeholders differ, their reactions to regulation is moderated by different influences. Interestingly it is in the persuasive role of advertising that advertisers are traditionally seen as stretching the boundaries yet much of the regulation that has been imposed has insisted on greater information, thus impacting the informative role. The over-arching premise though, in any type of advertising, is that advertisers have opportunities to stretch the boundaries or even break the rules. The ‘market-drivers’ camp would encourage this, whereas the conformity camp of the ‘market-driven’ would oppose this.

An Explanation of Marketer Behaviour

Self-regulation has been examined in advertising (along with the press and life-insurance industries) by Ashby, et al. (2004). They did not, however, consider the scenario of partial tolerance and boundary stretchers, which is commonplace in the market. Such a scenario is akin to Moorthy’s (1985) discussion of implicit collusion in game theory. In this context, the “boundary stretcher” determines the focal point for what is acceptable in advertising. Moorthy (1985) states that implicit collusion requires (1) observation of competitors’ actions – easily achieved as the activity (advertising) is in the public domain; (2) a long term orientation by competitors – assumed as normal, though the situation where a “rogue” player enters the market, breaks the rules, and then exits having achieved a short-term profit may confound this; and (3) alignment of interests. It is this third point that is questionable. The profit-seekers of Armstrong and Collopy (1996) who are willing to drive the market (Jaworski, et al. 2000) are likely to want to extend the boundary if, by doing so, they can achieve greater profit. A tolerant or partially tolerant regime of regulation may accommodate these firms, to the detriment of others. For the firms using advertising in a competitor orientation (Armstrong and Collopy 1996) who want to conform to stakeholder norms (Maignan and Ferrell 2004), a zero-tolerance level of regulation is likely to help protect the market-driven status quo (Jaworski, et al. 2000).

The underlying principle appears to be what in game theory would be called a free-rider problem, i.e. firms seek to gain benefits from systems without either contributing to the system’s maintenance or making more than a token attempt to conform to the expectations it provides (Ashby, et al. 2004). This behaviour has a major potential impact on the performance and success of the self-regulating advertising industry. For self-regulation to be sustainable and beneficial, a collective of firms needs to comply with an agreed code of conduct. The benefits from self-regulation to an individual firm, however, are independent of its own behaviour. In other words, while all industry participants benefit from self-regulation, each firm has an incentive to at least stretch the boundaries of the conduct code to generate additional profits. Possible solutions are contingent on compliance motives of industry participants as well as potential punitive actions by Government. In effect we have a situation whereby we have a combination of the classic ‘Prisoner’s Dilemma’ – which illustrates that a firm’s own rational decision may lead to negative outcomes for the whole business community - (Maitland, 1985; Shiell and Chapman, 2000) and the Assurance Game - where cooperation ensures the best possible payoff - (Maitland, 1985). Advertisers can choose to fully comply with a self-regulatory regime, partially comply, or violate the codes established by the industry. Full compliance by the firm would ensure actions that are in the spirit of the self regulatory regime. Partial compliance would deliberately lead to the boundary stretching discussed, and violation would be deliberately breaking the boundaries and the agreed code.

Considering the motivations of firms, we suggest that if a market includes market drivers they will act as free riders and stretch the boundaries, unless there is zero tolerance on the part of the Government, which would be expensive to society. Only if the market contains just market driven firms will self-regulation operate effectively. Pragmatically this is unlikely, and certainly would be difficult to guarantee in any open market. In fact we would suggest that considering endogenous effects (e.g. Shugan 2004) and Moorthy’s focal point idea discussed earlier, the existence of a market of market driven firms will encourage
a firm to break ranks and stretch boundaries if they are following the profit seeking strategy of Armstrong and Collopy (1996), or it will encourage a new entrant who will be a market driver, at least in the short term until a Government imposes penalties. Alternatively, if a market driver already exists, unless the Government steps in and imposes penalties, self-regulation designed to maintain the status quo should ultimately fail because the boundary stretcher will become the focal point for the market driven, and what is deemed acceptable advertising practice by firms will change. The implication for marketers from this is that, generally, under a high or partial tolerance (Government) regime the firm that wishes to achieve a competitive advantage such as cut-through, brand awareness, or some other connection with consumers should be seeking ways to stretch any market-imposed boundaries. The assumption of course is that the stretching is considered acceptable by consumers, which is beyond the scope of this paper.

If the Government does not want boundary stretching (or for that matter, breaking of the boundaries), the Government would need to penalise boundary stretching in a legislative system. Failure to do so could lead to firms being encouraged to stretch the boundaries and the Government not interfering to reduce the cost to the public purse. The reason is that the Government would not penalise boundary stretching and therefore could not compensate the loss of social welfare. The cost to the public purse, however, is lowest if the industry is self-regulated. Thus the Government would prefer boundary stretching to occur in a self-regulated rather than legislated regulatory environment, otherwise such behaviour would further encourage boundary stretching and seriously undermine the credibility of the Government and industry. The practical implication from this is that if a Government prefers self regulation, it must ensure that the self regulatory body (e.g. the local version of an advertising standards authority) has the ability and the willingness to enforce boundaries.

**Using Game Theory in this Context**

In order to explain the motivation behind the behaviour of marketers who attempt to stretch – or even break- the self-regulatory provisions, we turn to economic game theory analysis which is an ideal tool to analyse the problems highlighted. Game theory requires competition and marketplace (government, customers, and other firms) reactions to strategies (McAfee and McMillan 1996) so is well placed to be used in this situation. Essentially, the philosophy appears to relate to a free-rider problem, i.e. firms seek to gain benefits from systems without either contributing to the system’s maintenance or making more than a token attempt to conform to the expectations it provides (Ashby, Chuah and Hoffmann, 2004). As discussed earlier, this behaviour has a major potential impact on the performance and success of the self-regulating advertising industry. For self-regulation to be sustainable and beneficial, a collective of firms needs to comply with an agreed code of conduct. The benefits from self-regulation to an individual firm, however, are independent of its own behaviour. In other words, while all industry participants benefit from self-regulation, each firm has an incentive to at least stretch the boundaries of the conduct code to generate additional profits. Possible solutions are contingent on compliance motives of industry participants as well as potential punitive actions by government. In this section of the paper we present a dynamic game that describes the identified problem. First we describe the structure, players and strategies of the game. Next we examine the payoffs that might occur, followed by a discussion of the outcomes under the three alternative Government regulatory regimes – zero tolerance, partial tolerance, and high tolerance.

**Structure, Players and Strategies**

For simplicity, we assume that the game is played by two identical firms and the government. First the government announces a self-regulatory regime. The two firms observe this and then simultaneously play one of three strategies: fully comply (FC), partially comply (PC) or violate (V) the codes of a self-regulatory regime. Full compliance refers to actions that are in the spirit of the self-regulatory regime, partial compliance refers to deliberate stretching of the code boundaries and violation to deliberate breaking of the agreed code. This strategy set differs from previous game-theoretical studies which generally assume that firms either comply with or violate a code of conduct. The introduction of the strategy ‘partially comply’ is based on evidence of firms in the advertising industry that have introduced campaigns that deliberately stretch the boundaries of the advertising codes. Note that we have reduced a potentially continuous strategy
set to three discrete strategies. The crossing points between FC, PC and V are the focus of this study. Thus the three strategies available to players can be interpreted as these crossing points. The government observes the actions of the two firms and then decides to either maintain the self-regulation regime (main) or intervene and regulate the industry (reg). The game-tree of this dynamic game with the associated payoffs is outlined in the Appendix. Note that the firms move simultaneously and thus have imperfect information. The variables used in the game are:

\[ C = \text{cost of self-regulation for advertising industry} \]
\[ R = \text{cost for government of regulation} \]
\[ r = \text{cost for government of self-regulation} \]
\[ A = \text{social benefit of full compliance} \]
\[ a = \text{reduced social benefit if one firm fully complies while other firm partially complies} \]
\[ a = \text{reduced social benefit if one firm fully complies while other firm violates} \]
\[ B = \text{benefit to each firm of self-regulation} \]
\[ G = \text{additional benefit to firm from violation} \]
\[ g = \text{additional benefit to firm from partial compliance} \]
\[ P = \text{net penalty for violation} \]
\[ p = \text{net penalty for partial compliance} \]

**Payoffs**

The cost of self-regulation for the advertising industry is \( C \). Costs include expenditure on establishing and maintaining self-regulatory agencies, devising rules and codes of conduct, and monitoring member compliance. The cost \( C \) is shared by fully and partially complying firms. A firm that deliberately violates the code of conduct will not contribute towards the costs of self-regulation. This assumption is based on industry findings that firms cannot be forced to contribute towards the cost of self-regulation. This assumption is also consistent with findings by Ashby, Chuah and Hoffmann (2004) and reinforces the free-rider problem outlined in the introduction. The government incurs costs of \( R \) if it regulates the industry and \( r \) if it allows self-regulation, with \( R > r \). The parameter \( R \) thus reflects the cost to the public purse from devising required legislation and establishing and maintaining a statutory regulator.

The social benefit of full compliance is \( A \). If only one firm fully complies while the other firm partially complies then social benefit is reduced. We denote this reduced benefit as \( a \). Violation by one firm will reduce benefits even further (denoted as \( a \)). If neither firm fully complies then social benefit is zero. This reflects the idea that benefits can only be created if at least one firm acts in the spirit of an agreed code of conduct.

The benefit of self-regulation to each firm is \( B \). Based on industry observation, we assume that the net benefit to a firm from self-regulation is always positive (i.e. \( B - C > 0 \)). However, a firm can increase its benefits by \( g \) if it stretches the boundaries of the code of conduct (i.e. plays PC). A firm can increase its benefits even further by violating the code of conduct. The gain from violation is denoted as \( G \) with \( G > g \). If the government detects partial compliance or violation then it imposes a penalty that is as least as high as the expected gain. The net penalty from partial compliance is denoted as \( P \) (\( P \in [0, \infty] \)) while \( P \) is the net penalty from violation (\( P \in [0, \infty] \)). Partial compliance and violation will not be penalised under self-regulation.

In order to solve the proposed game, it is necessary to analyse the relative size of the outlined payoffs. In particular, a ranking of the possible outcomes for each player is useful. Several different rankings are possible, leading to different solutions. In the following we introduce and discuss three scenarios.

First we analyse the returns for the government. The government receives either \( (A - R) \), \( (A - r) \), \( (a - R) \), \( (a - r) \), \( (-R) \), or \( (-r) \). Based on the previously made assumptions, full compliance and industry self-regulation \( (A - r) \) is the best outcome. Conversely, a self-regulated environment in which no firm honours the code of conduct \( (-r) \) is the worst outcome. The ordering of the remaining outcomes is more complicated as

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net payoffs depend on the relative size of \((A-R)\), \((a-r)\), and \((z-r)\) respectively. If \((A-R) > (a-r)\) then the government’s net benefit from self-regulation with full compliance by one firm and partial compliance by the other firm is less than the net benefit from regulation. As a result, the government will only maintain self-regulation if all firms act in the spirit of the code of conduct. If \((a-r) > (A-R) > z-r\) then the payoff is such that the government tolerates partial compliance as long as one firm fully complies. Finally, if \(z-r > A-R\) then the government tolerates violation by one firm as long as the other firm acts in the spirit of self-regulation. As suggested by Ashby, Chuah and Hoffmann (2004) the relationship between social benefits and cost of self-regulation can be interpreted as the tolerance level of the government. In this light, the first scenario is labelled the ‘zero tolerance’, the second the ‘partial tolerance’ and the third the ‘high tolerance’ regime. In the following we analyse our game considering the three outlined regimes.

**Zero Tolerance Regimes**

The government maintains self-regulation only if all firms fully comply with the code of conduct as the payoffs are such that the net benefit to the government from regulation \((A-R)\) outweighs any other return. The government will thus intervene and regulate unless both firms play FC. This is known to all players. Using the concept of backward induction (Selten, 1975), we can now eliminate all dominated strategies from the game tree. Nine possible outcomes remain. This new game is represented by the 3 x 3 matrix in Figure 1.

The solution of our reduced game depends on the relative size of \(C\) (cost to firms of self-regulation) and \(P\) (the penalty imposed by the government for violation). Based on the values of these parameters, we will now distinguish three possible alternative strategic scenarios.

**Figure 1. Payoffs For Zero Tolerance Regime**

<table>
<thead>
<tr>
<th>Firm 2</th>
<th>FC</th>
<th>PC</th>
<th>V</th>
</tr>
</thead>
<tbody>
<tr>
<td>FC</td>
<td>B (\frac{C}{2}); B (\frac{C}{2})</td>
<td>(\frac{C}{2}); (\frac{C}{2}) (p)</td>
<td>(C); (P)</td>
</tr>
<tr>
<td>PC</td>
<td>(\frac{C}{2}) (p); (\frac{C}{2})</td>
<td>(\frac{C}{2}) (p); (\frac{C}{2}) (p)</td>
<td>(C) (p); (P)</td>
</tr>
<tr>
<td>V</td>
<td>(P); (C)</td>
<td>(P); (C) (p)</td>
<td>(P); (P)</td>
</tr>
</tbody>
</table>

\(C > P\). If the penalties for violation are sufficiently high then the game has a unique Nash equilibrium (NE) where no player has anything to gain by violating the code. Both firms will fully comply. Observing this, the government will maintain self-regulation. The solution of the game is intuitive. Firms in the advertising industry prefer self-regulation to government regulation. The government has announced a zero tolerance regime with high penalties. Firms in the industry are now aware of the fact that deviation from full compliance by only one firm will lead to government regulation with severe penalties for violation in the future. As a result all firms will honour the agreed code of conduct.

\(C > P > C/2\). Potential penalties for violation are smaller than the full cost of self-regulation but still larger than the shared cost of self-regulation. Under this assumption, the game has two Nash equilibria. The first has both firms play FC and the government maintaining self-regulation. The second sees both firms violate the code of conduct. The government observes this and decides to interfere and legislate to regulate the industry. The additional insight from this version of the game is the second NE. Both firms know that violation by one firm will lead to government legislation / regulation. Firms also know that unless a firm violates the code of conduct, it has to participate in the costs of self-regulation. To avoid the full burden of this cost, firms now have an incentive to play V. Note that this second NE is Pareto-dominated by the first NE: Both firms would be better off if everybody honoured the code of conduct and self-regulation was maintained.
C/2 > P. The penalty is now smaller than the shared cost of self-regulation. This version of the game provides no additional insights as it has the same solution as the previous game. The reason is that a penalty smaller than the full cost of self-regulation is already sufficiently low to trigger violation.

**Partial Tolerance Regimes**

The government now tolerates partial compliance by one firm as a-r > A-R > a-r. Again we can eliminate all dominated strategies from the game tree. The new game can be simplified by the 3 x 3 matrix in figure 2.

**Figure 2. Payoffs For Partial Tolerance Regime**

<table>
<thead>
<tr>
<th>Firm 1</th>
<th>Firm 2</th>
<th>FC</th>
<th>PC</th>
<th>V</th>
</tr>
</thead>
<tbody>
<tr>
<td>FC</td>
<td>B \frac{C}{2}; B \frac{C}{2}</td>
<td>B \frac{C}{2}; B \frac{C}{2}</td>
<td>C; P</td>
<td></td>
</tr>
<tr>
<td>PC</td>
<td>B \frac{C}{2}; B \frac{C}{2}</td>
<td>\frac{C}{2}; p; \frac{C}{2}</td>
<td>C; p; P</td>
<td></td>
</tr>
<tr>
<td>V</td>
<td>p; C</td>
<td>p; C</td>
<td>p; P</td>
<td></td>
</tr>
</tbody>
</table>

Two different scenarios are possible based on the relative size of C and P. First we assume that P > C. If penalties are sufficiently high, then the game has two Nash equilibria: NE\(_1\) (PC, FC), and NE\(_2\) (FC, PC). Observing this, the government maintains self-regulation. The interpretation is as follows. Both firms prefer self-regulation to government legislation. Both firms, however, know that the government will intervene if more than one firm only partially complies. As a result a firm will fully comply if it anticipates that the other firm will only partially comply.

We now assume that P < C. The government follows a partial tolerance regime but the potential penalties are below the full cost of self-regulation. Again, the penalties are insufficiently high to encourage compliance resulting in the additional NE (V, V). The government observes this and regulates the industry. As a result both firms have a payoff of −P when they could have obtained at least B-C/2 by honouring the code of conduct.

**High Tolerance Regimes**

Finally, we explore a scenario in which the government tolerates violation by one firm. The reason is that a-r > A-R. As all players know this, we can prune the game tree of its dominated strategies. The new game is presented in figure 3. This version of the game has two Nash equilibria: NE\(_1\) (V, FC) and NE\(_2\) (FC, V). Both firms prefer self-regulation. This time, the government tolerates violation by one firm. As a result one firm will violate the code of conduct being certain that the other firm will fully comply to ensure continuation of self-regulation. Note that the size of the penalty no longer influences the decision of the firms. If one firm is certain that the other firm violates the code of conduct, it no longer can increase its benefit by violating the agreement as well. The reason is the high tolerance regime of the government. Violation will no longer automatically lead to government legislation. As a result a firm can enjoy the benefits of self-regulation as long as it honours the agreement. This would not be the case if the full cost of self-regulation is larger than its benefits. If we assume that self-regulation could create a loss for a complying firm then the size of the penalty would matter. An insufficiently large penalty would encourage a complying firm to change its behaviour.
Conclusion

Currently many governments allow self-regulation and follow a partial tolerance regime with potentially high direct penalties for violation under legislation but indirect penalties, such as the withdrawal of advertising under self-regulation. This is likely to encourage partial compliance by some firms in the industry. For Government and society this is an outcome that means reduced social benefit for the cost the Government will still incur for self-regulation. Full compliance by all firms under self-regulation, however, would result in a greater social benefit for the same cost. In this sense, the public purse carries some of the burden of partial compliance. From a firm perspective, the result is not much better. The partially compliant firm will benefit from self-regulation at the expense of all firms who honour the code of conduct.

The Government would prefer full compliance by all firms and continuation of self-regulation. This would generate the largest possible social benefit while keeping costs to the public purse low. This outcome, however, would only be achieved if the government adopted a zero tolerance regime and implemented sufficiently high penalties for any violation of the code of conduct. If penalties were too low then violation may be encouraged, reducing social welfare. A zero tolerance regime is unlikely however because, despite the erosion of freedoms for commercial speech, the First Amendment in the U.S., and similar protection in other economies, maintains the ability of firms to test the market.

Furthermore, returning to our opening illustration, if Governments themselves are the violators we have a situation where social engineers are taking advantage of artificial boundaries that they know will not be enforced. This has implications for campaigns such as drink-driving, smoking, and domestic violence. The use of shock tactics is well established in such campaigns, but our findings suggest that a Government agency can gain greater benefits if they exceed the accepted norms and shock not only with the message but also with content or method, knowing that violation will not be punished in the legal arena. This would be particularly effective if at the same time tolerance was limited for marketers of products such as alcohol and tobacco.

From an industry point-of-view, a market driver, looking for growth opportunities, should try to enter markets dominated by market driven firms, and which have self regulation, because they can quickly gain a competitive advantage. Conversely, competitor oriented market driven firms should be looking for regulatory protection from Government, and in the absence of such protection, they should act collectively to wield power over free-riders, for example by withholding their advertising from a media outlet if it accepts boundary stretching advertising from a firm. A clear example of this working is the local television channel in New Zealand that had the broadcast rights to the 2007 Rugby World Cup. Advertising is prohibited on Sunday mornings in New Zealand, but some of the games were, because of time differences between New Zealand and France (the host of the competition), shown live on Sunday mornings. The television station stretched the boundaries by exploiting a convoluted loophole in the legislation regarding live international events broadcast to multiple countries, knowing that it could reap abnormal advertising revenue compared

\[ \begin{array}{|c|c|c|c|}
\hline
 & \text{FC} & \text{PC} & \text{V} \\
\hline
\text{FC} & B \frac{C}{2}; B \frac{C}{2} & B \frac{C}{2} & B \frac{C}{2}; g \\
\hline
\text{PC} & B \frac{C}{2}; B \frac{C}{2} & C \frac{2}{p}; \frac{C}{2} & C \frac{2}{p}; P \\
\hline
\text{V} & B \frac{G}{2}; B \frac{C}{2} & P; C \frac{2}{p} & P; P \\
\hline
\end{array} \]

Figure 3. Payoffs For High Tolerance Regime
with their market driven rival channels, and knowing that it only faced a maximum of $100,000 penalty if the boundary stretching was challenged and found to be a breach of the industry regulation. The really interesting outcome was that media reports suggested that viewers were not concerned about advertising per se, but wanted to ensure that the advertising did not prevent them from seeing any crucial plays during games. Thus the boundary has been stretched as society has shown the market driver’s actions to be acceptable, under certain conditions.

Clearly this paper simply presents our thoughts on how boundaries in advertising can be stretched because of market composition. It would be illuminating to actually measure the effects of a market driver entering a market made up of market driven firms and stretching the boundaries of what is accepted in advertising. As long as boundary stretching does not result in a punishment commensurate with the gain a market driver can attain, such firms will and should take advantage of this. And, as long as regulation is costly for the Government, or if the Government does not want to impose regulation either because of freedom of expression, or because they want to stretch boundaries themselves, then boundary stretching will not be stopped. Finally, it seems that from a societal perspective, the imposition of a boundary actually creates the incentive to move further a field; not only does the grass look greener on the other side of the fence, it actually is!

References


Appendix

*Game Tree of the Dynamic Game, with Associated Payoffs*
Communicating Mixed Messages: The California Tuna Case

G. Scott Erickson, Ithaca College, USA
Marlene Barken, Ithaca College, USA

This presentation lays out the issues involved in the labeling case concerning tuna sold in the state of California. A “nuanced” warning provided by the US Food & Drug Administration and the Environmental Protection Agency was deemed in sufficient by the State of California under Proposition 65 concerning toxic elements in food. The court case concerns the alternative warning label sought by California and objections from the tuna industry. We will present a legal analysis of the case combined with a framework for a more complete analysis of risks and benefits relevant to specific subpopulations.

Introduction

In 2006, a dispute between the State of California and the tuna industry reached the California Superior Court. California sought to compel the industry to go beyond the existing FDA/EPA Advisory on fish consumption for pregnant women, women of childbearing age and young children by requiring that warnings appear on tuna cans or accompany the sale of canned tuna. On a micro level, the case encompasses a number of interesting issues involving food safety, regulatory guidance, and the impact of administrative directives on consumer choices. In particular, the case illuminates some pertinent questions regarding the effectiveness of warning labels and “nuanced” messages that seek to balance consumer health threats and benefits.

This case also addresses some salient macromarketing issues concerning nutrition, food safety, and the opportunities and responsibilities present in communicating complicated product messages to society (Hughner, Maher & Childs 2007). Further, this application highlights the special concerns present when different risk/benefit scenarios are present for different population segments, including some particularly vulnerable at-risk groups. Finally, there are still some questions about the science behind the methylmercury risk/benefit assessment, national approaches to environmental policy based on prevention, precaution, or even a lack of action.

This paper focuses on a legal analysis of the pertinent issues in the California case combined with an assessment of the marketing implications. A decision analysis approach suggested in the literature offers some potential to organize some very complicated variables, and we present the initial structure of such an approach.

Background

There is no question that mercury is dangerous to humans. What is open, however, is the level that threatens health, how this varies by selected groups, and whether other variables also affect the risk level. Further, there are demonstrated health benefits from including seafood, a possible source of mercury, in a standard diet. Consequently there are a range of expert opinions on how and whether consumers should be encouraged, warned, or otherwise be kept informed about the issue.

The core issue at the heart of the case is the joint Food & Drug Administration (FDA)/Environmental Protection Agency (EPA) Consumer Advisory published in 2004. The FDA, of course, has responsibility for promoting and protecting public health, and its regulatory mission is to balance health risks against cost considerations, including costs to industry. It has jurisdiction over all domestic and imported
commercial fish. The EPA, on the other hand, monitors recreationally caught fish in domestic waters, and it considers only the health risks to the people who eat the fish under its jurisdiction, not the impact on industry. In part as a result of their differing missions, each agency has derived its own reference dose for the level of mercury considered safe to ingest per body weight per day, the EPA’s being more restrictive.

The reference dose is reflected in allowed mercury levels in fish. According to one source, the FDA’s is relatively high, compared to world practice, at 1.0 part per million (ppm). The EPA’s allowable level is 0.3, in line with a number of countries that fall around 0.3 to 0.5 (Defenders of Wildlife 2006). According to a different source, which references only the EPA levels, select other countries and an international body are considerably higher than US standards (World Health Organization 2008). As the accompanying discussion from the WHO report suggests, the known science is so unsettled (based on two studies from the Faroe Islands and the Seychelles with widely varying results and recommendations) that such figures should not be treated as strict cutoffs but rather neighborhood levels for guidance.

Regardless, in spite of the differing perceived levels of risk, both agencies (FDA and EPA) were able to agree on the 2004 Advisory:

Fish and shellfish are important parts of a healthy and balanced diet. They are good sources of high quality protein and other nutrients. However, depending on the amount and type of fish you consume it may be prudent to modify your diet if you are: planning to become pregnant; pregnant; nursing; or a young child. With a few simple adjustments, you can continue to enjoy these foods in a manner that is healthy and beneficial and reduce your unborn or young child's exposure to the harmful effects of mercury at the same time.

The Advisory goes on to differentiate between high-level mercury fish, recommends consumption levels of low-level mercury fish (including canned light tuna), and especially singles out albacore tuna as having higher mercury levels than canned light, suggesting lower consumption levels of that specific fish. Critically, the Advisory reinforces the recommendation that seafood is beneficial while highlighting commonly eaten fish that have minimal risk. On the Advisory web page, the FDA includes links for further information such as specific mercury levels for dozens of more specific types of fish and shellfish (including a number of other varieties of tuna).

In 1986, the State of California passed Proposition 65, the Safe Drinking and Toxic Enforcement Act which states:

No person in the course of doing business shall knowingly and intentionally expose any individual to a chemical known to the state to cause cancer or reproductive toxicity without first giving clear and reasonable warning to such individual.

In 1987, methylmercury was added to California’s list of chemicals causing reproductive toxicity. It was added to the list of cancer-causing agents in 1996. Consequently, the California Attorney General’s office sued tuna producers (among others) under Proposition 65 for failing to warn consumers.

The Superior Court found for the tuna producers in 2006, and the state appealed. In March, 2009, the lower court’s ruling was upheld on narrow grounds. The decision essentially laid out a roadmap for a renewed Proposition 65 claim against the industry, though it remains to be seen if that will be pursued. In light of this holding, critical questions remain regarding the actual message conveyed by the FDA/EPA advisory, and whether Point-of-Sale (POS) warnings can be imposed without contradicting the FDA’s approach.

Warning Labels

Product warnings have a substantial range, from product hazards to appropriate usage, from heavy machinery to personal hygiene. And, of course, the safety of ingestible products is a topic of considerable
interest. But in reviewing the literature, one has to remember that there can be vast differences in types of products and conditions covered in specific studies.

One recent meta-analysis (Argo & Main 2004) of the literature noted that effectiveness tends to follow a communications process approach, grouping the findings of various studies into the groups: attention, reading and comprehension, recall, judgments, and behavioral compliance. Of particular note to this case are issues with comprehension (characteristics of the message such as complexity), recall (ability to retrieve information when it is to be used), judgment (perceptions of risk), and behavior (conditions strongly affect behavior). Further, as just suggested, numerous moderators have been identified, including vividness-enhancing characteristics, warning location, familiarity, age, product type, and cost of compliance. Again, of particular interest are location (on-product associated with time of use, off-product associated with identifying risks before purchase), familiarity (better known, less compliance), product (amount of information gathered in making product choices).

The overall conclusions related to warning labels and effectiveness is “it depends” and that each must be tested on its own merits. In particular, the impact at each stage should be assessed as compliance may not be the bottom line (consumers who are aware of the warning and fully understand it but still don’t change behavior—that’s not the fault of the label). Further, given all the mitigating factors, it’s important to test warning labels under conditions as realistic as possible to get a true picture of its unique effectiveness.

There is also a literature on the particular issue of balanced labels, those that contain both positives and negatives about a product. A recent study, for example, looked at the introduction of trans fat information to nutrition labels (Howlett, Burton & Kozup 2008), a field where some manufacturers have taken to alerting consumers to low or nonexistent trans fats in a product. This is an interesting question because previous research has suggested that consumers may react more to labels warning of negative attributes than labels promoting positive ones. In this particular study, while a relationship with label information was found, it depended markedly on consumer knowledge as unprepared consumers appeared to have trouble grasping the information. Complex messages can be difficult to transmit only at POS.

This is particularly important in light of another recent study on “stigma” and warning labels. Ellen and Bone (2008) looked at whether labels identifying genetically modified (GM) foods affected consumer risk perceptions.

[S]tigma is evidenced when a salient mark on a product is perceived negatively, evokes perceptions that the product or service is deviant and undesirable, and inflates risk perceptions beyond what the facts warrant.

In the case of GM foods, there is not yet any scientific evidence of a problem, so the authors tested labels that simply identified GM vs. those that qualified the identification with statements concerning the benefits of GM foods vs. those disclosing no GM. Their finding was that the unqualified label had significant potential to stigmatize the product. For reasons that will become clear in the following discussion, this is a directly relevant conclusion for the California tuna case.

One final piece of important literature is older, a piece on decision analytics (Merz, et. al. 1993). Actually an article on medical informed consent, it suggests a methodology for approaching complex health recommendations with subpopulations at different risk levels. Given the segment specific health benefit/risk proposition for tuna that also varies according to the type of tuna and some other potentially mitigating variables (geographic source of tuna), such an approach is probably appropriate when setting policy.

California Tuna Case

As part of its case against the tuna producers, the State of California presented a warning label developed by an outside consultant. The warning, to be made available at POS or on labels, was represented as a condensed version of the FDA Advisory. The tuna producers, supported by the then Commissioner of
the FDA, objected on several grounds. Initially, the FDA chooses to minimize food warnings because overuse can dilute their impact. In the case of canned tuna, the FDA had previously decided to allow qualified health claims involving Omega-3 fatty acids and “heart health” on the label, without any corresponding statement about the mercury content of fish and possible harmful effects on the vulnerable population. The FDA’s choice of an advisory, rather than a POS warning, was aimed at conveying a complex message to the target audience, not the general public.

The state’s proposed Griffin warning label was not nuanced; it minimized the benefits of tuna, only noting the potential risks. As the FDA saw the risks as questionable, at least for most of the population, this again was problematic. As we have seen, there is evidence concerning warning labels that an unqualified message has significant potential to skew the message and stigmatize products that don’t warrant such treatment.

Further, the nature of the FDA Advisory is fairly complex and not readily reduced. Even though a case can be made that the level of mercury in a particular type of tuna in particular amounts can be risky for a particular segment of the population, the nuances of that case are not reflected in the simple statement found on the Griffin label. Indeed, such a complex advisory, as the labeling literature also suggests, is probably best communicated somewhere other than the product label or at POS.

Finally, the label was tested with consumers, but it was done so with a questionable methodology and only over the Internet. Once again, the literature in the field suggests that the difficulty of the communication challenge and the considerable number of potential mitigating factors warrant the testing of warnings under conditions as close as possible to real life. In establishing the impact of such a warning label, actual POS testing would have been more appropriate.

At trial, the tuna industry won on the issue of preemption, successfully arguing that the federal advisory overrides state attempts to impose stricter regulation. Given the appellate court’s recent ruling suggesting alternative regulatory routes, the State of California’s flawed label strategy should be reexamined. What could be done to improve the approach if the goal really is consumer knowledge and welfare? Could the Advisory itself be used at POS?

Discussion

From a wider perspective, this case highlights one of the central questions of national environmental policy. When the science is clear, the rational choice is prevention, protecting the population from environmental harm. When the science is less clear, however, the case can still be made that protection should still be enacted as a precaution, typically referred to as the Precautionary Principle (Boiral, Cayer & Baron 2009; Immordino 2003). And, again, this is a perfectly rational policy approach. When uncertainty exists, it makes sense to enact protections when there is the potential for serious harm based on the “presumption of possible damage”.

What’s really different about this case and that poses significant questions for policy is the contradictory nature of the scientific evidence combined with an amount of certainty that the implications vary dramatically for different population groups, regardless of the specifics. And thus the warning label issues become relevant. Does taking the precaution explicitly to warn the at-risk segments create the potential for harm in other segments that are not at risk and that benefit from the product? What about segments that have the potential for both harm and benefit? How do we strike the balance?

As noted above, one approach previously employed with some success in previous work (Merz, et. al. 1993) is decision analysis. Decision analysis allows identification of all the relevant variables which group individuals into unique segments and then quantifies the risk/benefit scenarios facing each, the probabilities involved, and the segment sizes. From such a perspective, it should be clearer to both producers and regulators how to proceed and what the impact of their actions might be.
And a decision analysis methodology makes a lot of sense in this particular case. Dividing the population into subsegments (male/female, age groups, pregnant, nursing), dividing further by type of tuna (canned light, albacore, other varieties such as yellow fin), per day or per week consumption, and perhaps even source (domestic, Asia, Mexico, Ecuador) would allow a very specific and much more relevant approach to the issue. For pregnant women, there would almost certainly be a warning to limit or even abstain from certain types of tuna. In other cases, such as nursing mothers who appear to be discouraged under the proposed label, it seems the consensus from the health community and a recent study is that the benefits of fish consumption may exceed the risks (Hibbeln, et. al. 2007). For adult males and most adult females, the conclusion is the same. Further, some work in this direction has already started, including quantification. Hughner, Maher & Childs (2008) estimate 250,000 women of child-bearing age at risk from methylmercury consumption while 2 million others may be underconsuming fish. The same group of researchers (Hughner, et. al., 2009) has also started to conduct label studies to assess the impact of advisory statements on different segments, a natural next step. But a decision analysis framework to organize the environmental circumstances and then define risk/benefit would help clarify everyone’s thinking.

Conclusion

The outcome of the California tuna case indicates that required POS warning labels may be an appropriate part of the regulatory arsenal. If California or other jurisdictions want to go beyond regulatory agencies such as the FDA in protecting consumers, they need to make sure the science is clear and be more precise in communicating the facts. More care in utilizing and testing tools such as warning labels, about which there is a considerable field of study, would also improve their case. It is important that any such warnings be properly crafted to inform and educate consumers without unfairly stigmatizing the product.

References


Insurance Advertising: Scary, Funny or Ethical?

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Our paper departs from an examination of the idealistic roots of insurance as a solidaristic way of sharing risks among a community of equals, and asks what the ideal insurance relationship, product and advertising would look like. Fear and humor appeals in insurance advertising imply that insurance does not require rational attention and evaluation. Ads from Austria, Canada, and Norway are analyzed as illustrations. Key information about insurance presented clearly can safeguard against unhealthy forms of trust and mistrust, and against unrealistic expectations and disappointment. Improving consumer insurance literacy is important for protecting the industry against an erosion of its original ideals, and against contagious dysfunctional mistrust. This possibility implies a “duty to inform” on the industry side, which means educating insurance customers rather than simply scaring or amusing them. In conclusion, suggestions are made concerning how (ethical) advertising could deliver on the promises of mutuality and corporate social responsibility.
Making ‘Good’ Decisions – Dilemmas of the Consumer

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Consumers are often criticized for making poor choices when it comes to their own health, society and the environment. However, prior research indicates increased consumer awareness and consideration of these areas. Based on the claims of non-commercial information from government agencies and major non-profit organizations, this paper investigates what is needed to be a responsible consumer in the context of New Zealand everyday food products. In the process, some of the dilemmas modern consumers are faced with are identified.

Introduction

Every day consumers make decisions that have an impact not only on their own quality of life and wellbeing but also on that of society and the environment. In this process numerous claims are imposed on the consumer relating to, for example, health concerns of obesity and heart disease; social concerns relating to exploitation of third world countries and environmental issues of global warming and destruction of ecological systems.

Given the attention on ensuring a healthy future for the planet and its inhabitants, the importance of consumers’ choices is increasingly emphasised in media and literature (Schaefer & Crane, 2005). For example, since the 1970s the strain on the planet’s ecological system, caused by human activities, has doubled while natural resources have declined by over a third (Bond, 2005). Much of this development has been blamed on modern consumption culture and consumers disregard for their actions. However, with promotion of concepts such as sustainability and being green, to increase quality of life long-term, awareness has been created in the mind of many consumers and some research suggests that the majority of consumers show increasing concern for making better choices (Osterhus, 1997; Harrison, 2005). However, before consumers can make these better choices they must first carefully consider available information, social and environmental demands.

Much literature has dealt with issues and concepts such as green, healthy living and sustainability and a range of definitions and conceptualisations of these concepts exists (c.f. Kilbourne, McDonagh & Prothero, 1997; Dolan, 2002; Schaefer & Crane, 2005). It is not the aim of this paper to determine how these concepts can best be defined, however, some attention must be given to how the underlying ideas are interrelated.

In a study of preventive health knowledge Rahtz and Szykman (2008) stated the success of a community or society as the ability to maintain or enhance the wellbeing and quality of life [QOL] of its members. Components of QOL have been suggested to include freedom from harm, a liveable aesthetic environment, basic needs being met, healthcare, education, political participation and community (Kilbourne, McDonagh & Prothero, 1997), thus not only including the natural environment but a range of environments and the interaction between them. Traditionally sustainability issues have focused on the health of the environmental with the aim of achieving better QOL by minimising the impact of human activities on the earth and ensuring long-term viability and survival, as emphasised in the following definition of sustainability:

“Sustainable production and consumption is the use of goods and services that respond to basic needs and bring a better quality of life, while minimising the use of natural resources, toxic materials and admissions of waste and pollutants […]” (Reisch, 1998 in Dolan, 2002, pg. 172)

However, it has been suggested that the traditional view of ‘sustainability’ is too narrowly focused and should place more emphasis on the balance and interaction between economic, ecological, social goals and
consequences, as not only the natural environment determine the long-term wellbeing of a society (Schaefer & Crane, 2005). Further, research suggest that consumers are not only concerned about risk to the environment in isolation but at the same time consider their own personal health. What may seem like an environmental issue, such as green food choices, may be centred in concern over consequences to own health e.g. from harmful chemicals making its way into the in food supply (Miller 1998). Acknowledging the interrelated nature of issues and environmental, cultural and economic systems, the full range of claims and demands imposed on the consumer should therefore be considered. Doing the ‘right thing’ and being responsible therefore needs reflection beyond mere environmental issues (Connolly & Prothero, 2008).

With a systems view integrated at the core of Macromarketing (Meade & Nason, 1991; Layton, 2007) a Macromarketing approach has previously been suggested as central for examining issues such as quality of life (Kilbourne, McDonagh & Prothero, 1997) as it allows for a rich and full perspective of competing influences and systems. Macromarketing has for example proved useful for understanding the interaction between marketing, social and cultural systems and the material environment (Dixon, 1984). Given the topic of this paper a systems perspective was also deemed suitable as a conceptual framework for this inquiry and relates to the framework for Macromarketing study by Layton and Grossbart (2006); Layton (2007).

The majority of literature focused on examining ethical behaviour has traditionally dealt with the role of business, hence consumers’ role in the social responsibility debate is somewhat neglected (c.f. Vitell, 2003; Divinney, Eckhardt & Belk, 2009). Consumers are of special interest in this inquiry, along with the flows of information which often are considered the main tool for encouraging consumers to make better decisions. Utilising a systems framework this paper aims to discuss the role of consumers and the difficulties they are faced with in a system with highly competing information and demands - for how easy, or rather how difficult, is it to do the right thing as a consumer?

Ethics, Business and Consumers

Historically ethics in the marketplace and concepts such as consumerism have been concerned with the need for businesses to apply responsible and appropriate ethical behaviour. In this view consumerism is defined as the “social movement seeking to augment the rights and power of buyers in relation to sellers” (Kotler, 1972, p.49). This idea is far from new but has existed since 1900, though being most prevalent in times of economic growth with affluence allowing for the luxury of ethical consideration (Brunk, 1973). The main concern has thus been to protect consumers and their rights from marketers and their efforts, which have often been perceived to suffer from a lack of ethical and responsible behaviour. Even 1970s academic efforts and teaching material on the topic of marketing ethics presumed an existence of an ‘ethics gap’ between marketers and other members of society due to different ethical frameworks (Hunt & Vitell, 2006). Throughout the 20th century the consumer movement has grown, influenced by activists and authors such as Ralph Nader, Vance Packard and Naomi Klein eventually leading to the current emphasis of companies to embrace the concept of CSR.

Significant scepticism and debate exist on the motivations for engaging in ethical behaviour and CSR and this topic is likely to remain controversial as the responsibility of business could be considered mainly economic with the goal of serving the immediate stakeholder groups of employees and investors (Carrigan & Attalla, 2001; Nill & Schibrowsky, 2007). Despite criticism there is a growing interest in displaying ethical behaviour manifested in CSR initiatives such as community and non-profit involvement, improving environmental practises through certifications/ accreditations and engaging in fair trade. All emphasising that both nature and people have essential worth and deserve respect (Klein, Laczniak & Murphy, 2006).

However, from consumer activism’s original focus on value for money and Naderism, it must be acknowledged that economic and social changes in the developed world have to some extent changed the idea of the consumer as a victim, to an empowered individual with significant influence. Also marketers have for decades sought to place more responsibility onto consumers, with the suggestion that ‘the consumer is king’ able to select and dictate between a range of choices. However, it is suggested that this scenario not always has a happy ending as the king is poorly prepared and often does not cope well (Muskin, 1999).
Consumers have today more offerings and options than ever before and it is not without reason the term ‘the era of personal choice’ is used (Dean, 1995; Harrison, 2003). Through these choices consumers are able to vote for their desired products and ultimately for their desired future in the marketplace (Brunk, 1973). However, given the impact of decisions, choice also comes with responsibility, as expressed by A. Fazal, President of International Organisation of Consumer Unions:

“The act of buying is a vote for an economic and social model, for a particular way of producing goods. We are concerned with the quality of the goods and the satisfaction we derive from them. But we cannot ignore the conditions under which products are made – the environmental impact and the working conditions. We are linked to them and therefore have a responsibility for them.” (Harrison, 2003, p.131)

In a social systems paradigm, this is also supported as even an individual’s behaviour is suggested to have wide impact (Dixon, 1984). However, Longhurst (2006) suggests that most consumers fail to live up to this responsibility, by expressing desire for more sustainable and healthy alternatives but failing to support these alternatives when offered by companies. A Gallup poll from the late 90s showed that 75% of Americans considered themselves environmentalists (Osterhus, 1997). More recent surveys present similar results such as 80% of adults claiming to support environmentally friendly products and 67% claiming to consider the ethics of a company before buying (Harrison, 2005). Given that ethical products only account for a small, though increasing, proportion of products, ethical attitudes are hugely overestimated (Connolly & Shaw, 2006; Devinney, Eckhardt & Belk, 2009). In some cases it seems that ‘green has become the new black’ with ‘ethical’ purchases and attitudes merely being ‘socially desirable’ bricks in identity construction (Lyons, 2004). Understanding the rationales for the missing link between attitudes and behaviour is therefore essential for moving forward (Carrigan & Attalla, 2001; Devinney, Eckhardt & Belk, 2009). Several causes have been suggested such as:

- Consumers being too poor or unwilling to act on ethical issues, if their basic needs are not meet (Devinney, Eckhardt & Belk, 2009).
- Unwillingness to accept the increased cost of doing good in terms of added inconvenience and monetary expense (Devinney, Eckhardt & Belk, 2009)
- Self-interest and dominant focus on own health, leading to less regard for others and the environment (Carrigan & Attalla, 2001). For example in a study concerning food choices Urala and Lahteenmaki (2003) found that frequent mentioned reasons for product choices concerned own wellbeing, fear of disease, security, taste, pleasure, familiarity, convenience and price and last ethical based motivations for being a better person relating to self actualisation.

Another option for explaining the disconnect between attitudes and behaviour comes down to the ‘variety revolution’ and lack of ability to identify which are the better choices. The consumer might be king, but the king is very busy. Faced with a large number of decisions, time poor consumers have to deal with a range of claims, proposed partnerships and suggested deals. Given that a single large retail store may offer over 26,000 different products for the shopping trolley (Mayo & Fielder, 2006) this task can become rather challenging. In this midst of almost endless choice, the importance and impact of choices may therefore either be unknown, easily forgotten, or what’s worse, purposely ignored, with price and other factors often becoming heuristic shortcuts (Harrison, 2005, Postrel, 2005). Schwartz (2004) suggests that the current amount of choice no longer liberates but instead debilitates consumers, making them unlikely to make conscious decisions if too many alternatives are available. Further, the overwhelming number of choices desensitises consumers to different options making them loose appreciation for selection, and most importantly, the abundance of choice does not encourage consumers to look for the best options (Schwartz, 2004; Postrel, 2005).

Apart from an overwhelming number of options a more significant issue is likely to be the information flows encouraging responsible decisions. Instrumental rationality assumes that if consumers obtain sufficient information they will handle the problem in an appropriate way and implement solutions by changing
behaviour in accordance with recommendations (Halkier, 2001) hereby increasing QOL for society. Similar the Hunt-Vitell model based on the two classes of ethical theory states Deontological and Teleological evaluation take place when making decisions (Hunt & Vitell, 2006).

The concept of social marketing (applying marketing to the dissemination of social ideas) have been a key component in assimilating ethical messages (Murphy, Laczniak & Lusch, 1978). However, both positive and negative aspects have occurred from this development (Laczniak, Lusch & Murphy, 1979). Apart from adding to the information overload several ethical issues must be considered; firstly of social intervention, the issue itself and the ethical nature of applying marketing to the issue (Murphy, Laczniak & Lusch; 1978; Lusch, Laczniak & Murphy, 1980). One example concerns what advice is to take precedence if causes are competing? Does one issue have more right to be ‘marketed’ than others?

Rahtz and Szykman (2008) suggest that increased knowledge of preventive health information, leads to empowerment and satisfaction with health, which ultimately increases QOL. However, in reality obtaining information that is not conflicting and the right amount of it is far more complex (Williams, 2005). For example though large and increasing amounts of information is available both from consumer organisations and government a cross cultural study found that consumers, both in the United Kingdom and Latvia, felt that they lacked knowledge of their responsibilities and rights as consumers (Kitson, Dislere & Harrison, 2003). Similarly only 26% of respondents, in a study by Carrigan and Attalla (2001), could name any socially responsible firm and only 18% could list a company they considered ‘least’ responsible. The notion that consumers are sharper and more educated that they have ever been needs to be challenged (Carrigan & Attalla, 2001).

However, if consumers dare to take on the task of consciously navigating through a large range of choices reliable information is needed. Given the general mistrust of commercial information and advertising, consumers wanting reliable information seek out non-commercial information sources such as green agencies and those considered not-for-profit which are perceived to be more credible (Kilbourne, McDonagh & Prothero, 1997). However, if making better choices is no longer just a matter of just catering to environmental concerns doing good and making better choices becomes far more complex.

Assuming at least some consumers wish to do better, how easy or rather how difficult is it to be a responsible consumer? Due to the complexity of considering the full range of consumer purchase decisions, focus was narrowed to one category of products. The specific question of interest was to identify what food a ‘responsible’ consumer should select based on the claims of major non-commercial information sources that New Zealand consumers commonly are exposed to.

Methodology

In total 12 organisations and agencies were selected, which all seek to influence consumption behaviour. Some of these are unique to New Zealand while others are New Zealand divisions of well known international organisations, an overview can be seen in Table 1. Selection was based on general presence in the media. The aim was to select organisations that consumers would be most likely to have been exposed to. Given that all the selected organisations regularly run national campaigns using both print and television it was decided that these would have had significant exposure.

The claims and recommendations of agencies and organisations were identified through their websites. If consumer shopping guides or fact sheets were available these were the preferred type of information.

Given the current ‘developed world’ wide obesity epidemic and the bombardment of information relating to complications from an unhealthy and sedentary lifestyle a starting point for consumers wanting to be responsible is to ensure their own personal health. Agencies focused on improving the wellbeing and health of New Zealanders such as the Ministry of Health, the Cancer Society and the Heart Foundation are at first glance rather consistent in their information. The way to a healthy life seems to consist of a mixed diet of;
With regard to nutrition the Ministry of Health aims to create an environment and society where individuals, families and communities are supported to eat well, live physically active lives, and attain and maintain a healthy body weight. Services include providing guidelines and policy on nutrition (Ministry of Health, 2008).

Guidelines for daily intake are:
- 3 servings of vegetables
- 2 servings of fruit
- 6 servings of breads and cereals
- 2 servings of milk and milk products
- 1 serving of protein (lean meats, chicken, seafood eggs, cooked dried beans, peas and lentils)
- 6-8 cups of water
- Minimise fat and salt intake (When using salt, iodised is recommended)
- Weekly alcohol quota 14 standard drinks for females, 21 for males.

In addition the Ministry’s nutrient report states that an iodine deficiency has re-emerged. Fish, shellfish, seaweed, milk, eggs iodised salt are all stated as natural sources of iodine (Ministry of Health, 2007).

The Heart Foundation Tick is a public health programme, run by the foundation, which seeks to reduce obesity by improving the food New Zealanders eat. The Tick Programme is self-funded and food manufacturers are charged a licence fee based on the sales of their Tick approved products (NZHF, 2008a).

Guidelines for recommended intake correspond exactly to the amounts given by the Ministry of Health in terms of servings of meat, fruit and vegetables. Further the HF Nutrition Policy adds following claims:
- A low to moderate intake of alcohol has shown to protect against heart disease.
- Coffee and caffeine have been associated with cardiac arrhythmias
- High cholesterol is often caused by diets high in saturated fat. These fats come from meat, dairy products and eggs.
- Antioxidants and calcium gained naturally/or through supplements are beneficial to heart health.
- Fish and fish oils are beneficial for heart health obtaining omega-3 polysaturated fats.
- Due to meat being high in saturated fats, people avoiding meat may have lower risk of disease.

The tick shopping list identifies the healthiest choices of brand and product for over 50 different types of food products based on the criteria of:
- less saturated fat
- less trans fat
- less energy (kilojoules)
- less salt

Comprehensive factsheets are available for different food groups.

Guidelines suggest that an intake of diet high in fibre, fruit and vegetables reduce the risk of a range of cancers. Fresh, canned, dried and frozen

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<th>Organisation/Focus</th>
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<td>Brochures are available for different age groups as part of the HEHA campaign (Healthy Eating Healthy Action) (See Ministry of Health, 2008)</td>
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<td>New Zealand Heart Foundation [NZHF]</td>
<td>Tools to help shoppers make healthier choices are the Tick Guide to Healthier Eating (NZHF, 2008b), the Tick Shopping List (NZHF, 2008c) and the Heart Foundation Nutrition Policy (see NZHF, 2008d).</td>
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<td>Cancer Society of New Zealand [CSNZ]</td>
<td>Comprehensive factsheets are available for different food groups.</td>
</tr>
<tr>
<td></td>
<td>Guidelines suggest that an intake of diet high in fibre, fruit and vegetables reduce the risk of a range of cancers. Fresh, canned, dried and frozen</td>
</tr>
<tr>
<td><strong>WWF New Zealand</strong></td>
<td><strong>Vegetables are all stated to be good sources of cancer protecting nutrients. Substantial amounts of meat intake is said to increase the risk of some cancers. Some cooking methods such as grilling that char the meat are also not recommended.</strong></td>
</tr>
<tr>
<td><strong>Royal New Zealand Society for the Prevention of Cruelty to Animals [RNZSPCA]</strong></td>
<td><strong>Guidelines for intake of cereals, fruit, meat and vegetables refer to the guidelines set by the New Zealand Ministry of Health (CSNZ, 2006a, 2006b, 2006c).</strong></td>
</tr>
</tbody>
</table>
| **New Zealand Food Safety Authority [NZFSA]** | **Information is available through fact sheets and press release notices. Current issues include:**
| **SAFE** | **Current campaigns include:**
| **Organisation focused on preventing animal abuse and improving the way society treats animals. SAFE undertakes campaigns varying from single actions to long-term strategic campaigns that involve lobbying, research, education and demonstrations. Generating public awareness of conditions is seen as critical for the betterment of animals (SAFE, 2008a).** | - Jamie’s mission (no battery chickens)
- Love pigs not pork (boycott of factory pork)
- No animal testing (Includes the boycott of Proctor & Gamble)
- Save the planet - quit meat
- Ban duck shooting
- Ban live sheep exports
- Ban mulesing of merino sheep
- Ban GE for animals (SAFE, 2008b) |
| **Organisation aiming to prevent animal cruelty. Through its district branches, help is provided to animals and education to owners. The organisation receives no state funding but rely on donations and largely on the efforts of volunteers (RNZSPCA, 2008a) | **Current campaigns include (RNZSPCA, 2008a, 2008b):**
- For consumers to choose free range pork and chicken.
(SPCA have specified their own guidelines for approved practises, available through freedom farms)
- Another key issue concerns encouraging the boycott of animal testing. |
| **As part of the global WWF** | **Current focus of the division is to reduce New Zealand’s ecological footprint* and have New Zealand become a world leader in conservation.** |

*dedicated to reducing the incidence of cancer and ensuring the best cancer care for everyone in New Zealand. A significant part of the organisation’s work is focused on disease prevention by encouraging a healthier lifestyle through education (CSNZ, 2004).*
network the organisation is focused on conservation and stopping the unsustainable use of the planet. This includes action to reduce climate change, managing resources sustainably and educate individuals and communities in conservation (WWF NZ, 2008a).

This is to be achieved partly through lowering carbon emissions from fossil fuels, the transport and energy sector particularly. WWF NZ efforts include education of New Zealand consumers and lobbying government for better transport. In terms of energy the development of renewable sources are emphasised.

Another significant aim is the protection of biodiversity. Current campaigns concern the protection of habitat and survival of declining species such as the Maui dolphins and albatross affected through the fishing industries.

(*Ecological footprint refers to the area needed to produce resources and absorb waste per person. New Zealand is currently ranked 6th on the list of highest footprint with 7.7 Ha per capita) (WWF NZ, 2008b)

<table>
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<tr>
<th><strong>Greenpeace New Zealand</strong></th>
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Attention is put on the worldwide threats to the planet's biodiversity and environment. The aim is to encourage debate about society’s choice, champion environmentally and socially responsible solutions while exposing environmental abuse by corporations and government (Greenpeace, 2008a).

Greenpeace New Zealand’s work includes (Greenpeace, 2008a):

- Defending oceans and marine life from destructive fishing methods, overfishing, whaling and pollution. (For assisting consumers ‘The Red Fish Guide’ is available which identifies the most unsustainable seafood’. The guide contains both fish species and fishing methods that consumers should not support (See Greenpeace, 2008b).

- Preventing the release of genetically engineered organisms into nature to protect the health of humans and the biodiversity of the planet. (A GE free shopping guide is available which lists a range of larger brands across food categories as being either, GE free, changing to non GE, or may contain GE (See Greenpeace, 2008c). This pocket guide also contains a page labelled ‘only planet guide – your guide to living ethically’ with ‘rules’ as listed below

  1) Buy use and consume only what you need
  2) Re-use and recycle
  3) Think and buy local
  4) Buy organic
  5) Grow own produce
  6) Eat less animal products
  7) Choose free range produce
  8) If product is unavailable locally - buy fair trade
  9) Be informed - research the origins of products
  10) Make the switch to a greener power company
  11) Reduce power consumption

- Encourage changes to the dairy industry, so called ‘smart farming’ based on low input and less intensive practises. This especially as the dairy industry is listed as the biggest contributor to climate change.

- Promoting the use of renewable energy and the phasing-out of fossil fuel use in order to stop climate change. Also no to nuclear energy (A guide to a cleaner power company is available online. Companies are ranked on their current proportion of renewable energy and policies for future development of these types of power resources).

- Further issues include eliminating toxic chemicals, such as persistent
organic pollutants (POPs), and preventing the dumping of toxic waste as well as protecting natural habitats. (A wood purchasing guide is available giving information about the Forest Stewardship Council programme and choosing the most ethical sources of wood (See Greenpeace, 2008d).

| Royal Forest and Bird Protection of New Zealand [RFBPNZ] | Key issues of the organisation include:
| Organisation with the goal of protecting New Zealand’s native plants, animals and wild places, on land and in the oceans. Both consumer education and government lobbying are activities engaged in (RFBPNZ, 2008a). | - Protecting marine and coastal life, e.g dolphins threatened by set netting, albatrosses by long-lining and trawling and sea lions by squid fishing. (A best fish guide is available with continuums of best to worst species and best to worst fishing methods (See RFBPNZ, 2007)
- Climate change increasing frequency and intensity of droughts and reducing river flows threatening river life. Suggests greener and less travel and buying carbon credits to offset the emissions created.
- Fresh water issues. Damage created by run-off of agricultural nutrients and effluent effecting quality of water threatening native plant and animal life.
- Damage to local habitat such as wetlands through water irrigation particularly from the rapidly-expanding dairy industry, or through hydro development (e.g. dams) for electricity (RFBPNZ, 2008a, 2008b). |

| Ministry for the Environment | ‘Sustainable living’ courses can be attended for a small cost. These are held throughout the country. Comprehensive fact sheets are available to download on topics from transport, energy use, waste/recycling and growing own vegetables. Related to shopping the following recommendations are given:
- Preferably grow own food, but if not possible:
  - Buy certified organic to avoid pesticides
  - Avoid GE crops
  - Buy less or no meat as it is resource intensive
  - Eat relatively more fish (though check which types)
  - Buy things loose to avoid wrapping (e.g. from bulk bins)
  - Buy produce in season
  - Check food labels for preservatives and additives
  - Favour items in recyclable/ reusable packaging
  - Look for the Environmental Choice New Zealand logo as many environmental claims are unsubstantiated.
  - Look for NZ made to reduce emissions from transport
  - Look for fair trade / trade aid
  - Refuse plastic bags
  - Grow or build things yourself
  - Barter for products
  - Rent rather than buy or buy with a friend
  - Avoid takeaway food
  - Buy refills
  - Avoid disposables (Ministry for the Environment, 2008b)
- Avoid buying canned, frozen or processed food |
In terms of environmental concerns, meat is described as one of the most resource intensive types of food and suggestions for ‘sustainable living’ include minimising meat intake (Greenpeace, 2008b; Ministry for the Environment, 2008) or even ‘quit meat and save the planet’ (SAFE, 2008b). According to the latter of these sources consumers buying meat are virtually responsible for deforestation, land degradation, water and air pollution by methane gasses and transport. Apart from not being ‘green’ ethical issues are also present such as whether it is acceptable to eat meat at all from an animal welfare perspective. Though a vegetarian or vegan lifestyles are in some cases suggested (SAFE, 2008b) a more moderate approach is encouraged by the RNZSPCA (2008a), which aims to encourage the consumers to boycott ‘factory’ farming if they choose to consume meat.

Despite the guidelines of a healthy diet, substantial amounts of meat are said to increase the risk of some cancers, especially combined with some cooking methods such as grilling that char the meat (CSNZ, 2006a) so perhaps waving goodbye to a juicy steak is not that great a loss after all. Plenty of other sources of protein exist for example fish and shellfish are said to be great for the diet (Ministry for the Environment, 2008c)
2008b) especially due to a re-emergence of iodine deficiency partly caused by advertising encouraging reduced salt intake (Ministry of Heath, 2007).

As a guide to fish selection the tick guides from the Heart Foundation come in handy to ensure the healthiest, option low in fat and salt ironically. Brands and particular fish species are listed for fresh, frozen, canned and processed fish. Though this may sound good this is not the case from an environmental perspective, given the pressure on certain marine life imposed by the fishing industry. Both the Greenpeace ‘Red Fish Guide’ (see Greenpeace, 2008b) and the ‘Best Fish Guide’ from the Royal Forest and Bird Protection of New Zealand (see RFBPNZ, 2007) list the species of fish to be avoided either because of diminished stock or due to damage caused to marine life from fishing practises used. Though the latter guide is more comprehensive the issue is the same. The majority of fish types listed as ‘best’ by the Heart Foundation are listed in the top five of worst choice fish, with Orange Roughy being the worst choice, Dory, second and Hoki fifth worst choice. For tuna products no specific type is suggested by the Heart Foundation, however, only skipjack tuna is considered among an acceptable tuna choice in both the fish guides.

In the quest for healthy living and attempting to make better choices the consumer has in this way been the cause of pressure on fish stocks and ecological damage to habitats and marine life such as dolphins, seals and albatrosses. However, despite the claim that ‘eating fish is healthy’ there may be further reasons why this is to be avoided. Human activities have had significant effect on altering biochemical and geochemical cycles and levels and excessive levels of metals may pose a significant risk to people consuming fish and shell food. Hence one of the current key concerns of the New Zealand Food Safety Authority is monitoring certain fish species for high levels of mercury and shrimps and prawns for cadmium, copper and selenium (NZFSA, 2008c).

Another potential source of animal protein is eggs and given that free-range is chosen there are little environmental and animal welfare reasons why not to eat eggs. However, although eggs are stated to be a good source of protein in healthy living material the Heart Foundation’s Tick materials and nutrition policy of the Heart Foundation may suggest otherwise (see Ministry of Health, 2008). High cholesterol in the blood is stated as being linked to diets high in saturated fats from, for example, meat and dairy products. However, eggs specifically are noted as unhealthy for the heart (NZHF, 2008d).

In terms of the two recommended servings of dairy this might also be problematic in terms of environmental concerns as the dairy industry is claimed to be the main cause of pollution of fresh water habitats according to Greenpeace (2008a) and RFBPNZ (2008a). Greenpeace suggests creating a less intensive dairy industry; however, no suggestions are given of how to aid this development as consumers.

Given this slightly disheartening search for a suitable protein the consumer may at this stage be hoping for a better result with other food groups. Breads and cereals constitute one of the most significant food groups for healthy living and also the largest proportion of the recommended diet with six servings daily. However, several concerns exist with regard to the environment as intensive cultivation of soil and harvesting of crops is a key factor for soil depletion and erosion. Further, pesticide and fertiliser runoff eventually reach natural habitats and streams as well as drinking water reserves leaching through the ground (Carson, 1994; Engelhaupt, 2007, Montgomery, 2007; Montgomery, 2008). In the case of New Zealand a further major concern is that the majority of grain is imported from overseas adding carbon foot prints through transport.

The second largest component of a healthy diet is said to consist of fruit and vegetables. The Heart Foundation (2008b) state that all fresh fruit and vegetables qualify for the tick, further specific brands of frozen, canned, dried and processed products are listed. Information from the Cancer Society confirms that all these types of vegetables are good sources of cancer protective nutrients. In addition eating a variety of brassicas, allium vegetables, citrus fruits and legumes are recommended (CSNZ, 2006c). Though this variety might be optimum for good health, this is somewhat problematic from an environmental perspective. Carbon footprint is at the heart of claims from Greenpeace (2008a), RFBPNZ (2008b) and WWF (2008b) where emphasis is placed on reducing unnecessary transport. To combat these issues information from for example
the Sustainable Living Programme suggests selecting seasonal produce preferable from local suppliers (Ministry for the Environment, 2008b).

The Heart Foundation and Cancer Society claim that all vegetables and fruit are suitable for healthy living; however, again these claims are disputed by other organisations. For both personal health and that of the earth it is suggested to buy certified organic to avoid pesticides (Ministry for the Environment, 2008b). Further, canned products may not be suitable, even if organic, as canned products (in particular tomatoes) are investigated by the NZFSA for containing excess lead from soldering of the seams of the cans (NZFSA, 2008b). From an environmental perspective canned products are also to be avoided as packaging should be reduced as much as possible to avoid an unnecessary waste of resources. Putting this into practice means buying products from for example bulk bins loose to avoid wrapping. If loose products are not available recyclable/reusable packaging should be favoured and the plastic bags at the check out should be refused (Ministry for the Environment, 2008b, 2008c).

Finally GE products, animals and feeds should not be supported (Greenpeace, 2008b, SAFE, 2008b, Ministry for the Environment, 2008b). This issue is considered both important from an environmental perspective and by animal rights organisations. For navigating through the supermarket ensuring GE free choices are made, the Green Peace GE free shopping guide is available (see Greenpeace, 2008c). This guide lists brands in four food groups and contains 108 listings of GE free brands, 36 brands in the process of change and 60 listings for brands that may contain GE. In comparison the Heart Foundation’s material contain both GE and GE free products, and has no emphasis on New Zealand or local produce as mainly larger brands sacrifice the cost to sign up to the tick programme.

One page in the GE free booklet encourages consumers to take action and firstly congratulate the GE free companies, secondly encourage companies changing from GE to continue the process and thirdly ask other companies to stop using GE feed and ingredients. Ironically companies listed to be congratulated include Tegel, New Zealand’s largest producer of factory farmed chicken and Unilever, which like Proctor & Gamble, often receive criticism for the use of animal testing and disregard for animal welfare (See SAFE, 2008b). In the GE free guide consumers are further encouraged to become more informed about origins and methods of production to make more ethical choices, which presumable also include scrutinising the product packaging. This is also supported by the Sustainable Living Programme (Ministry for the Environment, 2008b) who not just focuses on GE but also raise concern about the increasing levels of preservatives and additives in food.

As stated previously, organisations focused on environmental claims suggest obtaining domestic, seasonal produce or preferably growing own produce. Beyond produce this is also supported by programmes such as Buy Kiwi Made, a scheme promoting manufacturing in New Zealand, with the aim of keeping New Zealand jobs and supporting the local communities and economy (Buy Kiwi Made, 2008). In contrast to this the Fairtrade Association of Australia and New Zealand is focused on allowing the development of third world country through trade. Again a dilemma of whether the consumer should look for a Kiwi made triangle logo or one of the four fair-trade logos.

After hours of research and a rather large stack of shopping guides and factsheets related to food, it is likely that most consumers would hover on the brink of despair as information, rather than pointing towards one ‘good’ direction for moving forward, is based on different underlying goals relating to either personal health, societal or environmental concerns. As illustrated, conflicting or directly opposite guidelines are given such as the clash between the Heart Foundation’s tick guide and environmentally focused Greenpeace and RNZBFP regarding fish selection. Acknowledging that food products only represent a limited amount of purchase decisions, further complexity is added when looking at other product categories including transport and energy use. Many additional claims and shopping guides are imposed on the consumer such as avoiding natural fur (WSPA, 2008) and the wood purchasing guide endorsing the Forest Stewardship Council programme and choosing the most ethical sources of wood (See Greenpeace, 2008d).

Apart from dealing with additional claims, further complexity is created when even organisations aiming for virtually similar goals give conflicting advice. One example of this is the case of selecting a power
company. Greenpeace has developed a guide where consumers online are able to find their ‘greenest’ energy provider in their area. Companies are rated on the current proportion of renewable energy sources and their policies for the development of these resources in the future (Greenpeace, 2008a). In contrast to this the RFBPNZ (2008a) consider some renewable energy sources such as hydro dams to be of extreme damage to natural habitats and destruction of some species. These examples and issues illustrating that being a responsible consumer is a difficult and perhaps overwhelming task.

Conclusion

The fact that consumers have to cope with large numbers of choices and excessive information is far from new. However, it might have been underestimated how complex making good and responsible decisions really are as illustrated in this paper, especially taking into account the narrow focus on food products only and the small number of organisations and agencies.

Even with a range of consumer shopping guides it seems that it is virtually impossible to carve out one path to ‘good’ shopping as guidelines include numerous different, often competing concerns, or approaches to the same issue. In other cases the same information is represented twice, such as the NZ fish guides from both Green Peace and RFBPNZ adding to the already existing information overload.

Faced with overwhelming numbers of influences, amounts of information and choice it is not surprising that even consumers wanting to make better choices feel despair, beleaguered and return to old habits and shortcuts to cope. Based on the information researched, it seems that consumers are told to make a trade-off especially between their personal health and that of the environment. Given consumers’ obsession with own wellbeing, it is highly unrealistic anyone would agree to this trade-off. Consumers’ capacity to act responsibly may therefore have been significantly overestimated in a complex system which is guided by several rather than one encompassing goal.

Much of the information focused on ensuring personal health largely disregards the impact of the state of the environment on the very same thing and the interrelated nature of issues, e.g. negative impacts of pollution on food sources. Despite the disregard for nature, environmental limits are the most significant boundary for the group of systems wherein quality of life is encased (Kilbourne, McDonagh & Prothero, 1997). Many organisations have highlighted the dire consequences resulting from current behaviour and authors such as Kilbourne, McDonagh and Prothero (1997), Dolan (2002), Amine (2003), call for the change of dominant social paradigm and consumption culture. Considering how health is influenced through the natural environment it is likely that what is currently framed as a somewhat incompatible and less than ideal trade-off will be the answer for the long run. For a healthier and better future a necessary step is therefore likely to be the commitment to the principles given by Green agencies such as Ministry for the Environment, Greenpeace and WWF and despite the potential difficulty collaborate and streamline information. Understanding consumers and the environment they operate in is vital in this regard. This paper aimed to contribute by presenting a more realistic view of consumers and their environment. That is (consumers) as components of a system focused on their own ‘survival’ while dealing with less than ideal information. Acting on this approach and directions for future research could include putting more emphasis on framing ethical concerns so the personal benefits, e.g. relating to health is emphasised.

References


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Customer Citizenship Behavior in the Retail Marketplace

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Scholars suggest that customer citizenship behavior (CCB) involves actions by retail patrons that are not usually expected of customers. For example, they may cooperate with employees, act as partial employees, and help other customers obtain a firm’s products and services. CCB may affect retail productivity, but typically it is not explicitly rewarded. This paper offers a revised view of CCB and explains its impact on marketing system variables in a retail marketplace. It discusses CCB’s dimensions, how CCB relates to civic and organizational citizenship, motives for CCB, and CCB’s potential positive and negative effects. Finally, it discusses implications for macromarketing research.

Introduction

Scholars define customer citizenship behavior (CCB) in varied ways. Yet, they generally agree that CCB involves retail patrons acting in ways that are not usually expected of customers. Among other things, these customers may try to cooperate with and assist employees, do work that is normally done by employees (i.e., act as partial employees), and help other customers obtain the firm’s products and services. These types of behaviors are called voluntary extra-role activities because they differ from ways in which retail patrons may cooperate with a firm in their roles as customers, e.g., by co-producing services for themselves in self-service settings. CCB-related activities may affect firms’ service and performance levels, but typically they are not directly or explicitly rewarded (cf. Groth 2005; Rosenbaum and Massiah 2007).

CCB is associated with two types of institutional elements (Arndt 1981), since it involves informal and formal conditions and rules for interactions (e.g., transactions and interplay among customers and employees) and organizational entities in marketplaces (e.g., retail establishments). In addition, CCB appears to be related to other key marketing system factors. Among others, these factors include the blurredness of consumers’ and marketers’ roles, the joint creation of marketing activities by marketers and consumers, and the operation of embeddedness, social norms, and community in marketplaces (cf. Layton and Grossbart 2006; Pryor and Grossbart 2005c; Varman and Costa 2008).

Therefore, CCB should be an important macromarketing consideration. Yet, CCB is a neglected topic in macromarketing (and retailing). Moreover, it is not well understood, since the literature offers examples of CCB-related activities but does not adequately address some basic conceptual issues. These issues concern the nature of citizenship-like behavior, what CCB encompasses, how CCB relates to circumstances and retail settings, and reasons why CCB occurs. Arguably, work on CCB is also positively biased. It stresses how firms and customers benefit from CCB and underemphasizes CCB’s potential negative effects.

This paper seeks to contribute to greater understanding of these matters. It begins with an overview of CCB research. Next, it offers a tentative general classification of CCB-related activities and dimensions. Then, it discusses what the characters of civic (political) citizenship and organizational citizenship may imply about the likely nature of CCB. In addition, it reviews possible motives for CCB, to illustrate the complimentary psychological and social factors that may underlie various types of CCB. Furthermore, it explains why CCB may create both positive and negative effects on marketing system variables that are associated with the environment, attributes, components, and consequences in a retail marketplace (Layton and Grossbart 2006). Finally, it discusses the implications of these matters for macromarketing research.
Customer Citizenship Behavior (CCB)

After Organ and others used the term organizational citizenship behavior (cf. Bateman and Organ 1983; Smith, Organ, and Near 1983), work on citizen-like behavior appeared in fields such as community psychology, human resource management, hospital and health administration, industry and labor law, strategic and international management, leadership, and economics.

Most marketing scholars do not deal with CCB, but some researchers in management, retailing, human resources, and services areas describe aspects of citizen-like behavior in the marketplace. They directly and indirectly refer to CCB’s voluntary nature, the typical lack of direct rewards, and varied ways in which CCB enhances a firm’s offerings, services, and operations. For instance, they suggest that customers may behave in ways that resemble those of a firm’s employees (i.e., act as partial employees), voluntarily cooperate with employees, help other customers, make suggestions to a firm, and willingly spread positive word-of-mouth (WOM; cf. Bettencourt 1997; Bowen 1986; Rosenbaum and Massiah 2007). These are extra-role behaviors, in that customer do things for the firm or other customers that are not typically expected of customers. They differ from so-called in-role types of cooperation (Groth 2005), e.g., customers co-producing services for themselves in self-service situations (cf. Benapudi and Leone 2003).

Although useful, these insights offer an insufficient basis for understanding CCB. They give examples of CCB rather than a more general conception about its likely multi-dimensional nature. They neglect the impact of circumstances and setting on the nature and effects of CCB. They do not explain why CCB occurs. They primarily focus on customers’ dyadic ties with employees, the firm, and other customers and neglect how CCB may affect and be affected by relationships among current and potential customers, employees, and retail management. They overlook CCB’s potential negative effects on a firm and its customers. Moreover, they implicitly treat CCB as voluntarily assumption of responsibilities; they neglect the possibility that CCB may involve actions that assert what customers view as their rights. These issues are discussed in the following sections.

A Tentative Classification of Categories of CCB

As an initial step, we offer a tentative general classification of examples of varied aspects of CCB (cf. Bettencourt, 1997; Cronin and Taylor 1992; Graham 1991; Guy and Patton 1989; Parasuraman et al. 1985; Pryor and Grossbart 2005abc). It includes five broad and partially overlapping categories of CCB. Advocacy involves customers’ efforts to attract new clientele to the retail facility, e.g., by WOM, bringing potential patrons to the establishment, and customers’ other voluntary individual and group efforts to promote a retail establishment. Loyalty indicates customers’ allegiance to and support of the firm’s interests beyond their personal interests, versus only repurchase behavior, e.g., working to prevent competitors from opening stores near favored retail establishments. Cooperation refers to discretionary actions by customers that reflect respect for the quality of services for other customers, e.g., cleaning exercise equipment after using it in a fitness club. Participation refers to customers’ active involvement in a firm’s governance and development, e.g., customers offering retailers suggestions and constructive criticisms and taking part in planning and installing a shopping area’s amenities and aesthetics. Finally, assistance includes the help that customers voluntarily give to employees and to other customers to provide and obtain the firms products and services.

Civic Citizenship and Organization Citizenship

This section offers an overview of ideas on civic citizenship and organizational citizenship. They seem relevant, since they predate interest in CCB and CCB sometimes involves customers in partial employee roles. The next section deals with what these ideas imply about CCB.

Civic Citizenship

Philosophers since Aristotle note that responsible civic (political) citizenship entails balancing
interrelated beliefs and behavioral tendencies related to obedience, loyalty, and participation. Obedience is respect for orderly structures and processes, rational-legal authority, and law. Loyalty refers to serving, promoting, and protecting community interests and values and volunteering efforts for the common good. Participation is active and responsible involvement in community self-governance. The interrelatedness of these beliefs and tendencies is evident in the comment that responsible citizens keep informed on issues that affect the community, share information and ideas, assist in community self-governance, and urge others to do likewise (Graham 1991; Van Dyne, Graham, and DiNellesch 1994).

These views are consistent with Marshall’s (1949) suggestion that citizenship is a form of status in a community with regard to rights and duties. He argues that there is no universal principle that determines the details of these rights and duties. Instead, views of citizenship and notions about such rights and duties are related to their setting. That is, the institution of citizenship and the image of ideal citizenship may differ in different societies. For instance, he notes that British ideas of citizenship are rooted in a sense of community, loyalty of members who are endowed with rights and protected by common law, and the struggle to win those rights.

Organizational Citizenship

Organizational citizenship behavior is typically viewed as discretionary actions of organization members that promote an organization’s effectiveness but are not formally recognized by its reward system (Organ 1988). These actions seem generally similar to CCB, since CCB may involve customers as partial employees, enhance firm performance, and not be formally recognized or rewarded. There are seven common themes/dimensions in the research on organizational citizenship behavior, including helping, organizational loyalty, organizational compliance, individual initiatives, civic virtue, sportsmanship, and self-development (Podsakoff, Paine, and Bachrach 2000). The first five appear to have counterparts in CCB.

For example, helping is voluntarily assisting other organization members to prevent or solve problems. It reflects facets of peacemaking, altruism, cheerleading, and courtesy. Organizational loyalty consists of boosterism, spreading goodwill, promoting the organization to outsiders, and endorsing, supporting, and defending its objectives. It also entails protecting and defending the organization against external threats and remaining committed to it even under adverse conditions (Borman and Motowidlo 1997; Graham 1989; George and Brief 1992; Organ 1988; Podsakoff, Paine, and Bachrach 2000; Smith, Organ, and Near 1983).

Organizational compliance is internalization, acceptance, and adherence to rules, regulations, and procedures (even if one is not observed or monitored), which indirectly benefits others in the system. Individual initiatives are voluntary actions that exceed generally expected or minimal requirements, e.g., communications to others in the workplace to improve individual and group performance and voluntary acts of creativity and innovation intended to improve personal and organizational performance, persistence and enthusiastic efforts to accomplish one’s job, volunteering for extra responsibilities, and encouraging others to do the same. Civic virtue is interest in or commitment to the organization. It includes willing acceptance of responsibilities of being part of the larger entity and participation in governance, e.g., going to meetings, engaging in policy debate, and giving opinions about strategies for the organization (Moorman and Blakely 1995; Podsakoff, Paine, and Bachrach 2000; Smith, Organ, and Near 1983).

It is unclear whether two other organization citizenship dimensions are relevant to CCB. Sportsmanship is willingness to tolerate inevitable inconveniences and impositions of work without complaint (Organ 1990). Self-development involves voluntary efforts to improve one’s knowledge, skills, and abilities, to make more contributions to the organization (George and Brief 1992; Katz 1964). The citizenship literature gives little attention to sportsmanship and does not empirically confirm that self-development is a dimension of citizenship.
Implications Regarding the Character of CCB

CCB, civic citizenship, and organizational citizenship seem to share some general similarities. For instance, customer cooperation has counterparts in civic obedience and organizational compliance. Customer advocacy and loyalty correspond to civic and organizational forms of loyalty. Customer participation and assistance resemble aspects of civic participation in political life and civic virtue, individual initiatives, and helping in organizations. Hence, some of what we know about the operation of civic and organizational citizenship may apply to CCB. For example, CCB categories, like those of civic and organizational citizenship, may be interrelated, e.g., there may be overlap in facets of cooperation and assistance or loyalty, advocacy, and participation.

In addition, as is true for civic and organizational citizenship, CCB categories may need to be balanced against one another. For example, there may be trade-offs in the time spent on activities, such as advocacy versus assisting other customers. There may be conflicts between cooperation with the firm and making innovative suggestions that deviate from its policies. There may also be tensions between the interests of the firm and its current customers or between loyalty to the firm’s current customer base and advocacy efforts to attract new types of patrons. Such conflicts and tensions may create negative consequences, as discussed later.

Furthermore, as Marshall (1949) suggests for civic citizenship, there is unlikely to be a universal principle that determines the details of what constitutes CCB in different retail settings. Instead, like civic citizenship, ideas about CCB and how it is enacted are likely to be related to their setting. As a result, notions about cooperation with employees and other customers, loyalty, advocacy, participation, or assistance to other customers may change over time as an organization develops. For instance, ideas about such categories of CCB and their relative importance may change as an organic food store expands and its customer base diversifies. In addition, the specific character of CCB is unlikely to be identical in retail settings with different goods and services offerings (restaurants, bars, hair salons, health and fitness clubs, spas, yoga studios, motorcycle dealerships, art galleries, recreational vehicles, stores specializing in items such as children’s furniture, guns and ammunition, religious books, hunting and fishing supplies, musical instruments, pet supplies, organic foods, hobby products, etc.). Moreover, the specific nature of CCB in a retail setting may be affected by and affect the culture, norms, and history of relationships of a firm and its customers.

Possible Motives for CCB

Empirical work is needed to clarify the motives for CCB. Still, the prior discussion provides indications about their probable character. It suggests that the diverse activities related to CCB may be affected by setting (e.g., type of retail establishment), individual factors (e.g., beliefs, values, and behavioral tendencies) and relationships (e.g., with employees, the firm, and other customers). Therefore, multiple psychological and social sources of motivation are likely to underlie CCB. For illustrative purposes, this section summarizes four views on possible types of motives that seem to relate to many factors that are relevant to CCB. These views concern an integrative taxonomy of motivation, social capital, resource exchange, and altruism. Taken together, they offer multidisciplinary and complimentary, versus mutually exclusive, explanations for CCB. They also take psychological, social, in-group, and out-group considerations into account.

Integrative Taxonomy of Motivation

McClelland (1961) developed and operationalized and Barbuto (2001) validated the, arguably, most accepted psychological taxonomy of motivation. It includes intrinsic process, instrumental, external self-concept, internal self-concept, and goal internalization motives.

An intrinsic process view suggests that pleasure motivates individual work and behavior. For example, customers may cooperate with employees and participate in a retailer’s operations because they
enjoy the processes rather than for other task performance or outcome reasons (Pryor 2006). The instrumental view suggests that behavior is motivated by expected tangible extrinsic rewards. This view does not explain CCB that is voluntary, discretionary, and not formally reward, but it is consistent with ideas on why instrumental motives may be sources of social capital, as discussed later. The external self-concept view indicates that individuals act in accordance with others’ expectations in order to gain social feedback that is consistent with their self-concepts. For instance, customers may act in a CCB-like manner to get positive responses from employees or other customers in their reference groups (Pryor 2006). According to the internal self-concept view, individuals set internal standards for traits, competencies, and values that are the bases for their notions of self. They behave in ways that reinforce these internal standards and help increase their competencies. The goal internalization view suggests that individuals are driven by internal goals and adopt attitudes and behaviors based on their personal value systems. Those who are motivated by performance goals tend to focus on outcomes. Those who pursue learning goals are apt to enjoy the learning process (Barbuto 2001; Barbuto and Scholl 1998). Thus, these two types of persons may engage in CCB for different reasons.

Social Capital (SC)

Definitions vary, but it generally agreed that SC has resource-like qualities and involves actual and imaginary social ties and in-group relations (Bourdieu 1985; Coleman 1988; Putnam 2000). These elements lead individuals to help others (e.g., other customers) due to expectations related to norms, obligations, and trust. As used here, SC refers to actors’ abilities to get benefits due to membership in social networks or other social entities (Portes 1998). Their abilities come from the consummatory and instrumental motives (or expectations) of other actors who provide or facilitate these benefits. Some of the help and support that customers give to merchants in a retail marketplace is due to these motives (Pryor 2006). They differ from motives that are involved in a simple dyadic exchange that is not embedded in a larger social group or entity.

Value introjection (VI) and bounded solidarity (BS) are consummatory motives. They relate to the expression and maintenance of values, commitments, and orientations that guide a social entity. VI operates when individuals help others due to their socialization into consensually established beliefs about norms or obligations. BS is based on identification with other members of a social entity. It leads individuals to assist others due to their actual or perceived shared membership in a group or awareness of their common situation or fate. Factors that raise members’ senses of external opposition (e.g., amount of prejudice they face and lack of opportunities to exit from the situation) and social construction (e.g., extent to which they create a collective identity and common memory) increase in-group solidarity and appropriable SC (Portes 1998).

Expected reciprocity (ER) and enforceable trust (ET) are instrumental motives. ER operates when individuals help others due to their beliefs that they will receive benefits for providing assistance. These benefits may differ from those that they originally provide, may not come from the person they assist, and may sometimes take the form of group approval. ET exists when individuals assist others due to their confidence that repayment is insured by the sanctioning capacity of the network or collectivity. ET and resulting appropriable SC are positively related to outside discrimination and the extent to which a social collectivity is able to confer unique awards on its members, monitor their behaviors, and publicize the identities of deviants (e.g., members of a fitness club or vegan-oriented food co-operative). They are negatively related to options outside the groups for securing social honor and economic opportunity (Portes 1998).

Resource Exchange Theory

Foa (1971) posits that people exchange six types of resources, including love, status, information, money, goods, and services. They are arrayed on concreteness/symbolism and particularism/universalism dimensions. Concreteness is degree of tangibility (e.g., concrete goods vs. symbolic information). Particularism is value in relation to the person who delivers the resource (e.g., exchange of love with a specific individual versus exchange of money with a stranger). Exchange is more likely to involve resources that are proximal versus more distant in terms of concreteness and particularism, e.g., a person who receives
love from another person is apt to return love (versus money) to that person. Rosenbaum and Massiah (2007) apply resource exchange theory to service settings. They argue that a customer who receives social support in a service establishment will respond, with feelings of love and genuine concern, by providing resources to its other customers. Similarly, customers who receive social-emotional and instrumental support from other customers in a retail establishment may respond by expressing their appreciation via CCB toward the establishment and customers. In addition, they may help or support other customers besides those who originally who supported them.

Altruism

The view is based on ideas about altruism as a facet of personality and human nature. Biological research suggests that an altruism personality and gene exist. Masters (1978) argues that altruism and sharing reflect moral virtue and the development of human nature rather than mere restraints on individual pleasure or gain. Altruism motivation is activated or facilitated by one party’s need for aid and another person’s inclinations to give help. Human behavior does not always conform to Darwinian assumptions that a self gene dictates behavior that furthers proliferation of the species at the expense of others or to seventeenth-century economists’ notions that human behavior is neutral to others and based on egoistic self-interest.

Instead, there is evidence of people helping others without getting anything tangible in return. Guy and Patton (1989) argue that the basic need to help others with no expected reward, except the pleasure of helping, is a strong (or perhaps the strongest) human motive. Research suggests that, compared to those who give aid due to social norms or expected gains in status, self-esteem, or other benefits, persons who seem to have intrinsic needs to help others are motivated to help, more involved in helping others, and more likely to give appropriate helping responses. In this sense, altruism may relate to the previously noted intrinsic process motivation (Barbuto 2001) and explain why some customers help employees or other customers. Macromarketing scholars also recognize altruism, e.g., in work on behavior modification campaigns and help for impoverished consumers (Carman 1992; Hill 2002).

Possible Positive and Negative Consequences of CCB

As the prior discussion indicates, the literature on customer voluntary behavior and CCB emphasizes positive effects. It underscores how varied types of customer advocacy, loyalty, cooperation, participation, and assistance enhance firms’ performance and benefit their other customers. It also offers examples of why and how customers can become important sources of credibility and competence for firms. For instance, customers’ WOM and loyalty behaviors may help facilitate sales of a wide range of products and services (Cheung and Anitsal 2007; Chung and Darke 2006). In addition, customers’ cooperation, participation, and assistance may help reduce firms’ costs, maintain or improve their service quality, and elevate their customers’ satisfaction. Furthermore, the benefits and motives associated with CCB may enhance firms’ sales, cost control, and service delivery for more general reasons. They may contribute to a sense of community and bonding among customers, employees, and the firm. They may increase norm observance by customers. They may also reduce the need for firms to use costly formal controls.

Therefore, CCB may have an important impact on marketing system variables in a retail marketplace (Layton and Grossbart 2006). CCB may affect the environment and inputs in retail institutions. It may create patterns of behavior, mixes of participants, and intangible resources in these institutions that differ from those that might be expected to exist. CCB may affect system components, such as retailers’ transactional and other costs, the services and experiences that retailers offer their patrons, and relationships and distinctions among customers and employees. CCB may influence system attributes because it introduces cooperative elements into retail institutions. As a result, CCB may enhance retail productivity and efficiency, increase customer satisfaction/dissatisfaction, and create positive outcomes in a marketplace.

CCB’s potential negative effects receive little consideration. Yet, it is unlikely that it always has a positive impact. For example, some customers may lack the abilities to correctly or efficiently carry out employees’ duties. Other customers may not welcome assistance from non-employees. Effects of CCB on
system attributes may also vary. CCB may introduce unexpected groupings and stress points into retail institutions. As a result, CCB may create positive and negative outcomes in a marketplace and have mixed effects on retail productivity and efficiency and on customer satisfaction/dissatisfaction (Layton and Grossbart 2006). It is wise to recognize possible less desirable consequences and those who may benefit or be disadvantaged by CCB. In some cases, CCB may produce conflict because it creates solidarity and benefits for some, but not all, customers. Such subgroup solidarity may create divisions in a firm’s broader set of customers and employees. For example, the effects of CCB may lead to the exclusion of some new potential or existing customers or employees. The ties and solidarity due to CCB that benefit a subset (rather than all) customers and employees may pose barriers for potential or existing customers and employees who are outside the favored subset.

Furthermore, some customers may face high costs to maintain ties with employees and others customers and excessive requests from others who free ride on norms for cooperation, participation, and assistance. In addition, CCB, and in particular cooperation and loyalty, may lead to social controls and demands for conformity that restrict individual customers’ freedoms and abilities to use a retail facility as they wish or to patronize other firms. Solidarity among employees and customers may also create downward leveling of service delivery norms, because better performance by some employees may erode group cohesion. Likewise, it may create an inward focus and aversion to new marketing ideas, methods, and innovations.

In addition, the CCB literature focuses on behaviors that may be seen as duties or responsible customer citizens. Arguably, it largely ignores the rights of customer citizens. (In contrast, both duties and rights are generally acknowledged aspects of citizenship in civic life). At times, customers, who view themselves as part of a larger community of customers (or customers and employees) may become more concerned with their rights as community members than with advocacy, loyalty, cooperation, participation, and assistance that they may give to firms. As a result, they may act in ways that run counter to the support they would provide for a firm if they concentrated on these categories of CCB. There is a lack of research on conceptions of CCB that encompass both possible duties and rights of customers. We know little about their effects on marketing systems in retail marketplaces. Likewise, we have much to learn about conditions that foster synergy or conflict between customers’ views of their possible responsibilities and rights.

Discussion

This paper provides an overview of literature related to CCB and its effects on firms and their customers. Then, it suggests limitations in current notions about CCB. To deal with these limitations, it offers a tentative general categorization of CCB dimensions and discusses their nature based on insights about civic citizenship and organizational citizenship. In addition, it reviews possible psychological and social motives for CCB. Finally, it outlines some potential positive and negative consequences of CCB. To understand CCB and how it affects marketplaces, macromarketing scholars should explore many facets of these issues.

More understanding of the nature of CCB and its possible consequences is needed to gauge the extent to which it exists and its impact in different marketplaces and retail institutions. For instance, researchers should investigate the general categories, dimensional qualities, and the interrelated nature of behaviors encompassed by CCB. To avoid oversimplified generalizations about CCB’s uniform character, they should also examine how the nature of, and motives for, CCBs may depend on the circumstances and type of retail setting. Researchers should develop and validate measures of CCBs (if they are subject to metric estimation) and study how CCBs are exhibited and balanced or conflict with one another in different retail settings. They should also study how the previously described motives and other possible motives may influence CCB. In addition, they should examine possible moderating effects of factors such as consumer alienation and customer and employee role clarity. Furthermore, they should evaluate the effects of cultural context on CCB. For example, customer advocacy may differ in cultures with individualistic versus more collective orientations. The normative guidelines and social controls associated with CCB dimensions of customer cooperation and customer assistance may also be more pronounced in rural than in urban cultures.
Moreover, a broader range of consequences than those discussed here should be examined. For example, CCB dimensions of customer loyalty and customer participation may facilitate a sense of community among customers but they may also elevate unwanted social pressures to conform. Furthermore, customers’ loyalties to retail institutions may affect their acceptance of on-line marketing initiatives by outside firms, new retail development in a given geographic area, and counterfeit products. The possible connections between CCB and these and other consequences should be of interest to macromarketing scholars.

Ideas about citizenship among customers are relatively new, compared to notions about civic (political) and organizational citizenship. Therefore, macromarketing scholars may find it worthwhile to study how notions about CCB diffuse among firms and how these firms respond if they adopt the view that CCB is important to their organizations. For instance, these firms may try to tap motives for CCB. They may try to deal with CCB’s positive and negative effects on their core competencies and achievements. They may pursue goals that relate to CCB to rather than to vague ideas about customer satisfaction or loyalty that overlook critical aspects of customer behavior (Groth 2005). As ideas about CCB diffuse and firms respond in these and other ways, researchers should examine the impact on the environments, components, attributes, and outcomes in retail marketplaces.

A complicating factor in judging CCB’s effects is that it may be socially constructed. An implication of the prior discussion is that customers, retail employees, and the management of retail firms may have roles in influencing the character of CCB. Their joint involvement may make it difficult to evaluate the impact of CCB in retail marketplaces. These parties may have different views of CCB and customers’ in- and extra-role behaviors. Therefore, CCB may be a co-created and largely uncontrollable resource that firms cannot manage in a conventional sense. It may prove difficult for marketers to work with and through customers and employees to establish an environment that fosters CCBs with positive consequences and discourages those with negative effects. Communicating with diverse and changing customer bases and trying to affect customers’ views about what behaviors are required versus voluntary are apt to be major challenges for retail institutions in the future (Groth 2005; Prahalad and Ramaswamy 2000). Researchers may find that marketers may have to adapt to CCB, rather than try to control or manage it, to tap into its resource-like qualities and limit its possible negative effects.

As noted earlier, CCB appears to be related to key marketing system factors. Among others, these factors include the blurredness of consumers’ and marketers’ roles, the creation of marketing activities by marketers and consumers, embeddedness, social norms, and community elements in marketplaces. When CCB occurs, its presence underscores the potentially broad and complex social nature of marketplaces and retail institutions. Its existence seems incompatible with narrow depictions of marketplace actors as agents who seek self-interest via individual actions (transactions) in a social organization (a market) with an exchange nexus (Lichbach and Seligmann 2000). It is more consistent with views that focus on issues such as how desires, operations of institutions, and actions in marketplaces are related to ties among actors, demands in social life, and individuals’ consciousness of their connections to social groupings (Douglas and Ney 1998). Research on CCB conforms with some marketing scholars’ call for a broadened understanding of neglected facets of marketplace processes and relationships, including group-level behavior (Bagozzi 2000) joint involvement of marketers and consumers in producing marketing activity (Peñaloza 2000; Peñaloza and Gilly 1999), extraeconomic dimensions that underlie buyers’ and sellers’ actions (Sherry 1990), and possible tensions between market logic and communal relations (Kozinets 2002).

References


Antecedents of Ethical Consumption Activities in Germany and the United States

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This study develops an index of ethical consumption activities, applies it to samples of young consumers from Germany (n=225) and the United States (n=267), and explores the role of national culture and other factors that theoretically determine these behaviors. Contrary to expectations, the German respondents reported fewer ethical consumption activities than the U.S. respondents and, also surprising, female subjects did not consume more ethically than males. Religiosity had only a weak relationship with ethical consumption activities. Consistent with the hypotheses, idealism as a personal philosophy and level of social engagement were significant predictors of ethical consumption. These cross-national findings raise questions about our understanding of cross-national and gendered differences and, in this way, add to the macromarketing literature on sustainable consumption and consumer responsibility.

Introduction

The expression, “ethical consumerism,” gained wide notice with the March, 1989, inaugural issue of Ethical Consumer magazine, published in the UK (Irving, Harrison, and Rayner 2002). This term and its cognates (ethical consumption, ethical purchasing) refer to spending that makes a positive difference in the world. Ethical consumers may be voluntary simplifiers (Etzioni 1998; Shaw and Newholm 2002), but they are not radically anti-consumption and, in the final analysis, remain active shoppers, albeit refined ones (Szminig and Carrigan 2006). Ethical consumer issues include the natural environment, animal welfare, fair trade and worker’s rights, the boycott of oppressive regimes, nuclear power and armaments, money and ethics, and other concerns, such as responsible tourism (Goodwin and Francis 2003). We define ethical consumption along similar lines but more explicitly consider post-purchase activities. That is, ethical consumption goes beyond shopping choices and covers both product use and product disposal (Nicolas and Mayer 1976). For example, ethical consumers may choose to be frugal in their use of energy and consequently turn down lights and furnaces or plan errands to minimize the number of car trips. They may also weigh the environmental costs of discarding dead batteries and outworn electronic devices and keep an eye open for safer reuse or recycling opportunities.

Over the past 20 years, a small but growing research literature has addressed the topic of ethical consumption (Harrison, Newholm, and Shaw 2005). The field of macromarketing has investigated interrelationships between marketing practices, marketing systems, and environmental sustainability (Kilbourne, McDonagh, and Prothero 1997), and consumer practices and responsibilities within the domain of sustainable consumption (Schaefer and Crane 2005). This paper approaches the topic through survey research methods at a mainly sociological level of analysis. It presents an empirical study of ethical consumption activities, and their antecedents, among young consumers from two different countries: Germany and the United States. The aim of this research is to explore, through cross-national samples of business students, some of the factors that propel ethical consumption. These young consumers are of special interest because their behavioral patterns today may continue for many years. Moreover, some of them will become managers making business decisions that will have environmental and other ethical consequences (Aspen Institute 2008).

The next section presents the model under investigation and then proffers five hypotheses drawn from the supporting literatures. Then we describe the questionnaire design and data collection procedures, report the empirical findings, discuss their meaning, and conclude with suggestions for further investigation.
Theory and Hypotheses

Figure 1 proposes a model wherein five different variables – national culture, gender, religiosity, social engagement, and personal philosophy – influence ethical consumption activities. A priori, the direction of causality should run from each of these variables to ethical consumption. That is, national culture and gender are, for most people, enduring qualities and not dependent upon particular circumstances for activation (see Rosenberg 1968). They are definitely antecedent variables. Similarly, religiosity and extent of social engagement would appear to be at least as central as characteristics, if not more so, as would be ethical consumption practices. Perhaps, through a process of attribution, ethical consumers can develop a personal philosophy that follows from prior acts of virtuous shopping, but this too seems less likely than core ideology coming first, and then buyer behavior.

![Figure 1: Antecedents of Ethical Consumption Activities](image)

**National Culture**

Despite some skepticism about continually using the nation as a unit of analysis (see Cayla and Arnould 2008), that national culture affects consumer behavior remains practically axiomatic in the field of international marketing. Research findings, as well as macro level data, suggest that national culture also may be an important determinant of ethical consumption activities. In terms of its environmental attitudes and fair trade spending, for example, the U.S. seems to be something of a laggard compared to other developed countries, especially those in Western Europe (Etzioni 1998). Indeed, the use of “ethical” as an adjective modifying consumption appears to be rather uncommon in the U.S. where some pundits, politicians, and talk radio hosts tout opinions openly hostile to the environment and scoff at animal rights and other ethical concerns. Very few scholarly articles on fair trade have originated in the U.S. (Witkowski 2005). The works cited herein on ethical consumption were mainly authored by UK-based academics and writers.
As shown in Table 1, a cross-national survey found that fewer Americans were personally concerned with global warming than were respondents from 14 other nations (Pew Research Center 2006). Whereas 30% of Germans showed “a great deal” of personal concern, only 19% of Americans did so. The agendas of U.S. environmental groups were often subverted by the federal government during the eight years of the Bush Administration. Germany, in contrast, has had a reasonably successful Green Party and ad hoc citizen’s associations (Bürgerinitiativen) everywhere have lobbied local councils on environmental issues (Ardagh 1995, p. 548). Today, environmentalism is deeply embedded within all German politics and the country has become an environmental leader reducing greenhouse gas emissions between 1990 and 2005 by 18%, whereas those of the U.S. went up 16% (Blue/Schwandorf 2008). Yale University’s Environmental Performance Index, which employs a “proximity-to-target” methodology, holds 149 countries accountable for their progress towards 25 policy goals. In 2008, Germany ranked 13th; whereas the U.S. placed 39th (Yale University 2008).

Table 1. Cross-National Attitudes Toward Global Warming


Based on surveys in Germany (n=486) and the U.S. (n=247), Witkowski, Seider, and Laberenz (2006) found that German respondents felt more informed, assigned greater importance, and more effect on behavior about organic and fair trade foods than their U.S. counterparts. At $104.5 million, total U.S. fair trade sales in 2002 exceeded Germany’s at $88.4, but this was not an impressive figure given that the U.S. population is over three and a half times greater. Fair trade sales in the U.K. and tiny Switzerland in 2002 were, respectively, $112.8 and $90.2 million (Nicholls and Opal 2005). In 2003 and 2004, der Verbraucher (the consumer) Initiative e.V., the German Transfair and World Shop organizations, and the Federal Ministry for Economic Cooperation and Development co-sponsored a national German campaign “Fair Feels Good” to increase purchasing of fair trade products. No campaigns as large are known to have appeared in the U.S. Given these considerations, we posit the following hypothesis:
H1: Germans respondents will report more ethical consumption activities than their U.S. counterparts.

**Gender**

Numerous studies have found women reporting relatively strong pro-environmental sentiments. In a review of a decade of research, augmented by their own 14 country study, Zelezny, Chua, Aldrich (2000) consistently found women reporting more eco-centric environmental attitudes and behaviors than men. Sometimes these impulses may result in opposition to traditional consuming roles, which can be interpreted as an expression of “ecofeminist” (Dobscha and Ozanne 2001), but in most instances they are probably channeled into specific choices in the marketplace. Females across cultures have been socialized to be more caring, nurturing, and helpful to others and this tendency may also inform purchasing behavior. Environmentalism is a special case of helping and, one might argue, so are other ethical consumption activities such as buying organics and products that minimize harm to animals or purchasing fair trade foods to help growers in poor countries. In Witkowski, Seider, and Laberenz’s (2006) comparative study, women had consistently stronger, although not statistically significant, opinions than men about organic and fair trade food issues. Therefore, our second hypothesis states:

H2: Female respondents will report more ethical consumption activities than will men.

**Religiosity**

Religiosity is a third variable of interest. The influence of religion upon environmentally oriented ethical consumption activities is problematic. Some have argued that within the Abrahamic religions – Judaism, Christianity, and Islam – fundamentalism is detrimental to environmentalism (Kanagy and Nelsen 1995). Whereas pagan Animism invested the natural world with guardian spirits, Judaism and especially Christianity allowed man to exploit nature with indifference (White 1967). In the U.S. today, many conservative Christians have affiliated with the Republican Party, which is not especially supportive of, and sometimes openly hostile to, environmental concerns. Yet, these attitudes have not characterized all religious Americans and, in any event, do not necessarily apply to Germans. Indeed, most religions for a variety of theological reasons have preached taking care of the natural environment. They also have stressed care for the poor, which suggests that purchasing fair trade products may be positively associated with religiosity. Considering all these cross-currents, we contend that:

H3: Respondents with stronger religious beliefs and practices will report more ethical consumption activities than their less religious counterparts.

**Personal Philosophy**

Personal philosophy should play a role in consumption behavior. Here we focus on the dimension of idealism. Forsyth (1980) found that respondents scoring high on idealism tend to believe that moral or “right” behavior leads to positive outcomes. “Highly idealistic individuals feel that harming others is always avoidable, and they would rather not choose the lesser of two evils which will lead to negative consequences for other people” (Forsyth 1992, p. 462). In their cross-national study of managers from the U.S., U.K., Spain, and Turkey, Vitell and Paolilo (2004) reported that idealism was associated with the perception that ethics and social responsibility are long-term, top priorities. To the extent that attitudes drive behavior, idealism would thus appear a likely determinant of ethical consumption activities as follows:

H4: Respondents who are more idealistic will report more ethical consumption activities than those who are more realistic.
Social Engagement

Social engagement, in the sense of joining and being active in civic organizations, plays an important role in maintaining democracy and producing public and private goods. The mechanism by which this occurs is explained by the concept of “social capital” (Coleman 1988; Granovetter 1985). Analogous to physical and human capital, social capital “refers to the features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit” (Putnam 1995, p. 67). If strong civil society can produce good outcomes in governance and economics, then it can plausibly do the same in the realm of consumption. Face-to-face affiliations can create recognition of collective solutions to social problems. Ethical consumption activities bespeak of such a pro-social orientation. Zelezny, Chua, and Aldrich (2000) found that their female subjects were not just more pro-environmental than males, but also more others oriented and socially responsible. Although the links between civic connectedness and consuming with virtue are undoubtedly numerous and complex, we nevertheless believe that being socially engaged has an independent impact upon ethical consumption and, therefore, propose a fifth hypothesis:

H5: Respondents who are more actively engaged in civil society will report more ethical consumption activities than those less engaged.

Testing these five hypotheses is the starting point of the analysis, but not its sole procedure. Even if confirmed, relationships may be spurious because of the other variables. Thus, the analysis will seek to explore relationships, both those confirmed and those not supported, by searching for extraneous and intervening variables. This approach is based upon Rosenberg’s (1968) elaboration paradigm.

Questionnaire Design and Data Collection

The data set reported herein was collected in October and early November of 2008 as part of an eight-page survey instrument dealing primarily with attitudes toward Corporate Social Responsibility (CSR). The first five pages covered CSR questions taken from the Aspen Institute (2008) survey of MBAs in top shelf programs in the U.S. and elsewhere. The data in the study presented here came from Parts III (“your personal philosophy”) and IV (“questions about you”).

The dependent variable, ethical consumption activities, was comprised of the following seven activities: buying organic foods, buying locally grown foods, buying energy saving products, recycling, buying products that do not harm animals, buying fair trade foods, and buying from socially responsible companies. Respondents were asked to check all that apply and their scores could range from 0 to 7. The particular items cover activities that facilitate environmental sustainability, reduce poverty, protect animals, and encourage corporate social responsibility. Many more activities could have been included. For example, the Ethical Consumerism Report (2008) measures six areas – ethical food and drink, green home, eco-travel and transport, ethical personal products, community, and ethical finance – with 39 different items. However, a more detailed index would have been too lengthy and complex for an already demanding questionnaire.

Turning to the antecedents, respondent national culture was recorded as either Germany or U.S. at the time of data entry. We did ask respondents if they were international students. For the present study, this group was filtered out to achieve a cleaner comparison of Germans and Americans. Gender was a simple dichotomous variable. Religiosity was measured on seven-point Likert-type scales. Respondents were asked to rate from 1 (“strongly disagree”) to 7 (“strongly agree”) the extent to which “Religion plays an important part in my life” and “I regularly attend religious services.” A measure of idealism was taken from Vitell and Paolillo (2004) based on Forsyth (1980). Respondents were asked to agree or disagree with 14 Likert-type statements on a scale from 1 (“strongly disagree”) to 7 (“strongly agree”). Items a, c, e, g, i, k, and m loaded high on idealism in Vitell and Paolillo (2004), whereas the remainder loaded high on relativism.
Finally, the social engagement variable, like ethical consumption, was measured by an index. Respondents were asked: “In which of the following organizations are you actively involved? (Please check all that apply).” The list of organizations included arts organizations, consumer groups, environmental groups, political parties, other political organizations, unions, student organizations, job related or professional groups, sports clubs, renters’ or homeowners’ associations, religious groups, and charitable organizations. The more of these a respondent ticked off, the higher his or her social engagement score.

The questionnaire was pretested with a group of 18 MBA students. The English-language questionnaire was then distributed in classrooms to business students in Hamburg, Germany (n=225), and in southern California (n=267). After some deliberation, we decided not to translate into German because 1) the Hamburg students were all reasonably fluent in English, the language being a required part of their curriculum, and 2) equating the many complex terms of the entire instrument would have been very challenging and, even if back- or parallel blind-translated, unintended bias could still be introduced. We instructed those students administering the questionnaire in Germany to familiarize themselves with the instrument and to be prepared to answer questions from respondents. We found that the U.S. students took about 15 minutes to complete the survey, whereas their German counterparts took 25-30 minutes.

Survey Findings

Due to the exploratory nature of this study, we examined the data using independent sample t-tests, correlation analysis, and linear regression. Hypothesis one, the effect of country on ethical consumption activities, was not at all supported. In fact, the U.S. respondents actually reported more ethical consumption activities on average (2.96) than did their German counterparts (2.53). T-test results are summarized in Table 2.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Means</th>
<th>t</th>
<th>Significance (2-tailed)</th>
</tr>
</thead>
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<td></td>
<td>German</td>
<td>U.S.</td>
<td>Mean Difference</td>
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<td>Ethical Consumption</td>
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<td>2.96</td>
<td>-0.432</td>
</tr>
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<td>Religion Importance</td>
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<td>4.25</td>
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<td>Religion Attendance</td>
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<tr>
<td>Idealism</td>
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<td>32.56</td>
<td>-4.052</td>
</tr>
<tr>
<td>Social Engagement Activities</td>
<td>1.18</td>
<td>1.56</td>
<td>-0.379</td>
</tr>
</tbody>
</table>

The U.S. respondents also outscored the Germans on the importance of religion (4.25 v. 2.76), attendance at religious services (2.98 v. 2.16), and idealism (32.6 v. 28.5). The U.S. respondents also reported more social engagement activities on average (1.56) than did the Germans (1.18). All of these differences were significant at p = 0.005 or better.

Using t-tests, hypothesis two on the role of gender also lacked support. Overall, women reported slightly more ethical consumption activities on average than men (2.87 v. 2.66), but this difference was not significant. The results were similar for the German and U.S. sub-samples. The difference remained as predicted, but insignificant. Note that the men of both countries reported more social engagement activities than did the women (1.38 v. 1.04 in Germany and 1.67 v. 1.45 in the U.S.). Neither of the differences in social engagement activities were significant.

Support for hypothesis three, the impact of religiosity, was weak. The correlation between the item measuring the importance of religion in the life of the respondent and the number of ethical consumption activities was only 0.075 and not significant. The correlation between religious attendance and ethical consumption activities was slightly higher at 0.092 and significant at the 0.05 level. Separating out the U.S. respondents, the correlation between religious attendance and ethical consumption is somewhat stronger

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(0.138, p = 0.05). For the German sub-sample the relationship was negative and not significant. Table 3 shows the correlation results for the entire sample.

Hypothesis four, idealism as a determinant of ethical consumption activities, was supported. Idealism was correlated with the number of ethical consumption activities reported (0.150, p = 0.01). It was also correlated with the importance of religion (0.290, p = 0.01) and religious attendance (0.186, p = 0.01). Correlation of idealism with social engagement activities was positive (0.068), but not significant. Interestingly, German females scored slightly higher on idealism than their male counterparts. The difference was significant at p = 0.05. The same does not hold true for the U.S. sub-sample.

Table 3. Variable Descriptives and Correlations

<table>
<thead>
<tr>
<th>Name</th>
<th>Mean</th>
<th>N</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
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<th>(5)</th>
<th>(6)</th>
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<tbody>
<tr>
<td>(1) Ethical Consumption</td>
<td>2.77</td>
<td>487</td>
<td>1</td>
<td>0.075</td>
<td>0.092*</td>
<td>0.150**</td>
<td>0.024</td>
<td>0.213**</td>
</tr>
<tr>
<td>(2) Religion Importance</td>
<td>3.58</td>
<td>484</td>
<td>1</td>
<td>0.743**</td>
<td>0.290**</td>
<td>-0.052</td>
<td>-0.155**</td>
<td></td>
</tr>
<tr>
<td>(3) Religion Attendance</td>
<td>2.63</td>
<td>475</td>
<td>1</td>
<td>0.186**</td>
<td>-0.075</td>
<td>0.200**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Idealism</td>
<td>30.79</td>
<td>447</td>
<td>1</td>
<td>0.098*</td>
<td>0.068</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5) Realism</td>
<td>23.21</td>
<td>445</td>
<td>1</td>
<td>-0.004</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6) Social Engagement Activities</td>
<td>1.38</td>
<td>491</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed)
*. Correlation is significant at the 0.05 level (2-tailed)

Hypothesis five, which posed an association between ethical consumption and social engagement activities, was supported. The number of social engagement activities a respondent reported was correlated with the number of ethical consumption activities reported (0.213, p = 0.01).

Results of a linear regression analysis confirmed the weak and somewhat surprising findings. Given the model in Figure 1, ethical consumption activities were specified as the dependent variable. All independent variables were entered simultaneously. Results of the regression analysis are shown in Table 4. Since the variables importance of religion and religious attendance are highly correlated, only the importance variable was entered into the regression. Only gender, idealism, and social engagement activities are significant predictors of ethical consumption, providing support for hypotheses two, four and five. Given the coding of the gender variable, the positive sign of the coefficient indicates that females are more prone to consume ethically than males.

Table 4. Regression Results for Ethical Consumption Activities

<table>
<thead>
<tr>
<th>Variables</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td></td>
<td>1.686</td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>0.097</td>
<td>2.054</td>
<td>*</td>
</tr>
<tr>
<td>Country</td>
<td>0.040</td>
<td>0.782</td>
<td></td>
</tr>
<tr>
<td>Idealism</td>
<td>0.118</td>
<td>2.367</td>
<td>*</td>
</tr>
<tr>
<td>Religion Importance</td>
<td>-0.025</td>
<td>-0.497</td>
<td></td>
</tr>
<tr>
<td>Social Engagement Activities</td>
<td>0.207</td>
<td>4.391</td>
<td>**</td>
</tr>
</tbody>
</table>

R Square = 0.070 Adjusted R Square = 0.059
**. Significant at p = 0.01 * Significant at p = 0.05
Discussion

The respondents in this study represent a narrow band of society—business students at a Hamburg, Germany, and at a southern California university—and so results cannot be applied to the general populations of the respective nations. Nevertheless, the samples do represent an interesting and potentially influential consumer segment and they are large enough to permit numerous analyses of relationships between variables.

We have no bullet proof explanation of why the U.S. sample reported more ethical consumption activities than did the Germans. Possibly the Germans were misinterpreting the English language questionnaire in a way that reduced their scores. Perhaps there was a “California effect.” California is arguably one of the greener and more liberal (“bluer”) states in the U.S. Had the data been collected in Dallas, Texas, results might have differed. In addition, the timing of the survey may have skewed the results. The survey was administered in October, 2008, just prior to the U.S. presidential elections. Given the unprecedented level of political engagement among young people during the election campaign, we may have picked up a temporarily heightened level of awareness regarding ethical consumption and social engagement activities among the U.S. students.

On the other hand, the difference between the two samples was so dramatic and so contrary to expectations as to suggest that conventional wisdom assuming more pro-environmental attitudes and, hence, more ethical consumption behavior among Germans compared to Americans simply does not apply to these young consumers. Perhaps German students prefer to treat ethical consumption as a social, collective response to a problem rather than something they should necessarily do as individuals. Germany’s Green movement, for example, is split between those who want state action and those who prefer grass-roots democracy (Ardagh 1995, p. 548). Consumers can construct their identities through ethical purchasing (Schaefer and Crane 2005; Szmigin and Carrigan 2006). However, the propensity to do so may vary across cultures and Germans simply may not be as adept at expressing themselves morally through consumption as are their peers in the U.S. Indeed, the students from California may have more spending money than the ones in Hamburg and, hence, have more opportunities to be ethical consumers.

Although the preponderance of research evidence indicates more ethical consumption activities among women than men, and our findings are consistent with this hypothesis, the lack of statistically significant gender differences is not a complete surprise. Perhaps for female students opportunities to consume ethically are limited compared to women in general. They may have equally favorable attitudes vis-à-vis ethical consumption, but are less able to afford the generally higher priced organic and fair trade products. Also, male and female business students may simply have a lot more in common as consumers than do men and women overall in Germany and the U.S. Lastly, some of the female respondents may be defining their environmentalism outside of traditional notions of feminine consumption. That is, they are not consumers, whether in the conventional or ethical meaning of the term (Dobscha and Ozanne 2001).

Ever since Alexis de Tocqueville (1835/1964) published his Democracy in America, the people of the U.S. have been known for their strong interest in civic associations. Thus, the finding that the U.S. respondents reported higher levels of social engagement than the Germans is to be expected. In his influential article and subsequent book, Putnam (1995, 2000) documented how Americans were participating less in civic organizations than in the past. This may be the case, but the erosion of social capital has also occurred in other countries and this group of U.S. young consumers was still more engaged than their German counterparts.

Conclusion

This study has raised a number of questions about preconceived notions, especially the greater consumer virtue of Germans and women compared to Americans and men. These relationships may still hold for consumers in general, but not necessarily for all national subgroups (Cayla and Arnould 2008). In macromarketing terms, the social construction of ethical consumption may vary cross-culturally. In the
Anglo-American world, individuals pursue such activities. In other nations, ethical consumption requires collective solutions. Although studies have examined data gathered from numerous countries, the ethical consumption literature may be somewhat biased toward a British perspective. Britain has had a long history confronting the morality of consumption as a personal attribute (Hilton 2004). Much the same can be said about American consumption discourses, which have been faulted for their focus on personal lifestyle choices and lack of collective action to reform larger political processes (Maniates 2002).

Further research in this area should consider measuring both ethical consumption attitudes and behavior. Moral beliefs, consumer preferences, and actually buying ethically may not be closely related, what Nichols and Opel (2005) refer to as the “ethical gap” and Salzer-Mörling and Strannegård (2007) call “de-coupling.” We also recommend the development and testing of a more comprehensive index of ethical consumption activities. Other virtuous purchases, such as buying used merchandise, should probably be added. Similarly, the social engagement index should be refined to better distinguish between active involvement that entails face-to-face contact versus chat room social networking versus “mass-membership” groups where members do not know each other at all. Putnam (1995) contends that face-to-face contact is more conducive to social connectedness than anonymous associations, but the rise of social networking websites, such as Facebook and MySpace, and other electronic communities may have changed the situation.

References


Evolving Marketing Systems in Eastern Europe, and the Balkans and Black Sea Region

Clifford J. Shultz, II, Arizona State University, USA

Few topics so clearly reveal the importance of macromarketing foci and understanding as does socio-economic transition. History, geography, economics, politics, culture, religion, education, markets/marketing, and ultimately quality of life all must be systemically addressed if one is to understand the transition-process, and ways to optimize the process for the largest number of stakeholders. This special session assembles scholars from or working in countries of the Balkans and Black Sea Region (BBSR), and East European countries (e.g., Hungary) historically influential in this Region.

BBSR is an evolving geo-political and marketing system comprised of a number of integral sub-systems -- in various stages of transition. While it could be argued that the shift began with market-oriented policies that emerged in the 1970s (e.g., “Croatian Spring”) and some practices in Hungary in the late 1970s and early 1980s, most observers point to the collapse of the Soviet Union and the fall of the Berlin Wall as principal catalysts for the socio-economic transition from various command, authoritarian and/or “self-managed” economies of Europe. A partial exception could include the case of Turkey, though its transition from a more authoritarian/militaristic economy to a more liberal, market-oriented economy evinces another form of transition of potential interest to macromarketers and certainly of relevance to the BBSR and Europe more broadly.

The objective of the session is to share findings from studies designed to provide insights into a number of phenomena evinced in transitioning Europe, especially in the BBSR. Of particular focus here are recovery, emerging/evolving market segments, food system development, integration of education systems, and more generally the relationships among marketing tools/institutions to economic development and quality of life. Scholars from Bosnia-Herzegovina, Croatia, Hungary, Romania, Turkey, and the US will present.
Lifestyle Identification and Segmentation: Implications for Regional Cooperation and Prosperity

Muris Cicic, School of Economics and Business in Sarajevo, Bosnia and Herzegovina
Melika Husic, School of Economics and Business in Sarajevo, Bosnia and Herzegovina

Personal lifestyle is a model of living shown through activities, interests and opinions. It evolves under the influence of many elements such as culture, subculture, demographics, social class, reference groups, family, as well as individual characteristics such as motivation, emotions and personality. Lifestyle encompasses all of the psychological and social variables that determine consumer behavior; therefore, market segmentation on the basis of lifestyle is very broad and offers qualitative insight into potential target markets. Lifestyle research and segmentation have been neglected in Southeast Europe. This study is one of the first of its kind in Bosnia and Herzegovina, Croatia, Serbia and Slovenia. It’s the research results obtained in the study have enabled the identification of lifestyle segments in each of the countries and the differences between them. Furthermore, the research defined lifestyle groups throughout the entire region, and has significant managerial implications as the first psycho- graphic segmentation of a market consisting of twenty million consumers.

Introduction

Consumers’ present or desired lifestyle has a significant influence on their buying decisions. Previous decisions made by an individual, as well as different events such as change of career, finding a new hobby or ageing, lead to changes in one’s lifestyle. Varying lifestyles result in purchases of different products. However, one cannot claim that consumers engage in a buying process based only on lifestyle. More frequently, consumers make decisions that are consistent with their lifestyle without conscious intent. Feelings are as important in a buyer’s behavior as facts and a product’s physical attributes, and they are all influenced by a pre-existing or desired lifestyle.

Lifestyle is a way of living which includes the products people buy, how they use them, what they think of them and how they feel towards them. It is defined by conscious and unconscious decisions. Therefore some of the buyer’s decisions are made in order to maintain or confirm a certain lifestyle, while mainly, products are purchased without conscious appeal to lifestyle. Every change in lifestyle is usually followed by a change in purchase behavior, so marketers have to be aware of its determinants.

Lifestyle has been researched in academic studies and in managerial decisions. In sociology, it is defined as a way of living within different status groups (Weber, 1968; Sobel, 1983; Rojek, 1985). The contemporary consumer culture lifestyle focuses on individuality: Fashion, clothing, speech, free time, taste, homes, cars, and vacation destinations should be observed as indicators of consumer individuality.

As a part of personality, lifestyle can be defined as everything that is important to a person at a certain moment in life (Bootsma, Camstra, de Feijter and Mol, 1993). It depends on personal character and experience (which gives it micro basis) and on surroundings in which an individual lives or works (macro basis). One of the most important components of lifestyle is the way one chooses alternatives to combine those micro and macro bases. For example, a group of people with the same income, gender, background, and living in the same city can behave differently under the influences of their lifestyle. They value micro and macro bases differently. Every lifestyle has its own specifics which are reflected in way of living, business and private decision making and in purchase behavior.
There is no consensus on defining lifestyle. Lifestyle was defined in psychological and anthropological sense, with different emphasis. Contemporary marketing and consumer behavior theory and practice use lifestyle studies for segmenting the market and understanding their similarities and differences.

At the beginning, lifestyle was a broadly defined social term, and it combined all of the general similarities one can observe among people, such as drives, emotions, cultural experience, or life plan (Adler, 1929). In psychology, lifestyle was defined as orientation to self, others, and society that each individual develops and follows as a part of his or her value orientation (Ginzberg, et al., 1966). Further, Levy (1967) in psychological sense finds that lifestyle is an expression of values, which describes the roles people play in life and how they think those roles should be fulfilled. They reveal both real and ideal lifestyles. Similarly, Havinghurst and de Vries (1969) see lifestyle as a syndrome of role activities with a dominant central theme, which is behaviorally visible, a syndrome that represents a group. Therefore, it is crucial to point out the differences in attitudes within one group, while keeping in mind similarities in behavioral patterns within the same group. A new element introduced by Wilensky (1970) is that lifestyle is a pattern in behavior that persists through more than one generation and is connected enough to cross-cut diverse spheres of life. Further, research did not support this opinion, but rather found out that lifestyle changes, even during one's life, mostly under external influences.

Definition and analysis of lifestyle was intensively used not only among psychologists and sociologists, but among economists as well (Miller and Sjoberg, 1973; MacCannell, 1976; Zablocki and Kantor, 1976; Sessoms, 1980; Entwistle, 1981; Petrie and Milton, 1981; Bosserman, 1983; Earl, 1983; Glyptis, 1984; Schey, 1986; Tokarski, 1987; Glyptis, 1988; van der Poel, 1988). Overall, lifestyle researchers in the social, psychological and economic sense agree that lifestyle is a combination of psychological and social characteristics.

After intensive research of lifestyle in a sociological and anthropological sense (Tallman and Morgner, 1970; Lazer, 1971), the first definition from a marketing perspective comes from Feldman and Thielbar (1972). They stated that lifestyle is a group phenomenon that permeates many aspects of life. It implies a central life interest and it differs according to sociologically relevant variables. Wind and Green (1974) explain the way in which products and services are consumed within a lifestyle, which brings this term into correlation with consumer behavior.

While studying the theory of lifestyle, scholars have developed definitions from the consumer point of view. Sobel (1983) defines lifestyle as a set of expansive, observable behaviors. Similarly, Feathstone (1987) thinks that lifestyle finds its meaning in reference to the distinctive style of life of specific status groups. Within contemporary consumer culture it connotes individuality, self-expression and a stylistic self-consciousness. Lifestyle determines consumption since consumers want to behave according to a specific way of life they wish to accomplish. Using these findings, companies can create products and services which will sufficiently satisfy consumers within certain lifestyle.

Further, lifestyle is influenced by individuality in certain socio-demographic surroundings. While some authors think that lifestyle is individual and specific for everyone (Adler, 1929; Murphy, 1974), the majority support the theory that it is a group phenomenon based on the same or a similar way that people behave (Feldman and Thielbar, 1972; Havinghurst and de Vries, 1969; Zablocki and Kantor, 1976; Miedema, 1989). The consensus of opinion was that lifestyle represents a combination of individual characteristics and surroundings in which a person lives. Therefore, Schutz, Baird and Hawke (1979) define lifestyle as orientation to self, others and society that each individual develops and follows. Such an orientation is derived from personal beliefs based on cultural context and the psychosocial milieu related to the stage of an individual’s life. Finally, Ruiz (1990) thinks that not only personal peculiarities have to do with an individual's beliefs, values or norms of daily behavior, but also the way in which each person conforms to the group, class or global society to which he or she belongs. Those finding contribute to
consumer behavior, because researchers used lifestyle to define groups/segments with same or similar way of living, since they will most likely have similar consumption.

In this research, authors based their conclusions upon the fact that consumption can be well explained using the lifestyle segments, and that groups with the same lifestyle have not only similar individual characteristics, but their correlation with the group and each other is based on the same beliefs. Moreover, analyzing the lifestyle in a certain region and defining the same lifestyle segments regardless of the nationality or geographical borders proves the importance of understanding the way of consumers’ life and basing the marketing mix on this knowledge. Having the same consumers’ segments region-wide shifts the emphasis from differences to similarities which leads to the regional cooperation.

Lifestyle Segmentation

Psycho-graphics segmentation divides consumers into different groups depending on their lifestyle and personalities. Consumers in the same demographic group can express different individual profiles. Therefore companies are using new marketing opportunities through lifestyle segmentation (Kim, 1993; Lee and Ferber, 1977).

Dorny made a distinction between psychography and lifestyle. He defined psychography as including attitudes, beliefs, and values, while lifestyle is oriented toward behavior and other public activities of the individual. Researchers were generally focused on identification of the trends which influence consumers such as their life, work or leisure, while analyzing lifestyle (Anderson and Golden, 1984). Consumers use certain products to accomplish and/or maintain their relationships with others (Lin, 2002).

Consumers make both conscious and unconscious decisions when it comes to their needs and attitudes, choice of product of brand, based on their current lifestyle. Lifestyle is changeable, which accordingly leads to changes in consumption patterns. Further, family lifestyle will determine individual lifestyle; however, individuality will be maintained (de Feijter 1991; Bootsma, Camstra, de Feijter and Mol, 1993).

In the 1980s, research based on consumer values was questionable because of generalizations (O'Brien and Ford, 1988; Yuspeh, 1984). At first, lifestyle’s theoretical background was developed without adequate research support, while in later stages, the research conducted were not supported by theory. Therefore, different scales are developed for measuring consumer values and attitudes and they are mostly geographically focused. Consumers in Australia are segmented using the “Australian Age Lifestyle” (The Age, 1976, 1982), in Great Britain a similar methodology is called “Outlook” (Baker and Fletcher, 1987), and in the U.S. all households are divided according to PRIZM or VALS methodology (Hawkins, Best and Conney, 1989).

Scales most frequently used for market segmentation according to lifestyle are:
- Rokeach Value System – RVS,
- List of Values – LOV,
- Activity, Interest, Opinion – AIO,
- Claritas PRIZM,
- VALS methodology.

This survey used the VALS methodology, which was originally developed by consumer futurist Arnold Mitchell in 1969. SRI Consulting has been using it as its official methodology since 1978 (SRI Consulting Business Intelligence, 2006). VALS places U.S. adult consumers into one of eight segments based on their responses to the VALS questionnaire. The main dimensions of the segmentation framework are primary motivation (the horizontal dimension and resources (the vertical dimension). An individual's primary motivation determines what in particular is the meaningful core that governs an individual’s activities. Consumers are inspired by one of three primary motivations: ideals (guided by knowledge and principles), achievement (demonstrate success to their peers), and self-expression (desire for social or
physical activity, variety, and risk). Resources that play a critical role in buying decisions are a person’s energy, self-confidence, intellectualism, novelty seeking, innovativeness, impulsiveness, leadership, and vanity.

VALS reflects a real-world pattern that explains the relationship between personality traits and consumer behavior. It uses psychology to analyze the dynamics underlying consumer preferences and choices. VALS asserts that people express their personalities through their behaviors. People with different personalities engage in different behaviors or exhibit similar behaviors for different reasons (SRI Consulting Business Intelligence, 2006).

Methodology

The questionnaire used in this research is based on the VALS scale as defined by SRI Consulting (2006). The survey was conducted in Bosnia and Herzegovina, Croatia, Serbia and Slovenia in order to define and compare individual lifestyles as well as to define the shared lifestyle segments in the region.

The four countries have markets of approximately twenty million consumers, and these markets used to be the same country twenty years ago. The question is whether current political issues and economic differences led to a dissimilar way of living, or cultural similarities prevailed and mutual lifestyles could be defined accordingly.

The planned sample was two hundred respondents from each country. The survey was conducted online and after one month, the questionnaire was opened by 5,523 users, and answered by 854 respondents out of which 762 questionnaires were completed properly. The distribution throughout the countries is shown in Table 1.

Table 1: Distribution of the respondents

<table>
<thead>
<tr>
<th>Number</th>
<th>Country</th>
<th>Number of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bosnia and Herzegovina</td>
<td>212</td>
<td>27.8%</td>
</tr>
<tr>
<td>2</td>
<td>Croatia</td>
<td>201</td>
<td>26.4%</td>
</tr>
<tr>
<td>3</td>
<td>Serbia</td>
<td>162</td>
<td>21.3%</td>
</tr>
<tr>
<td>4</td>
<td>Slovenia</td>
<td>187</td>
<td>24.5%</td>
</tr>
<tr>
<td>5</td>
<td>Total</td>
<td>762</td>
<td>100%</td>
</tr>
</tbody>
</table>

Analysis and Discussion

In order to identify factors in the VALS scale, explorative factor analysis (EFA) was conducted and it defined a seven-factor solution. Based on the seven-factor solution, a confirmative factor analysis (CFA) was conducted for the entire sample followed by a multiple group analysis (MGA). The main objective of CFA and MGA was to eliminate factors that are not suitable for the whole sample and for each of the countries. After validity analysis and diagnostics, the final VALS model was formed on the scale of six factors with matching variables. The factors are as follows:

Activity – “Leaders always available for adventure”
Fashion – “Trendy people who want to be perceived as fashionable”
Practice – “Handyman or housewife enjoying homemade products”
Tradition – “Individuals oriented to family and religion”
Theory – “Intellectuals interested in everything around them”
Indolent – “Individuals lacking in interest about the world in which they live”

Since the goal of the analysis is to identify groups that describe a certain lifestyle, those factors were used to create lifestyle clusters. Hierarchical and nonhierarchical procedures confirmed the existence of three
clusters, or three different lifestyles that are the same for the region and exist in each of the countries. Such clusters have been validated.

Profiling clusters are self explanatory. It is important to identify characteristics which vary substantially between clusters, and can predict that a subject belongs in a certain cluster. Therefore, identification of the demographic, psycho- graphic and other characteristics determines the segments with defined behavior.

In this region (Bosnia and Herzegovina, Croatia, Serbia and Slovenia) three clusters are identified:

1. Urban Intellectuals
2. Trendy and Popular Individuals
3. Passive Observers

In cluster 1 (Table 2) called Urban Intellectuals are persons interested in living, both in a theoretical (value 0.7) and in a practical sense (0.4). They are active (0.4) and a part of everything around them. On the other hand, those persons are not traditional (-0.6) and are not interested in fashion trends (-0.2). The analysis of the demographic data shows that they are highly educated, middle-aged with higher income. Their goals are set high and they are determined to achieve them. Urban intellectuals are not interested in trends and popular fashion, they do not join fancy mass culture and they are not followers. This cluster is the largest in the region, with 41.73% of respondents.

<table>
<thead>
<tr>
<th>Cluster 1</th>
<th>Indolent</th>
<th>Theory</th>
<th>Tradition</th>
<th>Practice</th>
<th>Fashion</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>-0.6814</td>
<td>0.691085</td>
<td>-0.56144</td>
<td>0.421415</td>
<td>-0.2363</td>
<td>0.446269</td>
</tr>
<tr>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>Middle</td>
<td>High</td>
<td></td>
</tr>
</tbody>
</table>

In the cluster of Trendy and Popular Individuals (Table 3) there are individuals who are highly traditional (0.6) and fashionable (0.8). An understanding of the overall situation in the region is needed in order to explain this finding. Currently, it is trendy to be religious above the average, attend all mass gatherings, events, listen folk music and, for the sake of fashion, purchase counterfeits in order to appear to own a designer label. This group is relatively indolent (0.1) and uninterested in work (-0.3), success or achievement. For them it seems easiest to blend into the majority and be popular by following the trend. This group consists mainly of moderately educated, mid-level income women. A total of 32.02% of respondents are placed in this cluster.
A third cluster (Table 3) Passive Observers is very indolent (0.8) and absolutely not interested in life and the world around them (theory −0.7). It was expected that this group would be more traditional (0.1) and religious, but considering their overall lack of interest, they are passive in this area as well. They are mostly men, older than the average sample, with lower education and a lower level of income. Individuals belonging in this group are commonly disappointed and tired. The Passive Observers cluster is the smallest in the region with 26.25% of respondents.

Table 3: Cluster 2 – Trendy and popular

<table>
<thead>
<tr>
<th>Cluster 2</th>
<th>Indolent</th>
<th>Theory</th>
<th>Tradition</th>
<th>Practice</th>
<th>Fashion</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.123086</td>
<td>-0.25049</td>
<td>0.63088</td>
<td>-0.35311</td>
<td>0.827455</td>
<td>0.347953</td>
</tr>
<tr>
<td>Middle</td>
<td>Middle</td>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

Table 4: Cluster 3 – Passive observer

<table>
<thead>
<tr>
<th>Cluster 3</th>
<th>Indolent</th>
<th>Theory</th>
<th>Tradition</th>
<th>Practice</th>
<th>Fashion</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.853567</td>
<td>-0.74234</td>
<td>0.08012</td>
<td>-0.22248</td>
<td>-0.59502</td>
<td>-1.0468</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>Middle</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
</tbody>
</table>
A detailed lifestyle analysis confirmed that political, economic and social differences between consumers in Bosnia and Herzegovina, Croatia, Serbia and Slovenia do not imply different lifestyles. This was confirmed by a cluster validity analysis, and the fact that three out of four variables have statistically significant differences for all three clusters. Those variables are gender (Chi-square 6.081, significance 0.048), age (Chi-square 22.434, significance 0.004) and education (Chi-square 19.929, significance 0.044). Only income was not a statistically significant variable (Chi-square 10.144, not significant). This shows that psycho-graphic consumers characteristics in this region are similar or the same, and that those lifestyles can be further analyzed as a relevant prediction of the consumer behavior. The managerial implications of regional lifestyle segmentation are important, because it is a twenty-million consumers market, in which investors might be more interested. For some companies each of the presented countries may be insignificant market, but region represents sufficient segment. This finding has the potential to bring the region closer in terms of creating a mutual approach for foreign direct investment or even stimulating growth of regional companies.

Clustering profiling – Bosnia and Herzegovina

A comparison of the average values of the six factors in the region and in Bosnia and Herzegovina (BH) per se, shows a lot of similarities within all three clusters, but especially the Urban Intellectuals. The Trendy and Popular cluster shows some differences. In BH they are more indolent (0.5 and 0.1 in the region), show a lack of interest in theory (-0.7 and –0.2 in the region) and are highly grounded in tradition (0.99 and 0.6 in the region). All values are increased in the Passive Observers cluster revealing that respondents are more traditional (0.7 and 0.1 in region), absolutely not interested in fashion (-0.9, in region – 0.6) and value more home-made products (0.4, -0.2 in region). Those differences show that Bosnia and Herzegovina is overall more traditional then the average country in the region with strong religious appeal.

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Indolent</th>
<th>Theory</th>
<th>Tradition</th>
<th>Practice</th>
<th>Fashion</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster 1</td>
<td>-0.59888</td>
<td>0.778062</td>
<td>-0.10866</td>
<td>0.02476</td>
<td>-0.18535</td>
<td>0.431933</td>
</tr>
<tr>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>Middle</td>
<td>Middle</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Cluster 2</td>
<td>0.517468</td>
<td>-0.68139</td>
<td>0.994042</td>
<td>-0.40913</td>
<td>0.66165</td>
<td>0.051959</td>
</tr>
<tr>
<td>Middle</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>Middle</td>
<td></td>
</tr>
<tr>
<td>Cluster 3</td>
<td>0.991188</td>
<td>-0.42486</td>
<td>0.717293</td>
<td>0.37846</td>
<td>-0.92438</td>
<td>-1.16969</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td></td>
</tr>
</tbody>
</table>
Generally, the similarities between clusters in BH and in the region are high. The population distribution is almost identical in the region, with 41.04% in the first, 38.68% in the second and 20.28% in the third cluster.

*Clusters profiling – Croatia*

In Croatia, as in Bosnia and Herzegovina, the Urban Intellectuals cluster is in accordance with the region (Table 6). A similar situation emerges with the Trendy and Popular cluster, while Passive Observers show an increase in values compared to region. In Croatia, they are more traditional (-0.3, in region 0.1) than the average.

### Table 6: Clusters in Croatia

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Indolent</th>
<th>Theory</th>
<th>Tradition</th>
<th>Practice</th>
<th>Fashion</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster 1</td>
<td>-0.84897</td>
<td>0.769352</td>
<td>-0.30133</td>
<td>0.434913</td>
<td>-0.06616</td>
<td>0.562178</td>
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<tr>
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<td></td>
</tr>
<tr>
<td>Cluster 2</td>
<td>0.391393</td>
<td>-0.60538</td>
<td>0.941086</td>
<td>-0.71273</td>
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<td>0.041102</td>
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<td>Cluster 3</td>
<td>0.703343</td>
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<td>Low</td>
<td>Middle</td>
<td>Low</td>
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</tr>
</tbody>
</table>

Croatia has almost perfect equivalence with the region and a lot of similarities with Bosnia and Herzegovina. When the population was divided into clusters, the second and third cluster switched places compared to the region. There are 34.33% of Passive Observers and 23.88% of Trendy and Popular individuals. The size of the first cluster remains undisturbed with 41.79% of the population.

*Clusters profiling – Serbia*

The Urban Intellectuals cluster in Serbia is similar to the one in the region with increased values in theoretical interest (1.1, 0.7 in region) and practical work (1.0, 0.4 in region), which suggests a higher involvement, interest and activity of the population in Serbia. However, certain differences are present in the Trendy and Popular cluster. This group in Serbia is less indolent (-0.1 and 0.1 in the region) and less traditional (-0.3 and 0.6 in the region). Further, this cluster is absolutely not interested in practical work (-0.9, in the region −0.3). Overall, it can be concluded that the Trendy and Popular cluster is more dedicated to a contemporary trend of urban living than the average for the region. In the third cluster, the individuals are
extremely traditional (0.6, in the region 0.1) and value home-made products more (0.2 and −0.2 in region). Passive observers are best described in Serbia, because it is expected for this group to be more traditional, religious and frequently use products made by individuals.

Table 7: Clusters in Serbia

<table>
<thead>
<tr>
<th>Cluster 1</th>
<th>Indolent</th>
<th>Theory</th>
<th>Tradition</th>
<th>Practice</th>
<th>Fashion</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
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<td>0.564395</td>
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<td>High</td>
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</table>

<table>
<thead>
<tr>
<th>Cluster 2</th>
<th>-0.11696</th>
<th>-0.11422</th>
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<td></td>
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<td>Middle</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>Middle</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Cluster 3</th>
<th>0.583352</th>
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<th>0.617773</th>
<th>0.235222</th>
<th>-0.25337</th>
<th>-0.66472</th>
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</thead>
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<td>High</td>
<td>Middle</td>
<td>High</td>
<td>Middle</td>
<td>Low</td>
<td>Low</td>
</tr>
</tbody>
</table>

It is interesting that the Passive Observers cluster in Serbia is significantly larger than in the rest of the region and it consists of 30.25% of the population. On the other hand, the Urban Intellectuals cluster decreased to 32.10% of the population, while the Trendy and Popular accounts for 37.65% of the population. The size of the Passive Observers group shows that Serbia is the most traditional country in the region.

Clusters profiling – Slovenia

Slovenia differs the most from the regional average, in its socio-economic and political development. Therefore, it is not surprising that its population shares different values from the rest of the region. Generally it can be concluded that Slovenia is less traditional (e.g. Trendy and Popular in Slovenia 0.2, and 0.6 in the region) and more fashionable (e.g. Urban Intellectuals in Slovenia 0.5, and −0.2 in the region). However, an analysis of each cluster’s characteristics shows that the same patterns can be applied in Slovenia as in the region.

Slovenia has ideal equivalence with the regional average when it comes to cluster size. The Urban Intellectuals cluster is the largest encompassing 45.45% of the population, then Trendy and Popular with 29.95% and finally Passive Observers encompassing 24.60% of the population.
Lifestyle is one of the most contemporary and fulfilling options for market segmentation, because it simultaneously combines demographic and psychographic consumer characteristics. Lifestyle segments provide accurate and relevant information on consumer behavior since they rely on individuality (specific to every person) and demographic distinctiveness (which implies the group an individual belongs to). Other than the living conditions, a consumer defines behavior by his/her own individualism.

Based on the research conducted by VALS methodology through six factors, three lifestyle clusters were identified:

1. Urban Intellectuals
2. Trendy and Popular individuals
3. Passive Observers

Analysis shows that there are three identical lifestyles for Bosnia and Herzegovina, Croatia, Serbia and Slovenia, and they are applicable for the whole region of approximately twenty million consumers. The sizes of the segments vary in different countries, so in Croatia the largest cluster is the Urban Intellectuals, while in Serbia it is the Passive Observers. Bosnia and Herzegovina and Serbia are the most rooted in tradition, while Slovenia is the least traditional and the most fashionable in the region.

The findings of the study can greatly increase managerial cooperation in the region. Having markets segmented on the same basis in the four countries, companies can create and promote the same products or services neglecting the borders between the countries, and approaching the regional market. Modifications could be necessary only in language adjustments, while product attributes could remain the same. Moreover,
foreign trade offices could use lifestyle similarities in order to obtain foreign investment. Each country, per se, is not lucrative enough for large investors, but the market consisting of twenty-million consumers is.

On the social side, this research shows that economic, political and social differences have less influence on lifestyle than historical and cultural similarities. Knowing that consumers use certain products to accomplish and/or maintain their relationships with others, it can be argued that people in this region still have a common attitude. Current lifestyle unconsciously influences not only the consumers’ product or brand choice, but also their needs and attitudes. Those psycho-graphic regional similarities can be used to strengthen common spirit and enhance cooperation, prosperity, and peace in the region.

The overall results of this study appear to be rather surprising and unexpected. Very interesting pattern of similarities between countries with plenty of commonalities, but differences too, have emerged.

Slovenia, Croatia, Serbia and Bosnia and Herzegovina were republics within former Yugoslavia. Yugoslavia existed within different constitutional arrangements from 1918 until 1991, when it disintegrated. After dissolution of Yugoslavia, four newly-established states went along different paths in their development afterwards.

Slovenia largely escaped the skirmishes of dissolution, enjoyed a reasonable political and economic development, and joined European Union afterwards. Croatia was trapped with occasional battles with Serbian forces and managed to liberate its land only in 1995. Political and economic development has been hindered by autocratic tendencies of its leaders, and after democratic changes in late 90s it finally managed to achieve solid economic transformation and significant improvements. Serbia, as a main culprit in ex-Yugoslav affairs, got involved in all post-dissolution problems, such as genocide in Bosnia-Herzegovina, separation from Montenegro, and independence of region Kosovo. Political tensions stemming from these events continued until today, and Serbia never got rid of nationalistic and war-mongering atmosphere. Economic development has been stalled for a long time, and only recently some privatization and Russia-oriented partnering indicated basic redevelopment. Bosnia and Herzegovina experienced the worst fate of all, with terrible human suffering, ethnic cleansing, infrastructural and production damages and unjust Dayton peace agreement, which has been preventing normal reconstruction and development of civil society.

So, in the region that shared common state, very similar languages, some cultural traits and traditional economic and political linkages, but that experienced very different destiny in last twenty years, we got results from the lifestyle study that indicate very similar structure, shared segmentation, almost insignificant differences and identical patterns. How to explain those results?

On one side, about 70 years within one country and on the other about 20 years of different circumstances, development and internal structural forces. Our results indicate that previous development has been stronger then last twenty years of separation. The differences we notice could be the outcome of separate development. However, it should be noted that even today Slovenia is the main investor in Serbia and Bosnia and Herzegovina, that Serbia and Croatia are the main trade partners of Bosnia and Herzegovina, that major brands and companies still sound the same in all observed countries.

It seems that the linkages and healthy economic and trade patterns cannot be erased by several decades of separate development. Having that said we must note the need for more research in both the region and methods of exploration, since we are talking about historical changes and patterns that require involvement of multiplicity of factors and influences.

As for the limitations of this research, the theory and practice still need a complete lifestyle scale. VALS is the most frequently used methodology Lin (2002) and Todd, Lawson, Faris (1996), but it is primarily created for the U.S. and other markets have to make modifications. In this research, the scale was adjusted and extra analysis had to be conducted. Considering the importance of the information that lifestyle segmentation provided, it is expected that new scales and methodologies should be developed accordingly.
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The Meaning of Macromarketing in Transition Processes

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This paper seeks to prove that no transition can be successful without the active implementation of macromarketing and the key roles macromarketing plays, not only in following transition processes through, but also in ensuring their ultimate success. Accordingly, in some cases macromarketing activities have helped towards the successful delivery of transformation processes, while in other cases the very lack of macromarketing activities has been the cause of lagging reforms and delays in bringing transition processes to an end. The paper will demonstrate this on the case of the Republic of Croatia and the countries in its immediate neighbourhood.

Introduction

Great changes, extending across all segments of social life, have marked the 1990s. The most important of these were driven, on the one hand, by globalisation processes that have engulfed all of humankind and on the other, by transition processes that have marked a substantial part of the world, in particular, the part in which socialism dominated, as well as a large number of countries of the so-called Third World. Simplified, transition represents a change from a socialist to a market economy. It would, however, be wrong to reduce transition to the economic segment, as transition covers all parts of society. Notably, in such conditions, the role of the state does undergo change, but it does not disappear. Within this context, state institutions have increasingly fewer opportunities to use restrictive mechanisms and are steadily driven to use affirmative mechanisms of influence on economic trends for the purpose of primarily improving the socio-economic and material status of its people. It should be pointed out that, in light of this, the importance and role of marketing methods in accomplishing state goals in the economy is growing. These methods are applied through macromarketing as a form of the state’s involvement in marketing.

The macromarketing concept does not necessarily or exclusively need to be linked to one single government level; instead, it can be transposed to a supernational, regional, or even a local level of self-government. It should be underlined that the term macro does, nevertheless, refer to aggregate or collective behaviour.

Hence, the term macromarketing, as used in this paper, refers to the marketing of the aggregate or collective, that is, to the marketing of society and all its interacting components. In the follow section, we seek to identify the meaning of macromarketing in transition processes. To this end, we shall first look at the fundamental attributes of transition and then explore the potential influence of macromarketing on the transition process(es).

Conceptual Attributes of Transition

Transition or transition economy is a term that is most often linked with countries of former real-socialism that are adapting their social trends to contemporary trends and are making efforts, through activities in all social sectors, to keep in step with global processes. The term, however, also applies to other countries that are working at reengineering their social and, in particular, their economic processes. Transition is not tied solely to a national level or the eastern part of Europe. It can be tied to both localised and extended regions, as well as to reasons for restructuring that differ from those motivating South and East European countries. Indeed, it can be deduced that transition is a process that is continuously and irrevocably unfolding in all regions of the world at a slower or faster pace.

Also, transition is not a process that is linked only to the field of economic activity; instead, it is the determinant of all social trends. In this context, to encompass the totality of the term transition, it would be
correct to talk not just about transition economies or transition countries/states but also about the transition of societies in general. From this perspective, transition, as a generalised process of substantial social change, calls for an all-inclusive and society-wide approach of a multidisciplinary and scientific nature.

Some authors see transition as a shift from communism to capitalism and a market economy (Havrylyshyn and Wolf 1999, United Nations 1999, Kornai 2000). Such a view, however, is overly narrow, as it fails to recognise all forms of transformation that transition implies. It can be said that transition represents a process of concurrent creation, adjustment and destruction (World Development Report 1996). The sequence of these process moves is of crucial importance to the success of transition. Should the destruction of the previous system’s elements, primarily involving the institutions and processes of a command economy, occur first, it is likely that society and, in particular, the economy could find themselves in a vacuum, because the elements of the prior system have been eliminated, without the elements of the new system yet being created. Therefore, an optimum approach to transition implies the adjustment of those elements of a system that are adjustable, the elimination of those that cannot be adjusted, and the creation of new elements to replace the ones eliminated. In this, it should be kept in mind that the processes of substituting one set of a system’s elements with another set should evolve in synchronisation. A share of authors (Prokopijević 2001) interpret transition as a triple process that flows from dictatorship towards democracy, from the rule of one person or party towards the rule of law, and from a command economy towards a market economy. According to some diagnoses, East European societies are making up for their lagging behind in modernisation that was thwarted by their communist or socialist course (Miller 2003). Such a stance, though, would mean the simplification of complex transition processes. At the same time, it should be noted that this paper uses the term transition processes colloquially, even though transition, in the authors’ opinion represents sweeping change to three vital elements of society: people, institutions and processes. It is imperative to point out that transition ultimately comes down to people, that is, society and its members. These are both the subjects and objects of transition, as people are a primary factor concerning implementation (as carriers of activities) and concerning the effects of transition (as the goal of transition).

Accordingly, transition represents change in the overall social and economic relationships within a society or group of societies. Similarly, there exist economies that are regarded in professional circles as emerging markets, and those that are called less-developed economies. They should not be equated with transition economies, even though considerable similarities do exist. And while an equality sign can be placed between emerging markets and transition economies, at least within an economic context, the differences between transition and less-developed economies, in terms of the content and meaning of the concept, are substantial. Less-developed economies are characterised by an agrarian economy, low revenues and slow revenue growth, lacking infrastructure, poor availability of capital, low literacy levels, shorter life expectancies, high morality rates, etc. Transition economies and emerging markets, on the other hand, possess a certain pace of economic development marked by periodic acceleration and despite having relatively low per capita income, these economies are clearly seeing a transition from one level of economic development to another (Batra 1996). The key difference between emerging markets and transition economics is reflected in the fact that emerging markets are experiencing gradual economic growth, which is, in fact, the focus of changes they are undergoing, whereas transition economies are transformed at several crucial levels of social life and above all in economic, social and ideological terms.

Using a number of criteria, transition countries can be classified:

1. according to the speed at which transition reforms are implemented: as advanced, moderately advanced and less advanced
2. according to their level of economic development: as developed, moderately developed and less developed
3. according to their historical background: as Russophile, Turkophile and Central European
4. according to geographical criteria: as Asian, African, European and South American
5. according to potential conflicts: as conflicted, non-conflicted, post-conflicted, etc.
Each of the above categories carries different elements of transition that profoundly impact on the pace, speed and ultimate success of transition. Differences between individual countries and societies greatly determine the way transition will be carried out. Although many regularities can be identified, it is important to note that, depending upon a variety of elements including the ones used in the above categorisation, there are substantial differences in how different countries carry out transition. Indeed, as often as not, there are huge distinctions within a single country as to how transition is implemented at a regional level with regard to the previous criteria. Generally speaking, however, transition economies can be separated into categories based on the geographical criterion that comprises a significant part of other categorical elements mentioned above. In this context, we can speak of Central European transition countries to which also belong – although not so much in terms of geography, as in terms of other criteria – the Baltic countries, previously a part of the Soviet Union, together with East European countries, South East European countries including Croatia, newly formed independent countries to which belong countries that have emerged from the downfall of the Soviet Union, transition countries of Southeast Asia and East Asia – China and Vietnam, in particular – and the countries of South America.

Transition from a command economy to a market economy involves a complexity of processes that implies change in an institutional, structural and behavioural context. Institutional change refers to the withering away of most old institutions that are reminiscent of the prior system and their substitution with new institutions needed for the normal, contemporary life processes of a specific society. Structure changes because relationships change. Hence, it is essential to replace certain givens with new ones, in order for a specific society to coexist with modern societies of Western provenance, to which it but aspires to belong through transformation. Behavioural change is vital, considering that the hardest thing is getting members of society used to change that, more often than not, carries negative connotations with regard to their previous way of life. In this respect, entire groups within a transition society may find it extremely difficult to adjust to the resulting circumstances that often imply an ongoing struggle for survival with considerably lowered sentiments of solidarity, so characteristic of a pre-transition society. This is primarily because the transformation of transition economies is essentially determined by the following contemporary social elements:

1. globalisation
2. demographic trends
3. tendencies that weaken solidarity but strengthen individualism.

Carrying in its wake a high level of communication needs, as well as opportunities for exceptionally high speeds in data exchange, globalisation has in real-socialism countries inevitably led to critical moments that have resulted in the ultimate downfall of this social system. Globalisation implies a society’s openness towards external influences, especially if it wants to maintain stability and continuity in the context of integrating the economic and society-wide processes. Being as it is, globalisation changes everything, and not just transition societies. However, with regard to those societies that have met globalisation unprepared, the need for and scope of change are the greatest. Demographic trends are shifting the population border of dominance in western societies. A feature of transition economies, particularly lesser-developed economies, is a highly motivated and young work force. At the same time, developed countries are increasingly burdened with the need for population importation through the migration of labour from the South and East to the West and North. Unlike less developed countries, transition countries have a young and potent workforce, which has nevertheless acquired qualifications through higher education. Namely, in transition societies, there is a growing presence of trends that are leading these societies towards an overriding respect for individual rights, while, at the same time, the importance and role of the community, and a feeling of belonging to a community are experiencing a telling drop. A dramatic lack of solidarity is felt, in particular, in the social sector in which basic existential issues are becoming a prevailing social matter. Launched on a wave of optimism caused by the fall of undemocratic and totalitarian political regimes, reforms in transition economies have, in any event, served two fundamental purposes: to raise the standard of living, mainly by turning towards a western stylised market-economy model, and to raise individual liberties and protect individual rights.
The Task of Macromarketing

Many people believe that the marketing concept serves to maximise the satisfaction of consumer needs. This, however, is not realistic, and it would be better to interpret the marketing concept as an aspiration to create a high level of satisfaction of consumer needs, which does not necessarily mean the maximum level. Marketing does not create a social relationship. On the contrary, it is the existing social relations that position marketing as an instrument of the dominating goal. (Meler 2002) "With respect to culture, marketing is a social institution that is highly adaptive to its cultural and political context. Thus, we can move easily around the world to locate societies with very different marketing systems." (Wilkie and Moore 1999, 199)

Customer satisfaction is the aim of conventional marketing. Analogue to this, it can be concluded that citizen satisfaction is the aim of macromarketing. Citizen satisfaction should generate aggregate, social satisfaction as a consequence of macromarketing activities. Social satisfaction is generated through social prosperity, thus making it the priority task of macromarketing to achieve social prosperity through the full commitment of the entire social community within their economic efforts.

"While it is clear that marketing systems emerge as an essential part of the processes that lead to economic growth, contributing to and benefiting from growth, it is also clear that we know very little about the factors influencing the staging, timing, and structural or functional details associated with the emergence of marketplaces, markets and more generally marketing systems. In part this is a challenge to economic anthropology, to economic sociology, to heterodox economics and other related fields. But more important it is also a challenge to contemporary marketing theory and practice." (Layton 2008, 99)

From the fundamental goals of macromarketing can be derived its particular goals, the realisation of which should lead to social prosperity. Before elaborating on the application of macromarketing through the realisation of the goals set that are measured by social prosperity and the satisfaction of individual citizens, it should be postulated that in transition economies the prevailing social paradigms have undergone change. In this respect, it should be noted that the public expectations of transition reforms, in comparison to outcomes, were very often unrealistically high, in particular from the perspective of the inherited condition at the onset of transition, grounded on promises coming from external reform activators, as well as from the internal social elite that made only nominal efforts in implementing reforms. In light of this, entire generations of society in transition economies have experienced deep disappointment, compounded by the negative externalities of transition that have caused the general level of satisfaction to drop, thus derogating the goals of macromarketing.

At the heart of macromarketing is the prosperity of society or “the well-being of society” (Tucker 1974). Making society richer, therefore, is the starting point of macromarketing. The economic courses to achieving citizen satisfaction mostly come down to encouraging economic growth and development that will lead to an increase of social wealth and, consequently, to an increase of a society’s aggregate satisfaction. In this context, the following should be noted: “When talking about economic development, everybody talks about transportation, technology and civil services. Nobody talks about marketing, which is bizarre. Marketing is at the heart of what makes rich countries rich.” (Rendon 2003).

"Macromarketing is the study of the statics (structure) and dynamics (evolution) of the resulting socioeconomics regulation mechanisms." (Meade and Nason 1991, 81) Like most other relatively aggregate indicators in society that are not solely an economic category but also contain sociological characteristics, social satisfaction can be expressed exclusively in an indirect way. In the simplest terms, this means that a society and its members can express their satisfaction only through relative measurements. These relative parameters may be time-related or a comparison of time series, based on which the level of satisfaction in a given period is measured relative to another period and relative to other societies. Having these arguments in mind, we can derive the social-wide and economic sub-goals of social prosperity as a macromarketing goal. In the shortest outline, these goals can be summarised as being: economic development, raising national competitiveness, and establishing social trust and a knowledge economy, as the last phase of transition.
When realised, these particular goals, in their synergy, help to ensure that the macro-goal of macromarketing is attained.

A fundamental mission of any transition process is to introduce market mechanisms, including those that act as its corrective. In this regard, the task of macromarketing of transition economies is to facilitate the introduction of these mechanisms and their acceptance on the part of those in charge of implementation, as well as those who will be directly affected by their outcome. At the same time, macromarketing of transition economies must demonstrate efforts in eliminating the negative effects that may emerge from market inauguration as a substitute for those functions undertaken by the state through its administrative bodies in the pre-transition period. In accomplishing the above in transition economies, macromarketing comes across three phases:

1. The falling away of pre-transition market substitutes
2. The intermediate phase, in which command-economy elements are abolished, while market mechanisms have not yet been fully implemented
3. The initial phase of introducing market mechanisms that carry high externalities, in particular, social externalities in their wake.

In the pre-transition period, we refer to non-market or command conditions in the economy, in which relationships are administratively arranged, unlike in developed countries where the market has this role. In such conditions, there can be no talk of applying macromarketing. In pre-transition economies, only social values that are characteristic of a command or socialist economy are promoted. A personality cult is nurtured in some countries. In a number of pre-transition countries, such as North Korea, a personality cult is highly present and widespread even in the contemporary phase of social life. Other countries have cultivated a cult of an idea, a cult of a party or the like. These cults have been set up to compensate for the deficiency of mechanisms needed for successful growth. In the pre-transition period, a country’s relative influence and strength are represented through a paradigm of its military power and political influence. Such a perception was targetly developed in countries of the Eastern Bloc, among members of specific societies. As the foundation of social life in general, ideology unambiguously marked the application of pre-transition macromarketing. This was why the application of macromarketing was so closely linked with ideology, with the propagation and impact of ideology being the basic task of macromarketing in this stage.

Elaborating the above arguments at this level necessarily leads to the conclusion that macromarketing in the pre-transition period does not even exist; what exist are a kind of its variations that are so loosely linked to a contemporary understanding of macromarketing, that it is hard to even call them macromarketing. Viewed from this perspective, macromarketing is tied solely to modern economy and, in a considerable extent, to globalisation, and as such it can be a category inherent only to capitalist economies as it implies market relationship that were immanently missing in communism. By accepting, however, the hypothesis that macromarketing does exist in some form in pre-transition societies, albeit not in its full meaning, it should be concluded that not only are its goals not synonymous with those of developed economies but that it is, in general, very difficult to call them goals.

At a time when pre-transition market substitutes are falling away, a need emerges for a complete changeover in macromarketing. In this context, ideology, as the groundwork of macromarketing, begins to lose its importance and meaning, giving rise to the necessity of compensating goals. It is in this phase that a certain number of transition countries fall into a trap in which one social and ideological, abstract and immeasurable, and often non-economic macromarketing goal is replaced with another. This other goal is frequently mirrored in a strengthening of national feeling, an accentuation of symbolism, and the utter destruction of previous values without new values being developed, etc. If the model of gradual transition does have an advantage over the shock therapy model, it is in this phase. Namely, the entire heritage of socialism is being torn down and devastated, as if it were, to put it in an essayistic way, a scapegoat for all social troubles, but no alternative social values are being created. Even where new paradigms are being developed, a certain period of time is required for these values to be imported into the daily lives of people.
In its essence, the issue of the level of implementation of macromarketing and transition reforms, as an integral part of the macromarketing program in transition societies, is an issue of ownership over and responsibility for carrying out reforms. It can be concluded that, in a specific transition country, the number and organisation of levels of social management will directly depend upon its transition program and, on the other hand, that the speed and success of transition will directly depend upon the complexity and organisation of different levels of management in society, that is, upon the sophistication and willingness of the people who are to follow the reforms through and the people who will feel the effects of the reforms. In light of this, the strengthening of local and regional self-government will be of key importance in strengthening communities that will take on the responsibility for transition at their own level, as well as at the macro level.

The Macromarketing of Transition Economies

A fundamental question for transition countries is certainly that pertaining to development. Marketing can play a very important role in this respect. However, it can and must help in restructuring the economy and finding marketable and profitable production lines that should then be put to use, as quickly as possible, for the general economic development of the country through the process of privatisation. To this end, marketing could help in establishing potential export markets — especially through market research — and, at the same time, it could, to a certain extent, help in determining priority directions of economic development, based primarily on competitiveness. All this applied together will allow for an increase in overall economic efficiency and higher business profitability. Marketing should also contribute to shortening the transition period, i.e., it should accelerate the transition process in all of its three important segments (proprietary, market-oriented, and political). Generally speaking, this is the purpose to be served by macro- and micromarketing, as well as by commercial, social, political and megamarketing.

The macromarketing of transition economies is specific in many aspects, including the way in which the marketing mix is applied. In this context, it is crucial to point out the following: The macromarketing product of transition economies represents the very reforms that transition brings about as a matter-of-course in a variety of forms. Price, as an element of the macromarketing mix of transition economies, is a social cost — foremost in terms of economy and welfare — for the entire society that is to benefit from the product, that is, the reforms. Place (distribution) refers to how widespread are the positive effects, as well as the negative externalities of transition and reforms. Promotion involves state and corporate promotional activities, together with non-government promotional activities, aimed at ensuring that the reforms are received and accepted by society to the greatest extent possible.

Thereby, marketing should indirectly help in redesigning the economic matrix at the macro level. Similarly, marketing can provide great, though indirect, assistance in restructuring the economy, while removing its structural deformations. Altogether, this should ultimately contribute to the establishment of a modern, market-oriented economy, which will, in turn, contribute, more or less directly, towards realising the objective of social development.

As a part of marketing, macromarketing holds a special place in the implementation of transition reforms. Macromarketing can be said to be an instrument of transition processes, and it can knowingly accelerate these processes or slow them down. No transition can be successful without the active implementation of macromarketing and the key roles macromarketing plays, not only in following transition processes through, but also in ensuring their ultimate success. Accordingly, in some cases macromarketing activities have helped towards the successful delivery of transformation processes, while in other cases the very lack of macromarketing activities has been the cause of lagging reforms and delays in bringing transition processes to an end. The aforementioned leads to the conclusion that if we want to establish whether a transition process is over or not, we need to look at the areas of its implementation. Notably, transition processes are, for the most part, effected in three areas of society: the ideological and political, the social, and, of course, the economic area.
Within ideological and political transition, as a criterion and measurement of the process’s level of maturity, we can refer to democratic stability and level of democratic awareness in a specific society, using as a measure the frequency of change of the ruling political elite, the quality of election processes, and the peaceful change of authority. In addition to these, important criteria are also the efficiency of public institutions, including, among others, the speed, effectiveness and independency of the judicial system; the protection of human and minority rights; effectiveness in combating social anomalies such as corruption, organised crime, domestic violence, etc. A very important criterion signifying that transition has ended is the depoliticisation of public institutions, the economy and the social sector.

Social transition implies taking over the role for social welfare, directly or indirectly, from state institutions to the extent foreseen by a market economy and democratic society, while eliminating all social aspects from the previous system. This is the most painful and longest part of any transition. Namely, there is no doubt that the communist system possessed a distinctive social component in the way it operated, as often as not, at the expense of economic efficiency, with businesses frequently displaying a social component that outmatched their economic component. Hence, it is in the segment of social welfare and security that the greatest losses of transition are seen. The specific traits of social transition are mirrored in a great number of unemployed and in the need for reforming the pension system; although being a segment of the social transition, they are a direct aftermath of economic transformation. The social transition ends when the loss of jobs, as the result of social transformation, is exceeded by employment and new job creation in the economy, when administration is reduced to a reasonable level, and when the need for cutting back employment in the public sector ceases to be a dominating social issue.

Where economic transition is concerned, its elaboration mainly refers to macroeconomic indicators, while at the micro level, transition is about transforming ownership in companies, from state to private ownership. However, it needs to be pointed out that some business entities undergo change at the micro level through their business activities and through the transformation of ownership and gaining new legal owners, as well as through other forms of transition that engulf workers as members of society. In light of this, it is reasonable to ask: When is transition over in the economic sector and, in particular, in a specific company? It can be said that reform is over for the entities subjected to transition restructuring through privatisation, other forms of ownership change or other types of change when the exploitation of available resources, labour, capital and other input on their part has been carried out in the most productive way possible. Furthermore, when all differences in operation and business are lost between old, restructured companies and new ones in the economic sector, it can then be considered that the economic transition has reached its end (The World Bank 2002). When dealing with economic transition, very often only the macroeconomic aspect is taken into account, thus loosing sight of the fact that transition takes place at the microlevel as well, literally in each individual entity, whether it is a new entity as a result of the investment and enthusiasm of domestic entrepreneurs, or a restructured entity that was subjected to takeover of ownership. In conclusion, in the context of economic transition and its termination, it can be noted that reform is over when the entry of new companies in the business arena becomes more important for the economy than the privatisation or restructuring of existing companies.

It should be noted that transition economies imply the application of macromarketing in special areas that may be entirely different from those in advanced systems, or only their instruments of implementation may somewhat differ relative to those in advanced economies. In this context, the following concrete areas of macromarketing implementation can be singled out in transition economies.

1. Foremost, macromarketing is applied in redefining the contents of and programs in education and culture. Namely, the educational system of a transition society seeks to adapt to the needs of the labour market and become free of the ideological considerations inherited from the previous, pre-transition period. As an area of macromarketing application, culture implies placing emphasis on cultural diversity and the special traits of transition societies and changing the frequently negative perceptions fuelled by the association of pre-transition economies with communist systems.

2. Health care reforms primarily involve changes to the manner of financing health care services relative to the pre-transition system, which provided cost-free access to health care and services for the entire
population. Hence, the application of macromarketing in this area in transition economies implies urging change in social behaviour consistent with the courses set by health care reforms to ensure the creation of a sustainable system of health protection and care.

3. The transformation of socially owned or state property into private property, appropriately called privatisation, is the initial point of the shift of transition economies from a command economy to a market economy. The application of marketing, in this context, refers to the acceptability of both the new owners of business entities and their business philosophy, if they are to achieve greater efficiency relative to the pre-transition or state property-owners.

4. The initial phase of introducing a market economy has brought about not only enormous accumulations of wealth but also social stratification, known as “wild capitalism”. In this context, social sensitivity towards so-called transition losers represents one of macromarketing’s greatest challenges, particularly because “wild capitalism” with its system of rewarding business performance has entirely degraded social solidarity.

5. This change in the prevailing social ethics resulting in the decomposition of previously valid values, underscored in the above argument, leads to social anomalies such as corruption. Hence, although being a plague characteristic of most, and perhaps all, modern social systems, corruption represents a special challenge to macromarketing in transition economies.

6. The ecological aspect of application refers to building environmental awareness, which is drastically lacking in pre-transition economies. Namely, the economic systems of that period based their production and competitiveness prevalingly on the enormously large use of natural, non-renewable energy sources, resulting in the devastation of the natural environment. Through its application, the task of macromarketing is to impact on change in behaviour, particularly that of economic entities to prompt the set up of environmentally sustainable production systems, aimed at raising not only the economic and social levels in transition societies but also the level of the general quality of life in a given area.

The Case of Croatia

On the domestic plan, the post-socialist states demonstrate their new role by asserting the positive values of the given society, presenting these values that will make the society representative in international relationships, and by augmenting aggregate social satisfaction. In addition to undergoing the transition processes typical of all post-communist countries of Eastern and Central Europe, Croatia has also undergone a post-war transition. Namely, war traumas have impeded the reform processes to a considerable extent in Croatia. Also, Croatia could not evade the typical problems related to transition, the effects of these problems being multiplied due to devastation caused by war and to the need for post-war reconstruction. However, the tourist sector, which generates high ROI rates in a relatively short period, has provided Croatia with considerable economic impetus. On the other hand, economic development has abetted social stratification and the social deprivation of a growing number of people, painting a picture that has greatly been exacerbated by the social outcome of the disasters of war. In terms of ideology, Croatia’s transition ended with a change of regime, but many of the prevailing topics of social and, in particular, political debate still carry ideological connotations, which, in a way, is an indication of an unsatisfactory level of democratic maturity. Although the political and ideological transitions in Croatia are over, it should be noted that Croatia has come considerably closer to achieving transition goals in other areas of implementation, as well. It can be assumed that, for Croatia, accession to the European Union will mark the final phase, if not the end, of transition.

Potentially, Croatia’s pluralist triangle, resulting from transition, should have the following characteristics (Meler 2003, 541):

a. Primarily private ownership - a result of proprietary pluralism;
b. Multipartisan system - a result of political pluralism;
c. Integrated market (market of goods, labour, and capital) - a result of market pluralism.

Thus, the transition puts an end to proprietary, political and market monism, creating pluralism based on proprietary forms, political parties and the competitiveness of economic entities, respectively. This
triangle, however, should metamorphose into a pillar of Croatia’s future development with its fundamentals laid in the creation of a market-oriented economy and welfare state, i.e., the state and economy of prosperity as a model of market democracy. In all these respects, parallel to the transition of ownership, politics and market, there is also a microenvironment (economic entities) as well as macro environment transition (legislative, legal, and institutional environment and economic-policy measures) within which the initial three transitions take place.

Despite the democratic changes that have already been effected and the changes pertaining to the ownership structure that are still in progress, there are still factors that limit the application of marketing in Croatia to a greater or lesser extent. They are as follows:

1. Inappropriate economic structure, particularly with regard to the priority economic branches, i.e., economic activities;
2. Inappropriate organisational structure of economic entities (atomisation or hyper-concentration of economic entities and their inadequate internal organisation), resulting in their business transactions being below optimum;
3. Comparatively significant market limitations (imperfections) and inadequacy of the integral market function (especially regarding capital and labor markets);
4. Voluntary and “political” decision-making in the field of investment and development policy.

Regarded dynamically, all these limitations can be minimized, primarily because they have their sources in the state itself and in its direct or indirect operations.

Empirical research of the current practice in Croatia clearly indicates that management is significantly lagging behind countries with developed market economies and, more importantly, behind other European countries that are also in transition. This is primarily a result of the fact that the economy in the former system was not market-oriented and was characterised by a complete disregard for proprietary relations.

It is obvious that global market research represents an imperative for the business transactions of Croatian companies, as well. Therefore, we are of the opinion that it is necessary to emphasize the need for an organised approach in the application of marketing methods and techniques, in particular to the introduction of R&D, as integral parts of longer-term strategic planning in the economy. To be a global player in these alternative domains, the local firm must develop an innovative perspective, global and local vision, self-designed strategies, skills and know-how, alliances and a supportive political environment. These requirements are the greatest challenge to Croatia’s economy.

Marketing should indirectly help redesign the Croatian economic matrix at the macro level. Similarly, marketing can provide great, although indirect, help to restructuring the economy by removing its structural distortions. All together, this should ultimately contribute to the establishment of a modern, market-oriented Croatian economy.

The Situation in Croatia’s Close Environment

The basic conclusion that emerges with regard to the question of when is transition over is that the end of transition should be linked to the falling away of specific transition traits in transforming post-communist societies. Accordingly, transition will reach its end when the economic, social and political processes associated with post-communist societies and transitional transformation completely disappear (Andreff 2004). On the other hand, the initial conditions for all countries were not identical, although these conditions did not have a crucial effect on the level of transition reached, because some countries that started off from a poor initial position managed to achieve considerable success in following transition through. Also, some transition countries went through a post-traumatic period that reflected the clashes associated with transition processes and that, to a significant extent, impeded and slowed down reforms. Hence, the level of maturity is not measured from the beginning of transition but rather from its end. Regarding the end
of transition, the following section presents an overview of the levels that transition processes have reached in the countries of South Eastern Europe, in geographical sequence from west to east.

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<tr>
<th>Country</th>
<th>Overview</th>
<th>Evidence</th>
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<tr>
<td>Slovenia</td>
<td>In terms of ideological transition, Slovenia, similar to other SE European transition countries, carried out its political transformation painlessly; public institutions function at the level of Western Europe and demonstrate a significant level of efficiency. The topics of political debates during campaigns and in intermediate election periods refer to issues of economic and social interest, and issues regarding the accession to and positioning of the country within the EU, as well as to relationships with its neighbours. Today, Slovenia is reputed as being one of the most advanced transition countries; it has the status of transition tiger, this being supported by the fact that it was the first of the post-communist countries integrated into the EU to take over the EU presidency. Economically, Slovenia is the most developed post-communist country of Central and Eastern Europe. As such, it has already become an important exporter of capital or investor in other regions, in particular, in the countries with which it was formerly associated. Notably, Slovenia is a large investor in the capital market; in the commercial sector and, particularly, in the retail sector; in the sector of oil derivates traffic, etc. It can be concluded that, according to a significant number of parameters, Slovenia’s transition process is over.</td>
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<tr>
<td>Bosnia and Herzegovina</td>
<td>It can be said that Bosnia and Herzegovina is, at present, ranked last in the region as far as progress in transition is concerned. There are many reasons for this. Namely, the effects of war traumas were the greatest in Bosnia and Herzegovina. Also, its complex administrative and population structure considerably impedes decision processes and reduces support to reform processes. Differing notions about how the state should function and what reform should mean, in addition to a lack of consensus between political and ethnical leaders, also complicate reforms. A lack of trust is possibly the key issue that exacerbates all the above problems. Hence, although the communist regime has long since been changed, it cannot be concluded with any certainty that the country has, in fact, ended even its ideological and political transition. Namely, an ethnical paradigm has succeeded the ideological paradigm as socially dominant. Economic and social transitions are marked with the consequences of war-related destruction and inter-ethnic distrust, and it can be said that both of these forms of transition are still at their start. On the other hand, the country has an exceptionally preferential status regarding EU integration because of its specific features, making political criteria, instead of economic and social criteria, dominant for EU accession. It is very difficult, therefore, to predict when transition processes in Bosnia and Herzegovina will be over.</td>
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<tr>
<td>Serbia</td>
<td>With almost a ten-year lag, Serbia was the last country in the region to undergo transition and democratic change. However, rapid economic recovery, facilitated by heavy international investing and the support of the international community, has enabled the country to bounce back and attain a level of social deprivation that is significantly lower than in some other countries in which reform processes began much earlier. It can be concluded that Serbia is at the middle of its transition course and that the second part of its transformation will be impeded by political circumstances regarding the independence of Kosovo, its impact on events in Bosnia and Herzegovina, etc. Economic transition and, consequently, social transition could also be impeded by financial crisis and a related shortage of investments. Providing the dominating criteria for Serbia’s accession to the EU are of a political nature, it can be concluded that this integration itself will not mark the end of Serbia’s transition.</td>
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<tr>
<td>Montenegro</td>
<td>Montenegro possesses substantial natural resources that, to a great extent, determine its competitiveness, while significantly influencing the success of economic as well as social transition. Through a high degree of liberalisation, primarily in capital markets and realty markets, the country has attracted substantial capital that has provided strong economic impetus and helped to raise the level of social security in this country that has a fairly low population relative to the other countries. The following period can expect to see investments in infrastructure development. Upon its separation from Serbia, Montenegro</td>
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has received considerable political assistance from the EU, together with large investments. In a way, leaving the joint state marked the liberalisation of the political scene, that is, the end of the ideological transition. Today, it can be concluded that although a considerable area for advancement still exists, in particular with regard to the depoliticisation and independence of institutions, Montenegro is indisputably on the right track to ending transition processes. Indeed, it can be said that Montenegro’s accession to the EU is likely to mark the end of its transition.

Macedonia

In the initial phase of transition, Macedonia had considerable advantages in comparison to other countries of the region. Despite the constant presence of pressure from its neighbours, Macedonia was, in the initial period, spared from war conflicts, causalities and destruction. It can be concluded, however, that the country has failed to adequately capitalise on the advantages it had in the initial transition phase. Today, with regard to the quality and progress of transition, Macedonia is ranked behind both Serbia and Montenegro, despite being ahead of them in the pre-transition period. Nevertheless, it is still ahead of Bosnia and Herzegovina. The ideological and political transition is over, though even now the political scene is still burdened with ethnical differences, which had recently led to contained conflicts. It can be concluded that EU integration will not necessarily mean the end of transition for Macedonia, but that this process is likely to continue for some time after accession.

Instead of a Conclusion

Clearly, it is a fact of life that most countries – leading world countries, in particular – have been capitalising on their decades of rich national marketing, thus strengthening their economic potential in numerous segments ranging from foreign trade, direct investment and the financial industry to economic development, transposing economic growth and development into political influence on global events, while other countries have only just begun to establish their own macromarketing, striving to create a truthful and accurate image of themselves, and seeking to gain their own marketing area and differentiate their specific features relative to other countries with the same ambitions. In this context, transition countries have a task of completely changing the perception of themselves, generated through years of communist dominance.

The post-communist countries of Central and Eastern Europe possessed different initial preconditions at the start of transition processes. However, during the course of social transformation, some countries experienced conditions and special circumstances that were more austere than in other countries; this, in particular, pertains to some of the countries of former Yugoslavia, that is, countries of South Eastern Europe. With regard to this, when looking at or speaking of the maturity of transition, transition processes should be considered from their ending rather than their beginning.

The populist and media public generally consider that, in East and South East European countries aspiring to become a part of the European Union, transition will be over with their accession to the EU. Hence, it is valid to pose a professional question as to whether EU accession does mark the end of transition processes or not. The answer is quite unambiguous. Namely, if there was any doubt during the accession to the EU of the so-called transition tigers of Central Europe (the Czech Republic, Hungary, Slovenia, Slovakia and Poland) including the Baltic States, this doubt has been completely eliminated following the additional enlargement. Namely, accession to the EU does not mark the end of transition, but rather it represents one of the stages of transition. It should be noted that the criteria for EU accession, known as the Copenhagen criteria, are indeed conceived in a way that, in some segments, may imply that transition is over:

1. The stability of institutions guaranteeing democracy, the rule of law, and human rights
2. The existence of a functioning economy capable of coping with the pressures and market forces within the EU
3. The ability to take over membership obligations, including a commitment to the objectives of a political, economic and monetary union, and harmonisation with the acquis communautaire.
Furthermore, where conditioning EU accession and the end of transition processes are concerned, the fact that the implementation of some of the elements of the above criteria can be suspended even upon admittance to the EU – ranging from the application of monetary policies, agricultural incentives, access to internal markets, in particular, access to realty markets by citizens of other EU members, etc. – speaks most strongly in favour of the argument that transition does not end with EU accession. Notably, permission for suspension is not given selectively to certain countries only, but rather to all transition countries admitted to the EU, based on different principles and criteria. In any event, macromarketing can help to facilitate and accelerate transition processes and very much so, providing, of course, that its application is carried out in a well-conceived and modern manner. On the other hand, it has already been pointed out that the position and implementation of macromarketing is vital to the success of transition. However, the end of transition does not terminate the role of macromarketing in transition economies. Indeed, this role is modified according to the position that macromarketing has in developed countries of the West. Also, globalisation, which brings change to entire societies and the relationships between them, can be expected be change not only the role and position but also the content of macromarketing in both advanced and post-transition economies.

The role of macromarketing in the future will develop in the course of presenting states in regional and multilateral associations. On the domestic plan, the role of macromarketing will develop towards strengthening a country’s identity and the activities it undertakes in asserting its special, national features, as well as other activities aimed at reinforcing the integrity of society, its appeal, the material satisfaction of its members, etc. The future application of macromarketing in transition economies will be evident through intensifying the distinctiveness and special features of one’s society in three ways: through intraregional integration, then as a society independent of regional integration, and finally, as part of a regional integration.

References


Designing Higher Educational Programs on a Marketing Basis

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The marketing process in higher education institutions should begin with research, developing in two directions: researching the needs of society and the entire economy for specific knowledge, and researching the latest scientific advancements at home and abroad and the possibility of incorporating them into the programs of higher education institutions. Early in 2005, higher education institutions in the Republic of Croatia made crucial changes to their programs to harmonise them with the Bologna Declaration. This was generally carried out in a disorderly fashion and in an unusually short time, but most importantly, it was done without any prior research and with no regard to the marketing development process of designing new educational programs.

Introduction

An empirical review of the current practise in Croatia clearly demonstrates a substantial decline in management with regard to the developed market economies, as well as other European countries also affected by the transition process. Above all, this has resulted from the lack of market orientation in the former system and from the system’s unresolved proprietary relations. At the same time, although there has been no concrete research conducted, it can be asserted and empirically concluded that only around 10 percent of all economic entities in Croatia perform their business operations according to the actual principles of marketing. However, in the framework of nonprofit marketing in Croatia, this does not, of course, pertain exclusively to institutions, but also to all other nonprofits subjects, such as associations, foundations and various organisations that, indeed, have a considerably diverse function modality, and in which the level of implementing marketing principles in business is regularly extremely low. Crucial preconditions to implementing nonprofit marketing in Croatia involve solving the country’s economic issues to the greatest extent possible and achieving substantial and, of course, positive results in the application of conventional marketing. Evidently, none of these prerequisites has yet been realized in Croatia.

Marketing in Higher Education

As many authors agree, marketing is about ideas centred on understanding consumers and their consumption in a variety of contexts (Grbac and Meler 2008). Market logic has reached the public sector, and the satisfaction of citizens, patients and students has become the focus of interest for local communities, hospitals, schools and universities (Chapmen and Cowell 1998). This paper looks at how the marketing concept can be applied to education.

The authors argue that education should prepare members of society, to the best extent possible, for changes that are currently taking place or can be expected to take place in society. In this sense, education provides the individual with crucial knowledge on the inevitability of social changes, as well as with the knowledge needed to enable the individual to become an active part of these changes. The educational process should be based on the advances of science and the results of research, and its primary objective should focus on transferring these advances and results into everyday economic practise. This implies the following sequence:

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<th>Science (scientific research)</th>
<th>Educational process</th>
<th>Economic practise</th>
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The level of development of the educational process depends directly upon how well developed the general economy is, as well as how well developed a country’s socio-economic relations are in qualitative terms. It should also be noted that education, in turn, exercises an interactive feedback effect on these two determining factors. Education can be perceived not only as investment, but also as consumption. The question arises, however, as to the way in which marketing can help in operationalising a well-designed and efficient educational process. First, let us underline that marketing is designed to produce a few principal benefits. According to Kotler and Fox (1995), these benefits are summarised in greater success in fulfilling an institution's mission, improved satisfaction of the institution's publics and markets, improved attraction of marketing resources and improved efficiency in marketing activities. In our case, the second benefit listed above is of special interest to us. Namely, to succeed, institutions must somehow satisfy consumers’ needs. If the institution fails to develop satisfactory programs for its customers – students, donors, and others – the resulting bad word-of-mouth and turnover will ultimately hurt it. Institutions that are insensitive to their markets’ needs and desires may find more apathy and lower morale. Such institutions ultimately find it difficult to attract new students and adequate alumni support. Marketing, in stressing the importance of measuring and satisfying consumer needs, tends to produce an improved level of service and customer satisfaction.

Now let us examine more closely the way in which marketing can be applied to higher education institutions. The fundamental elements of the educational process in higher education institutions are linked to the teaching process (curriculum, programs, degrees, the way studies are organised and regulated), the technology of teaching (lectures, seminars, exercises, professional training, elective teaching, interdisciplinary teaching) and to the teaching staff and teaching aids, as well as to financial possibilities.

The product of higher education institutions, however, can be perceived in two ways. Namely, on the one hand, it can be seen as the knowledge offered by a variety of educational programs and the educational process itself (pregraduate, undergraduate and postgraduate studies), and on the other hand, it can be understood to be the individuals who acquire learning through such programs. In the latter sense, not only can it be said that the product of higher education institutions is “installed” into its “consumers” or users, but that it is the users (students) themselves that make this happen to a lesser or greater extent. The authors assume that whether or not an “installation” has been successfully executed can be assessed by the success achieved in studies (average grades, duration of studies, etc.), as well as by the ability to apply the knowledge thus acquired in (non)economic practise. Hence, in a more narrow sense, the consumer or user of the product is the student, but in a broader sense, it is the economy in which the student, as a recent participant of the educational process, will find or has found employment. A component crucial to both of these approaches, however, is the designing and developing of a higher educational program, which is the focus of this paper. The congruity of university programs, on the one hand, with the wants and needs of the users of these programs, on the other, can be achieved only based on the results of concrete research.

Based on what has been stated up to now, it is clear that each educational institution must identify its marketing issues, and then gather marketing information to clarify the nature of its problems and to guide marketing activities. The “train” of reform has pulled into every station in Europe, and today’s universities have to be alert to society’s needs and expectations, and ready to react beforehand. Zgaga claims that universities need to become “watchtowers of critique” capable of making recommendations or forewarning society (Zgaga 2005).

The marketing process in higher education institutions should begin with research, that should be developed concurrently in two directions: one direction focusing on researching the needs of society and the entire economy for specific knowledge, and the other, on researching the latest scientific advancements at home and abroad and the possibility of incorporating them into the curricula and programs of higher education institutions. The results of these two areas of research should provide the basis for defining the educational objectives of higher education institutions that should then be made operational through the curriculum and other elements of the teaching process based on formulated strategies.

To accomplish its marketing goals, the higher education institution must continuously make
adaptations to observed changes and macroeconomic trends in the environment in which it operates. This calls for the need to establish a sequence of organised activities such as the one we have devised according to Kotler and Fox’s concept (1995, 121-123) ranging from:

Environment → Objectives → Strategy → Structure → System

This says that the institution first studies the environment in which it is operating (its demographic, economic, political, technological, cultural and other features), and specifically the opportunities and threats in this environment. Based on the information obtained, it then develops a set of objectives describing what it wants to achieve in this environment. Then it formulates an institutional strategy that promises to achieve these objectives. After that, it builds an organisational structure capable of carrying out the strategy. Finally, it designs various systems of analysis, planning, and control to support the effective implementation of the strategy. In practice, this optimal alignment is hard to realise because the various components change at different rates. Continuing to use Kotler and Fox’s concept (1995, 122-123) and applying it to the present time, we can assume that a typical educational institution in Croatia operates in the following way:


This would mean that it operates in the environment of 2009 to accomplish objectives set in 2003 using a strategy that performed well in 2001 within an organisational structure dating from 1993 and a support system from 1992. Too often, in fact, institutions operate according to a reverse (and perverse) way of thinking:

Structure and system → Objectives and Strategy → Environment

In other words, they try to use their own internal changes to impact on changes in the environment, a process that is unnatural, to say the least. The only right path to take, therefore, would involve predicting the situation of the environment, say, five years in advance, as well as predicting all other elements of the sequence in the same way:


In this approach, operationalising comes down to defining the appropriate marketing mix for the higher education institution. Taking into consideration the views of Nicholls et al. (1995), the marketing mix of higher education institutions, in principle, consists of the following elements: product, which unifies course subjects, options offered, additional student services; price, expressed through fees, scholarships, bursaries, admission requirements; promotion, established through advertising, personal sales contact, public relations; and place, which involves delivery methods, class location, class timetables, teaching methods/styles.

Many academics feel that the 4Ps model is inadequate for the marketing of services and marketing of higher education as part of it. Some authors, for example, offer four additional “Ps”: “people, process, physical environment and partnership” that can be recommended for developing higher educational programs. They include people because the staff is part of the offering itself, especially in high-contact service operations; foremost, this refers to the teaching staff. The second additional “P”, namely process, is concerned with the logistics of the service delivery, which is manifested through the educational process and educational technology that is partly determined by the curricula, but also by the didactic, multimedia and IT equipment available. The third “P”, physical environment, is the environment in which the services of higher education are delivered. This refers to urbanised centres in which higher education institutions are located together with the infrastructure required to ensure the quality of student life. Finally, the fourth “P” is partnership, and the main reason for this addition would be the growing focus in marketing toward long-term orientation that needs to be considered in most marketing.
concepts with the students population as business and other publics. This is about creating a marketing network among the members of individual universities and, in a broader sense, within the entire higher education system.

Successful and innovative societies to which Croatia aspires are based on knowledge and its exploitation. The importance of a new and innovative policy for tertiary education is obvious, but according to our view, only providing it is based on the principles of marketing management. We believe that implementation of marketing concepts as agents at the macro (government) and micro levels (universities) is essential for creating and renewing the base of human capital, knowledge capital and innovation potential. Investment in tertiary education and research can enable Croatia to change and to gain competitive advantages. With regard to this view, the following section analyses the dimensions of higher education and its challenges in Croatia.

**Dimensions of Higher Education and Its Challenges in Croatia**

Croatia was the focus of research efforts in marketing for many authors (e.g., Bratko and Rocco 2000; Grbac and Martin 2000; Martinovic 2002; Lussier and Pfeifer 2000; Lynn, Lytle and Bobek 2000; Martin and Grbac 1998). Croatian society and economy are under extreme market turbulence presenting an opportunity for study that is in many ways unique from most of the more frequently researched countries. Croatia is in the process of transition but it is also in the process for preparing for membership to the EU, and this makes it a country of special interest to marketers.

Croatia is characterised by a transition process that has produced a dynamic form of market turbulence that continues after a decade of economic turmoil. At the heart of the transition process in these countries is a shift from state control of enterprises to private ownership, which has a direct impact on higher education systems in terms of increasing the number of persons with higher education qualifications, as well as an indirect impact regarding financial support that needs to be ensured through taxes and budgets for higher education.

As a country preparing for EU association, Croatia is obliged to adapt its higher education system to European standards to achieve “harmonisation” with Europe’s university area and to functionally connect with higher education institutions and scientific research institutions in Europe. It is in the interest of each country, especially those preparing for accession, to study these standards and begin to implement them, so that their higher education institutions will be ready to become a part of Europe’s cooperation and exchange programs in as short a time as possible. Having in mind that, in the EU, 17 percent of the population holds higher education qualifications and in Croatia, less than half of this figure, understanding why Croatia lags in terms of culture and economy cannot be separated from the issue of educational dynamics. Namely, the basic statistics of Croatian higher education point to a particularly disturbing fact: according to data from the last consensus in 2001, only 7.82 percent of Croatia’s citizens hold higher education qualifications (whereas the European average is 17 percent), and only 46 percent of enrolled students manage to graduate (http://www.iro.hr:80/hr/razvoj-visokog-obrazovanja/demokratizacija-visokog-obrazovanja/pravo-na-obrazovanje)

This is not only about the insufficient growth of educational capacities, but also about their inadequate quality and efficiency. The foremost arguments supporting this assessment are the excessively long duration of studies (seven years, in average) and the unsatisfactory level of efficiency of higher education, considering that only a third of all students actually graduate ( Croatian Strategic Development Office, 2003).

Higher education in Croatia is organised around seven universities, 12 public polytechnics, two independent schools of higher education, one private polytechnic, and 17 private schools of higher education, with a total of 114 institutions of higher education. According to the latest consensus from 2001, Croatia has a total of 4,437,460 inhabitants. According to EUROSTAT, prior to accepting the Bologna process Croatia had earmarked 0.68 percent of its GDP for higher education (data referring to 2002), whereas
advanced EU countries set aside 1.15 percent, and new EU members, 1.08 percent of their GDP.\footnote[1]{http://www.eurostat. Edgedp-1} The trend in Croatia’s higher education system is similar to that in the EU, despite the fact that in the EU this turnaround began more than two decades ago and that it was most closely linked to a transition to mass higher education. In ten years, the number of students in the higher education system has grown from 90 thousand (acad. year 1997/1998) to more than 136 thousand students (acad. year 2006/2007), a trend that has not been paralleled by an increase in the numbers of the teaching staff. This has impacted on substantial deviations in the ratio of students to teaching staff, ranging from 7.9/1 to 22.3/1\footnote[15]{www.eurostat.Enrol5}, in advanced countries such as Germany and Great Britain; in Croatia this ratio was 15/1 in the academic year 2006/2007.

The characteristics of Croatian students regarding funding are similar to those of their colleagues in the EU. The number of students who study with state support is less every year, whereas the number of students who finance their own schooling continues to grow every year. This increase could cause the higher education system to become increasingly commercialised with adverse results. In this context, it is interesting to consider a view on the commercialisation of the higher education system relating to conditions in the U.S.A., but which is indicative of Europe, as well. Namely, Derek Bok, formerly President of Harvard University, cites in his noteworthy book on “the commercialisation of higher education” sentiments of an American senior student “from a large state university” which could also be agreed to by many students from European universities: “In my four years at …, I have had exactly four classes with under twenty-five students and a real professor in charge. All the rest of my courses have been jumbo lectures with hundreds of students and a professor miles away, or classes with TAs (graduate student teaching assistants), or not regular faculty” (Bok 2005, 89). This should be taken into account when applying the principles of the Bologna Declaration.

The Republic of Croatia joined the Bologna Declaration in May 2001 in Prague. In July 2003, the Croatian Parliament passed the new Act on Scientific Activity and Higher Education to which a number of amendments were added in July and November 2004. The new Act promotes the European standards and it is compatible with the Bologna Declaration. As such, it has been accepted by the scientific, professional and general public. What is debatable, however, is the way in which the Bologna process was carried out in Croatia, and according to our opinion, it is this manner of implementation that has caused marketing concepts to be ignored, thus inhibiting the designing of appropriate educational programs. A short chronology of events linked to the Bologna process gives evidence of the imperative driving the Bologna process and the speed at which it was embraced. Namely, in late 2004, the Croatian Rectors’ Conference called all higher education institutions to adopt and strictly adhere to the activity plan presented at the conference for the implementation of the Bologna process in the academic year 2004/2005 (http://www. unizg.hr). Higher education institutions were given a deadline of less than eight weeks (!) to design general schemes for educational programs. The ten weeks following this were to see the completion of comprehensive proposals for educational programs and their internal evaluation. This clearly illustrates the inappropriately short period in which educational programs were meant to be adopted.

As Pavel Zgaga has pointed out, Croatia took a head-on approach in implementing the process, unlike other countries, such as Slovenia, the Czech Republic, Austria, Germany and France that opted for a gradual convergence to the Bologna process. For example, only about 25 percent of the programs in these countries have been adapted to the Bologna process, while the remaining 75 percent still adhere to the previous system (http://www. novilist.hr, 2005). In neighbouring Slovenia, application of the reform act will begin in 2008 and as stated by Smerdel (2005, 18) “…our (Croatian) experience and problems will be used to help conceive reforms in a well-adviced manner”.

The deadline for elaborating educational programs was prolonged from mid January to early March 2005, and evaluators were appointed with the task of program evaluation to be completed by the end of April; in most cases, their benevolent attitude in evaluating programs was obvious. The whole process ended as early as June 2005 with the issuing of accreditations for individual study programs. For example, faculties of economics were awarded accreditations for all pre-graduate and graduate courses applied for, even though spatial and human resource possibilities objectively allow for a substantially smaller number of these.
courses. This also signifies that a grave omission was made in program evaluation. Based on months of desk research, these programs were designed by faculty professors who searched the Internet for EU and American university programs in an effort to justify and make a case for the programs they were proposing. In doing so, we repeat, they failed to look into the needs for, and interest in, such programs, not only among economic and other subjects, but among the potential course attendants as well.

An insufficient number of teachers, their excessive workload, a lack of space, over-crowded classrooms and the inability to organise classes only on working days, resulting in classes being held on Saturday as well, are only some of the issues that faculties faced at the beginning of the new academic year. The unions have also addressed this situation: “For some time now, we have been calling attention to the lack of teachers. According to our information, the system lacks at least one thousand teachers if the teaching process is to be carried out in any passable manner, but according to many estimations, it lack several thousands if the process is to operate to the fullest of our ambitions.” (http://www.novilist.hr, 2005). Notwithstanding this, “the academic community is set on pushing the Bologna process through and there will be no prolongation of deadlines”, stated Croatia’s Minister of Science, Education and Sport (http://www.novilist.hr, 2005). It is, of course, disputable whether this was actually the decision of the academic community and/or politics. Because, as Mencer argues “… changes can take place only at the speed at which the people, who have to carry them out, are capable of accepting them” (Mencer 2005, 22).

It should be noted that the aim of the Bologna process is to provide good education, which actually implies lifelong learning, which in turn implies constantly improving the quality of education. From this aspect, we can say that the Bologna process will never come to an end and this is, in fact, what we should aspire to: to continuously finding the best solutions to secure the best quality of education. This does not mean, however, that this complex process should be allowed to unfold with such rapidity, on such shaky foundations and in such a hurried manner. Even today, five years after its introduction, the Bologna process has yet to become functional in a great number of faculties in Croatia and, in the greatest number of cases, the education process has been implemented only partially, creating dissatisfaction among students. For example, out of the seven faculties of economics in Croatia, only one faculty – the Faculty of Tourism and Hospitality Management in Opatija – is actively implementing the Bologna process at present. The other faculties are but making preparations to fully adopt educational programs based on the Bologna process. The reason for this mostly lies in the fact that educational programs were accepted in a manner that was both flippant and quite careless, as mentioned above. The presented case of Croatia leads to the conclusion that designing higher educational programs clearly must be based on marketing postulates, as the only way for higher education institutions to accomplish their goals and those of society at large to any greater extent.

Designing Higher Educational Programs

What is certain is that making decisions about current offerings should be based on information and analysis. An educational institution should evaluate its program/service mix periodically but particularly when considering modifications. On the other hand, most educational institutions think that new-program planning should be informal because they lack the time and money to do the job right or they are inclined to “try something and see if it works”. On the contrary, precisely because they have scarce resources, higher education institutions cannot afford to waste them on thrown-together programs.

Marketing theory stresses the importance of the systematic design, collection, analysis and reporting of data on the needs and demand of target markets as key contributions to the decision-making process of the organization (O’Shaughnessy 1995; Anderson Vincze, 2004). The marketing process in higher education institutions should begin with research, developing in two directions:

- researching the needs of society and the entire economy for specific knowledge, and
- researching the latest scientific advancements at home and abroad and the possibility of incorporating them into the programs of higher education institutions.

To this end, it would be possible, for example, to use a research program of surveys, focus groups
and interviews with faculty, students, high-school graduates, alumni and senior executives in successful companies to find out where to improve higher educational programs. In this way, new programs can be designed which will be not only attractive, but also capable of meeting the needs of all stakeholders, as well. Such programs will also possess specific competitive advantages over other, similar higher education institutions in the broader environment.

The educational program development process should follow the sequence illustrated in Figure 1. This model, which we have named by the acronym PRECIME, basically consists of four crucial stages - Préparation, Création, Implémentation and Évaluation – and it is based on the well-known concepts of marketing theory.

Figure 1. PRECIME Model of New-higher Educational Program Development Process

Based on the insight provided by the preparation phase and benchmarking analysis, the second, In the preparation phase of a new-higher educational program development process, it is necessary for the higher education institution to define the problem, which it faces, and based on this to establish the specific objectives. To this end, it needs to monitor the environment, especially with regard to the trends present in educational systems around the world, which are in tune with the general advancement of science. Having accomplished this, it must conduct research into its potential users, as well as its stakeholders in order to understand their needs, wants, attitudes and expectations. Also, it is necessary to realistically identify the capabilities, resources and limitations of concrete higher education institution. preparation stage involves designing an educational program (curricula), which is then to be developed from its initial general outline into a detailed program, which should thereupon be tested not only on the part of its potential users, but also on the part of all other stakeholders. This should be followed by activities representing marketing in the
truest sense: marketing strategy design and marketing program development. All information acquired in this stage should then be used to make an organisational design of the higher education institution, which involves establishing a new organisational structure and a new organisational culture for the institution.

The implementation phase consists of organizing for the implementation of the new-higher educational program in order for all those involved in implementing the program to understand the tasks and obligations set before them. The next step is planning, based on which the introduction of the new-higher educational program will be carried out at all necessary levels of the implementation process. For the purpose of controlling, program implementation is continuously monitored.

In the final, evaluation phase, the results of all previous phases – the implementation phase, in particular – are evaluated so that they can be used as a kind of feedback in restoring the entire process in a more comprehensive and concrete manner in the near future. For new-higher educational programs, it is useful to define not only conventional standards of evaluations such as the number of students enrolled, the ratio of passed and failed exams, the workload of teachers, the number of courses per individual program, but also evaluation standards used to measure the satisfaction of students, the consumers of these programs, as well as the satisfaction of businesses and the general public. Namely, as stated in the documents of the EUA (European University Association), mechanisms for evaluating the quality of universities and their education and training programmes should be devised in such a way that they have prime responsibility for evaluation and appropriate follow-up subsequent to it. They should also include a mechanism or arrangements for auditing the way in which universities fulfil their responsibilities in the area of evaluation (http://www.eua.be). Evaluation involves not only the activities of internal experts at various universities, but also the activities of external experts – associates from other universities at home and abroad. The intervention of a particular committee external to the unit enables the analytical activity performed by members of the unit as part of their self-evaluation to be placed in an appropriate local and subject-oriented perspective. A critical view of this kind by persons who are knowledgeable but not directly involved guarantees the objectivity required.

Instead of a Conclusion

Certainly, the application of marketing can help educational institutions to improve their operations and, through this, to accomplish their objectives and those of society at large to a greater extent. Although this applies to all kinds of educational institutions, it clearly has considerably greater implications for higher education institutions. Universities should always be working at the cutting edge of knowledge in research, but also in teaching, which should benefit from the continued improvements made possible by progress in research. Designing higher educational programs, therefore, requires a sound grasp of the current state of knowledge and ongoing developments in the field of learning considered. We believe that the implementation of a marketing concept in higher education institutions and the development of new educational programs are necessary for faster inclusion in the European higher education market.

Developing a country’s higher education system should be carried out in compliance with the trends that exist in its macro-marketing environment, ranging from political to academic, and from cultural to economic trends. The process of harmonising national higher education systems with the Bologna process is neither a simple, nor an easy task. It is our opinion that Croatia was inadequately prepared in undertaking such a task, with deadlines that were, more often than not, very strained. This could cause adverse results, which will reflect upon the quality of new higher educational programs, among other things. Hence, this paper suggests the development of new educational programs based on marketing concepts, unfolding through four phases according to the proposed PRECIME model: preparation phase, creation of programs phase, implementation of program phase and program evaluation phase. Central to this is establishing feedback between the evaluation phase and the initial phase to detect any of the programs’ shortcomings, bottlenecks and weaknesses, as well as to identify risks and new opportunities. This appraisal should identify measures to correct the weaknesses observed and to develop fresh avenues for managing perceived risks and exploiting the opportunities identified for new or modified educational programs.
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Ritual Characteristic Congruence between Consumers’ Consumption and Production Practices

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This paper explores characteristic congruencies between ritual consumption and ritual production. While ritual consumption and co-production are topics of study in marketing, ritual production has not been explored. This paper expands upon previous research on ritual consumption to develop a typology of ritual production including four metaphors: production-as-experience, production-as-classification, production-as-play, and production-as-integration. The typology is used to provide a framework for understanding the ritual tendencies of individuals who engage in ritual production and consumption in materialist and non-materialist ways.

Ritual in Consumption and Production

In addition to sometimes co-creating and co-producing goods and services bought from marketers (Vargo and Lusch 2004), consumers may be non-commercial producers. That is, consumers may make products to be given or shared (not sold) for consumption by or with other consumers. This paper is concerned with possible congruencies between the rituals that are involved in non-commercial production and consumption practices.

Ritual is an integral, and sometimes overlooked, aspect of human existence. Although rooted in a need for order and belonging, humans have expanded the use of ritual to exclude, promote, categorize, and blend. Through ritual, we imbue our actions with meaning and formalize our beliefs. In the most important aspects of human life, from resource procurement to reproduction, individuals act in accordance with accepted social norms in order to participate in the “serious life” (Rothenbuhler 1998). They have applied this base reaction and need for order in conducting important life processes to an expanding set of activities that they view as integral to their lives; and they have developed nuanced ways to participate in these activities. Arguably, they thrive on ritual—often without acknowledgement and understanding of its presence and impact on them.

Rituals are recognized as important factors in consumer behavior (cf. Belk, Wallendorf, and Sherry Jr. 1989; Firat, Dholakia, and Venkatesh 1995; Holt 1995; Wallendorf and Arnould 1991), but they are usually mentioned in connection with consumption rather than consumers’ non-commercial production practices. Marketing scholars have attempted to increase understanding of ritual consumption. Rook’s (1995) seminal article on ritual in consumer behavior identified ritual elements from the tangible artifact to the performance driven behavior of audience members and performers. Ethnographic studies of Thanksgiving Day and Major League Baseball have shown that consumers engage in ritual consumption in many ways for different reasons and with different outcomes (Holt 1995; Wallendorf and Arnould 1991). McCracken (1986) explored how meaning is transferred from the culturally constituted world, though goods, to individual consumers using four ritual trajectories: exchange, possession, grooming, and divestment. Despite their usefulness in understanding ritual consumption, these insights do not deal with ritual aspects of consumer production; and they ignore the relationship between ritual consumer production and ritual consumer consumption.

In our subsequent discussion, we suggest that the rituals associated with these consumption and production practices are not independent of one another. Instead, there are likely to be congruencies between them because (what we refer to as) ritual consumers and ritual producers are likely to enact their consumption and non-commercial production practices based on their understandings and expectations of
one another. The underpinnings of these understandings and expectations are not necessarily entirely explicit or verbal in nature, as is the case for other rituals (Rothenbuhler 1998). Still, our reasoning about them is generally consistent with macromarketing scholars’ arguments that the meanings of objects depend on social factors and the discourses through which objects are represented rather than just their materialist qualities (cf. Prothero and Fitchett 2000).

Drawing upon Holt’s (1995) ritual consumption framework, we discuss typologies of consumers’ orientations toward non-commercial production and consumption rituals. We suggest that these typologies help to explain the influence of ritual producers and ritual consumers on each other. We discuss these influences in terms of the orientations involved and ritual tendency scales, which reflect the reasons for, and meanings of, different aspects of ritual evoked during production and consumption.

Ritual production and consumption have implications in terms of some marketing systems variables highlighted by Layton and Grossbart (2006) and Layton (2007, 2008). For example, they involve flows between the producing and consuming system, satisfaction and quality of life issues, and tangible and intangible exchanges. Through these exchanges, ritual producers and consumers jointly affect the nature of the products, services, and experiences that they create and consume. It is difficult to gauge the actors, resources, and institutions that are associated with ritual production and consumption. Still, many consumers seem to be involved in such activities and to produce and consume a wide array of durable and nondurable items. In addition, many retail institutions, some of which specialize in components and ingredients for homemade products, supply these producers. Many interactive and older traditional print and electronic media sources also offer information on producing and consuming such products. Differences in ritual orientations and tendencies also have marketing systems implications. As the following discussion indicates, these differences are likely to affect the amounts of tangible and intangible resources, numbers of actors, and openness of settings in which ritual production and consumption activities take place. They are also likely to affect the adaptive attributes of ritual production and ritual consumption, which influence the probable shifts that occur when circumstances prevent ritual producers and consumers from enacting rituals that are most consistent with their orientations.

Both the extent to which consumers engage in non-commercial ritual production and consumption practices and differences in their ritual orientations and tendencies may be impacted by many demographic, economic, cultural, sociological, technological and other macro-level influences that have been noted by macromarketing scholars in other contexts. Although a close examination of the workings of these influences is beyond the scope of this paper, it is useful to cite some examples. For instance, changes in the distribution of age groups in a society’s population and retirement practices may alter the amount of time that consumers are able to devote to non-commercially produce and consume items and to pursue hobbies that involve non-commercial production and consumption. Migration and assimilation that disperse and disrupt family and cultural groupings and ties may lead to desires to retain, resurrect, and create new production and consumption activities. Consumer’s views about the desirability or necessity of engaging in ritual production and consumption activities may also be affected by macro forces such as economic crises, the dislocating pressures of changes in transition economies, and disruptions in marketing systems in war-ravaged societies. Moreover, interest in ritual production and consumption may be reactions to the forces of globalization that, in some consumers’ eyes, undermine past customs and social relationships or limit access to formerly available products or consumption venues. In addition, arguably, increasing commercialization or depersonalization of marketplaces may intensify some consumers’ feelings about commodification or displacement of prior production and consumption practices. If so, such feelings may lead consumers to seek out production and consumption experiences that are not primarily found in the commercial marketplace. In our view, an understanding of the nature of ritual production and consumption practices is central to an appreciation of the possible effects of these and other macro-level influences and to the operation of the previously noted marketing systems variables.

In the following discussion, we present a ritual production typology that complements the consumption metaphor typology suggested by Holt (1995). Then, we distinguish between materially and non-materially oriented metaphors for ritual production and consumption. Next, we describe the likely
differences in ritual tendencies for materially and non-materi ally oriented production and consumption. Finally, we consider what these ideas imply about responses to conditions that prevent the matching of production and consumption rituals and other contexts in which the congruence of such rituals may be significant.

Ritual Production Typology

The performance of ritual is social and demands the consideration of, if not direct contact with, multiple parties. As ritual behavior is engaged to “symbolically effect or participate in the serious life,” it cannot exist without relations with others (Rothenbuhler 1998, 53). The same is true in the performance of ritual production, which evolves from the interaction of at least two parties—producers and consumers. Ritual producers and consumers do not act independently; and thus, both must be studied in order to truly understand the depth and variability in consumer ritual behavior. One party’s contribution to a ritual process cannot be fully or adequately understood without regard to the other. As indicated in the subsequent discussion, each impacts the other in the creation and performance of rituals through their expectations about the setting, investment of resources, personal relationships, and eventual meaning. For example, a consumer’s expectation of a milestone birthday party may affect the production of a surprise party by others. Similarly, beliefs by consumers that many hours and much headache has gone into the production of a party may guide consumption of the event. Consumers’ and producers’ expectations are apt to be the drivers toward ritual production and consumption congruence. For instance, producers may be keenly aware of those who produced in the past and regard themselves as part of a tradition of making what they produce. For a producer aware of a legacy of production, past producers may play a role in crafting his or her production ritual; however, consideration of the influence of past producers on ritual production and consumption is beyond the scope of this paper.

To develop a working understanding of ritual consumer production, it is fruitful to look at past work differentiating the types of ritual consumption. In his study of ritual consumption, Holt (1995) built on existing work to identify four metaphors for consumption: consuming as experience, integration, classification, and play. Consuming as experience is defined as encompassing subjective and emotional reactions to consumption objects. The emotional state achieved during consumption is integral to the value derived. Consuming as integration involves the acquisition, manipulation, and incorporation of object’s meanings into a view of oneself. This melding of object and person allows the individual to symbolically define themselves through objects. Consuming as classification is the outcome of viewing objects as “vessels of cultural and personal meanings,” (Holt 1995, 2). Through possession of these objects, the consumer is able to distinguish and affiliate themselves in relation to others. Consuming as play is consumption motivated only by the desire to promote or allow play between consumers. In the following sections, this paper explores how Holt’s typology of consumption practices can be applied to production practices and thereby create a more complete understanding of the multi-relational network to which both consumers and producers of ritual belong. The resulting knowledge of ritual production allows inferences to be drawn about the likely congruencies between the characteristics of rituals performed during consumer production and consumption.

Production-as-Experience

Production-as-experience is characterized by production rituals emphasizing the event in its entirety—as a complex occasion consisting of many different ritual components. These ritual threads combine to produce a synergistic event that is not defined by any single ritual, but by the compilation of all rituals. Production of an object for a production-as-experience event follows an established pattern. These productions are “rarely constructed anew...” instead, they rely on an established interpretive framework (Holt 1995, 3). Situations which command an established interpretive framework are more easily engaged through this metaphorical framework as the rules, norms, and methods of object production are understood in advance. The production of objects for a family event such as Thanksgiving, a party for St. Patrick’s Day, or a seminal birthday, are guided by the long-standing and deeply rooted frameworks for participating in such events. The production of an object is considered and undertaken in relation to the norms and
conventions of the event for which it is produced. Expected objects and their components, production, and display methods are all derived from the established framework for participating in the event experience. The production of a pie can follow a traditional interpretive ritual framework of carefully following Grandma’s recipe with the youngest grandchild poking the crust’s vents, or a more modern interpretive framework of Dad filling a refrigerated crust with canned chocolate pudding and masterfully swirled spires of spray whipped cream topping. Following either ritual framework, the object produced is but one thread in the weaving of the overall experience. The anticipation of the communal experience and the many rituals melding into one great ritual event guide the production—in both effort and design—of each individual ritual component.

**Production-as-Classification**

Production-as-classification involves individuals leveraging of experiences and interaction with produced objects into an overarching metaphor for self-placement in relation to others. Through production, individuals or groups are able to define, augment, and refine their interaction with special objects. This relation to a produced object or set of objects is then leveraged against the object’s relation to another individual or group, enabling the producer to form distinctions between himself or herself and relevant others. One third of Americans are collectors of some type of object; and through this consumption, they are producers of a collection through the classification metaphor. Each time a collector adds to his or her collection, the attributes of the object are imbued to the larger collection. The search for, procurement of, and integration of objects into the larger collection represents the story of attribution and meaning that informs the collection as a whole. Each object further differentiates and classifies the collection and, in turn, differentiates the collector from others who in varying degree possess similar objects. Those who produce through classification seek to distinguish themselves through the objects that they produce.

**Production-as-Play**

Production-as-play views the created object as a necessity for interaction. When an individual produces an object with the sole intention of utilizing the object to generate an opportunity for interaction and playful exchange with others, play is the metaphor for creation. The object produced makes particular types of banter and friendly exchange possible. Without the object, interaction and socializing would not be possible. For example, Halloween is typically associated with play and the production of a Halloween costume is undertaken with the intent to permit playful interaction with others. If expectations of wearing a costume did not involve socializing, interacting, communing, and in total, playing with others, the costume would not be produced. Similarly, individuals may make game tables that accommodate persons in wheel chairs or oversized cards that accommodate persons with vision problems in anticipation of the playful exchanges that will occur when the objects are used. Of course, as previously noted, object production may serve other purposes. For example, some Mardi Gras revelers create costumes to classify.

**Production-as-Integration**

The aim of production-as-integration is to embed elements of the producer’s own character, experiences, or beliefs in the object under construction. Through this identity-oriented creation, the producer cannot only convey human associations through an inanimate object, but can also guide future consumption of the object and its embedded meanings. The piecing of a quilt can be an integrative metaphor created by the quilter with the assumption and intention that through the process of production, future consumers of the quilt will similarly integrate the object with its producer during consumption. The mainly solitary, time-intensive process is often painstakingly undertaken with the intention that the attributes of the individual will be represented in, and carried forward by, the object produced. Expectations of reverent and symbolic consumption drive the ritual production in a reverent and solemn manner consistent with the symbolism anticipated during consumption.

Each of these examples of metaphoric production is impacted by the perceived characteristics of impending consumption. The quilt is pieced slowly, with great care and skill in hopes that it will be viewed
with great care and appreciation of the tiny stitches—the skill and attention to detail that the producer exhibited and therefore embodied. The meal planned and cooked with the intention of scripted oohs and aahs, ceremonial carving, and a focus on the overall experience of the ritual event as a whole guides the components of ritual chosen and performed during meal production. Similarly, perceived production rituals can guide consumption. If a quilt’s production is believed to be largely devoid of ritual, it is unlikely to seem symbolic of the maker’s character or handled with particular care. Instead, it is likely to be used for utilitarian purposes (for the warmth it provides), and consumed with little attention for its meaning. If consumers view a meal as ordinary or common place, it is unlikely the meal will be consumed with regard for consumption rituals such as giving special attention to the first bite, praise and thanks to the cook, or serving some at the table before others.

Expectations of ritual consumption and production are formed through the use of cues and they are strengthened over time through observance. For example, producers cue consumers through invitation: to a specific consumption setting, either formal or informal; to a large, orchestrated program or a last minute, intimate gathering. Similarly, consumers cue producers as to the types of consumers involved, the setting, time of day, event importance, and the meaning to attendees. Overtime, in these ways, ritual characteristics of production and consumption impact one another. Together, they form the expectations, design, understandings, and meanings of ritual behavior. Neither ritual production nor ritual consumption takes place independently. Each is part and parcel of the other, and they must be understood though a multi-relational lens which takes both into account or neither will be fully understood.

Division of the Typology: Material and Non-Material Processes

Object production can be divided into one of four metaphors through which a producer creates production-as-experience, classification, play, and integration. This four-part typology can be divided further into object-centered and person-centered behavior. The division is meaningful because it enumerates where value for the producer is derived. In object-centered production, value is derived from the existence and attributes of the object itself. The reason for creation, and the value derived, lies within the object. In opposition, person-centered production derives value not from the object, but from what interaction the object allows or what role the object plays in an event. The driving force behind object production in person-centered behavior is beyond the created object itself, and lies instead with what the object enables in terms of other persons. This division of object-centered and person-centered production reflects materialism and non-materialism in ritual production.

The distinction between object and person-centered production is not based on the importance of the object to consumers or the personality traits and value systems that may underlie materialism (see Belk 1985; Richins and Dawson 1992). Instead it is based upon Holt’s (1995, 12) approach to materialism and how individuals use objects. It applies Holt’s four metaphors for consumption (consumption-as-experience, consumption-as-classification, consumption-as-play, and consumption-as-integration) to production. This process-oriented approach to materialism allows separation of the four-part production typology into material (object-centered) and non-material (people-centered) production. Material approaches to production include the classification and integration metaphors, while non-material approaches are described within the experience and play metaphors of production.

While an individual may be capable of producing an object in many ways, the relevant metaphor provides insight into how the producer expects the object to be consumed. For example, the producer of a common cake may evoke different metaphors, both material and non-material, to create the cake. The baker may produce early in the morning the day before the state fair, carefully sifting flour for a perfected, hopefully blue-ribbon winning recipe. The expectation for the cake’s consumption is clear—it will be put on display, viewed, tasted by a selected panel of judges, and publicly rewarded with a ribbon that signals its taste and status to all. In this case, the cake is very important to the producer and value or success lies within the object. Will the cake win the blue ribbon? What is the best way to transport the cake so it arrives in good condition? For this cake and this baker, a material approach to production is evoked because a material approach to consumption is anticipated. However, the same baker, making the same cake at a different time
may evoke a non-material metaphor for production. Suppose the baker expects a family to gather around the
cake to mark the passage of a year and its hopes for the future. For this baker, the cake may be a means to
derive value from interactions with others at an event. For instance, cross generational interaction and the
excitement and tradition of a surprise birthday celebration may be the most important aspects of the
consumption experience, not the cake. If this is the case for this baker and this cake, a non-material
metaphor is evoked because a non-material approach to consumption is expected.

Scales of Ritual Tendency in Production and Consumption

Understanding the reciprocal relationship that exists between ritual consumption and ritual
production, and the underlying typology that both share, allows the development of conceptual scales of
ritual tendency (see Table 1). These scales reflect the likely differences in ritual aspects of production and
consumption that are based upon the metaphor evoked. Four scales concern ritual behavior in materially or
non-materially oriented production. Four scales relate to ritual behavior in materially or non-materially
oriented consumption. These scales can be used to understand and predict aspects of ritual production and
consumption.

<table>
<thead>
<tr>
<th>Ritual tendencies in production</th>
<th>Metaphors for Materially Oriented Production and Consumption</th>
<th>Metaphors for Non-materially Oriented Production and Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Importance of object permanency</td>
<td>Higher</td>
<td>Lower</td>
</tr>
<tr>
<td>Number of producers</td>
<td>Fewer</td>
<td>More</td>
</tr>
<tr>
<td>Investment in production</td>
<td>Higher</td>
<td>Lower</td>
</tr>
<tr>
<td>Setting for production</td>
<td>More private</td>
<td>More public</td>
</tr>
<tr>
<td>Ritual tendencies in consumption</td>
<td>Access to consumption setting</td>
<td></td>
</tr>
<tr>
<td>Number of concurrent consumers</td>
<td>Fewer</td>
<td>More</td>
</tr>
<tr>
<td>Time devoted to consumption</td>
<td>More</td>
<td>Less</td>
</tr>
<tr>
<td>Number in control of ceremony</td>
<td>Fewer</td>
<td>More</td>
</tr>
</tbody>
</table>

*Table 1. Differences in Ritual Tendencies Associated with Metaphors for Materially and Non-materially Oriented Production and Consumption*

**Importance of Object Permanency in Production**

The importance of object permanency is apt to differ for material and non-material production
processes. Those approaching production from a material viewpoint will place more importance on, and
exert more effort in, creating a permanent object. If by nature, the object is non-durable, the individual may
attempt to make the object endure through the use of durable packaging, labeling, or through image
commemoration with a photograph. A home beer brewer engaged in materially oriented production may
create labels and use bottles as souvenirs. Those approaching production from a non-material viewpoint will
be less concerned with object permanency and less apt to make the object symbolically endure. Producers
engaged in non-materially oriented production practices derive value not from the object, but from the
interactions that the object allows. A home beer brewer engaged in non-materially oriented production is
cconcerned about the interactions with others while consuming the beer. This brewer may not even bottle the
beer, but serve it out of a five gallon fermenting bucket. Similarly, producers engaged in the non-material
play metaphor are likely to be less concerned with object permanency due to their recognition that play is
transitory because of time considerations and the changing needs of different participants.

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Number of Producers

The number of individuals involved in production is likely to vary depending upon the production approach of the main producer. If the lead producer is engaging in material production, he or she will be more likely to produce individually. In material production, the goal of the producer is to create the best object. The completion of this goal, the end product, is viewed as a direct reflection of the producer’s ability, care, and character. If the lead producer involves others in production, he or she incurs outside risk as sole production control is lost and any resulting praise may have to be shared. Conversely, if a lead producer is engaging in non-material production, the likelihood of involving others in production is high. Non-material production’s aim is to allow and encourage personal interaction, a goal which is furthered by involving many in the production process.

Investment in Object Production

The amount of resources invested in the production process is likely to vary depending upon the production metaphor utilized by the producer. A producer who approaches production from a material vantage point will be apt to invest more resources in the object’s production than a producer approaching production from a non-material position. A materially oriented producer views the object as the sole repository of value; no other factor can contribute to value. Thus, a materially oriented producer will be more willing to invest resources such as time and money into the object’s creation, as it is the producer’s only means to reap value. A producer approaching production from a non-material vantage point has additional opportunities for receiving value outside the object. This producer is able to draw value from experience or play through interactions with other producers or consumers of the object.

Setting for Object Production

The degree to which the production setting is private or public is likely to depend upon the producer’s approach to production. Materially oriented production will tend to occur in more private settings, while non-materially oriented production will tend toward public settings. Producers intending to create value through a material approach create in private spaces where few outsiders venture. These producers rarely seek help or advice, but learn by independent study and trial and error in the privacy of their designated production spaces. This tendency toward private production settings stems from the producer’s desire to work alone to produce a superior object. The private setting also allows restricted knowledge of the object-in-process. Allowing others to routinely see the product while incomplete would be counter to the singular importance of the valued end object. Conversely, a non-materially oriented producer tends to create in more public settings, with knowledge and encouragement from those nearby. Because producers engaged in non-material production processes derive value from interaction with others, they will tend to seek interaction in more public production settings.

Number of Concurrent Consumers

Materially oriented consumption emphasizes the value derived from the object being consumed rather than from interaction with others. In effect, as the number of persons participating in consumption increases, the experience is likely to become increasingly diluted because additional participants create distractions or interfere in attaining direct contact with the object. Therefore, fewer individuals are likely to be involved in materially oriented consumption. In contrast, more individuals are apt to take part in consumption if there is a non-material orientation that stresses the value of interaction with others rather than contact with the object consumed.

Time Devoted to Object Consumption

The time devoted to object consumption is likely to vary depending upon the approach to consumption. Materially oriented consumption tends to be more time intensive than non-materially oriented consumption. Because consumers who approach consumption through a non-material process derive value
from interactions with others that the consumption object facilitates, object consumption is not their primary
focus. For them, object consumption is often only one component of an event, and consumption may be
hurried in order to proceed to, or allow more time for event activities involving interaction with others. The
time devoted solely to object consumption is relatively short. The pie at a family gathering is eaten quickly,
while other components of the event—the story telling, game playing, dish washing, and television watching
last considerably longer. Similarly, object consumption often shares time with other event components which
foster interaction. At the family gathering, pie may be served during the big game or while stories are told.
Conversely, consumption approached from a material viewpoint is elongated and more focused. Because the
material approach derives value from the actual object, focused contact with the object is a primary means to
maximize value. Thus, the time set aside for consumption is longer, and is likely to be co-opted by fewer
additional activities. While conversation may be embedded in a slow food movement meal, the reason for
and focus of the protracted consumption is the food itself. From a materialist viewpoint, both the amount and
quality of time with the object determine the value derived during consumption.

**Number in Control of Consumption Ceremony**

Materially oriented object consumption is likely to result in ceremonial control of the consumption
process by a limited number of individuals—often only one. In contrast, non-materially oriented
consumption confers ceremonial control upon many consumers. As discussed, non-material consumption
processes involve many individuals who bring a variety of ideas and expectations regarding ritual behavior.
Their many perspectives create a veritable buffet of ceremonial consumption options. While variety is one
component of extended ceremonial control of consumption, the flexibility of consumers is also important.
Because consumers approaching consumption from a non-material orientation value interaction, each is
more willing to make concessions of ritual aspects to others. Because of the focus on interaction within
consumption, control is shared in order to achieve maximum value. Conversely, consumption approached
from a material viewpoint is oriented toward the object and involves fewer individuals. Through materially
oriented consumption, consumers seek to describe themselves in distinctive ways or set themselves apart
from others. This aim motivates the lead consumer to not only limit the number of fellow consumers—thus
maximizing his or her own contact with the object—but also to consolidate control over consumption.
Through the individual control of ceremonial consumption—the when, where, and how—the lead consumer
is able to separate him or herself from other consumers by demonstrating a superior connection to the object.

**Access to Consumption Setting**

Consumers’ orientations toward consumption—either material or non-material—impact the chosen
setting for consumption. Those viewing consumption as a material process are apt to value connection to the
object above interactions with others, and attempt to maintain control over the consumption process.
Restricting access to the consumption setting limits the influence of outsiders who are unable to interact,
observe, and take part in consumption. The chosen venue may be a room in the producer’s house that is set
aside for consumption—a basement bar or attic studio to which even family members are not allowed casual
entrance—or the setting may be a private room in a commercial establishment. The choices are many, but
the consumption will likely occur in a location set aside from the everyday areas of the consumers’ lives. In
comparison, non-materially oriented consumption is likely to occur in more public, accessible settings.
Consumers who seek value through non-material consumption processes attempt to maximize interaction
with others. To do so, they try to ensure all consumers are comfortable by selecting accessible and
welcoming settings. Such venues are familiar or easily understood by all consumers and are often public
(e.g. a kitchen or backyard, or a public park with no barriers to entry or exit). Consumption setting is an
important component of how ritual consumption is viewed and executed and is apt to differ based upon
consumers’ orientations.

**Discussion**

Application of these eight tendency scales can aid in the understanding of ritual production and
consumption. In one day, an individual may produce an object through a materially oriented process that
involve a ritual with high investment and private production and consume another object through a non-
materially oriented process that evokes a ritual with open access and less time devoted to consumption. The
ritual tendency scales do not reflect the idea that individuals always engage in one type of process or the
other. Instead, they distinguish between the ritual processes undertaken by individuals in the production and
consumption of particular objects. The usefulness of this framework to marketers can be found in the
congruence between the ritual tendencies of production and consumption. As discussed, producers
anticipating non-materially oriented consumption are likely to evoke non-materially oriented rituals in
production; and consumers who believe that production was materially oriented are apt to evoke materially
oriented rituals in consumption. The convergence of ritual tendencies in production and consumption shows
the importance of understanding multiple-relations among producers and consumers and the perceptions and
expectations that influence consumer behavior.

While ritual is a topic in marketing and consumer research, its influence on relationships between
consumers and producers and its impact on their behaviors are overlooked. Ritual is a powerful and
pervasive component of consumer behavior and impacts choices in ways that may not always be discussed or
consciously evaluated by consumers. Consumption of what are perceived to be materially or non-
materially produced goods follow scripts that are not necessarily dictated aloud, but are continuously modeled
throughout life. As consumers observe and participate in production and consumption associated with these
scripts, these tendencies may become increasingly as robust and implicit as waving and nodding one’s head
in agreement. Producers’ and consumers’ understanding and acceptance of the divide between different types
of production and consumption processes may be so complete that they are unlikely to shift from material to
non-material tendencies if their ritual tendencies are disrupted.

For example, individuals may be forced to adjust their rituals when conditions do not allow matching
of production and consumption metaphors. In these cases individuals are likely to retain their basic
material/non-material orientations and thus minimize changes in their rituals (see Figure 1). That is, if
consumption-as-play was anticipated but becomes unattainable, it is likely that adjustments will be made to
consume through the alternate non-material metaphor—experience. Likewise, if production-as-integration
was the goal, but becomes impossible, it is likely that production-as-classification will be enacted. In short,
both producers and consumers will avoid migration across the material/non-material divide. For example, the
presence of this divide may be reflected in the creation of a birthday cake. Suppose an individual who bakes
a cake for an upcoming celebration is guided by an experience metaphor. If the event is cancelled, this
person is likely to choose a play metaphor, which is also non-material, to consume the cake. He or she may
take the cake to work or invite neighbors over to share the cake; however, it is unlikely the baker will choose
a material metaphor for consumption. Research may also show how probable shifts in production and
consumption metaphors occur when there are severe disruptions, due to the dislocating effects of events that
have been studied by macromarketing scholars. Examples include war (Shultz 1997; Shultz, Burkink, Grbac,
and Renko 2005), depression (Hill, Hirschman, and Bauman 1997), and natural disasters (Baker, Hunt, and
Rittenburg 2007).

Often, in non-commercial ritual production, the producer is also a consumer and has direct influence
over both ritual production and consumption, increasing the likelihood that congruencies of ritual
characteristics are achieved. However, when the producer is separated from consumption, expectations and
understandings of the ritual consumption and production characteristics become key determinants of the
ritual characteristics of the corresponding production or consumption. This separation of production and
consumption can lead to innocent misunderstandings and intentional misrepresentations of performed rituals.

An individual consuming without the presence of the producer, or with limited or misunderstood cues
regarding production may enact ritual tendencies that are inconsistent with the actual production metaphor.
If the producer learns about this incongruence, his or her feelings may be hurt and he or she may stop
producing for the consumer. Conversely, if a consumer becomes aware that actual production characteristics
conflict with his or her expectations, he or she may sever ties with the producer or determine that no
producer honestly represents their production and stop consuming objects of this type (e.g. hand spun yarn).
This paper expands upon past ritual consumption research to develop a typology of ritual production. The four-part typology (production-as-experience, production-as-classification, production-as-play, and production-as-integration) leads to insights about how ritual production and consumption may exhibit material or non-material tendencies. This division allows creation of eight scales that differentiate between ritual tendencies in material and non-material production and consumption.

There are many potential applications of characteristic congruence between production and consumption. For instance, houses of worship which observe a more experiential production and consumption metaphor may be more open to ceremonial control by many persons, which fosters a sense of partnership and open dialogue among lay persons and clergy. Products that employ advertising which emphasizes organic attributes may be natural choices for materially approached slow meal dinners, while those emphasizing non-materially oriented production practices such as speed of preparation may be more easily marketed to consumers concerned with familial interaction.

**Figure 1. Shifts in Metaphors for Production and Consumption**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Integration</th>
<th>{Materially oriented metaphors}</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience</td>
<td>Play</td>
<td>{Non-materially oriented metaphors}</td>
</tr>
</tbody>
</table>

Darker arrows indicate more probable shifts in production and consumption metaphors.

While this paper emphasizes how the typology, orientation divide, and tendency scales can be applied to non-commercial goods and services, application to commercial items such as organic foods, fair-trade goods, antiquities, and artwork may provide valuable insights into consumer choices and behaviors. In addition, future research may explore the differences between material approaches of classification and integration, and non-material metaphors of experience and play in regard to ritual production and consumption. Investigations into how marketers represent or misrepresent production rituals and what impacts those representations have on consumers and other producers may also provide important insights. We have much to learn about the impact of rituals on consumers’ lives. Hopefully, this paper will contribute to scholarly interest in these issues.

**References**


Rethinking Consumer Resistance: Consuming ‘Anti-consumption’

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The cultural logic of consumer resistance is our subject. The object of inquiry is a virtual community of car enthusiasts and a series of online discussions of bricolage in the empirical setting of car modification. We open an analytical window on a variety of everyday practices that characterize how consumers use the available popular material culture of cars in creative ways finding there resources for sustaining social identity projects. Also illuminated are ways in which arenas of ‘anti-consumption’ (Baudrillard, 1998: 91) are invested with particular meanings grounded within practices of daily life. Through analysing forms of reportage naturally occurring in those online sites, textual data is generated about consumption contexts that we read as constitutive of forms of consumer practice, including the construction of choice and the shaping of markets. Theorising resistance through de Certeau’s (1984) lens of everyday practice brings analysis to ‘grounded aesthetics’ (Willis, 1990) as a potential arena in which resistive practices are played out. We argue that the social logic of differentiation suggests that ‘resistance’, like beauty, is typically in the eye of the beholder.

Revving Up

The gaze that sustains notions of consumption and anti-consumption is supported by a web of ideological implications and commitments which, the paper argues, empty that crude binary of diagnostic power. Although resistance can be seen as an integral component of the institutional power relations that sustain the project of consumption and its satellite, ‘anti-consumption’ (Baudrillard 1998, p.91), as Hebdige and Potter (2008) remind us, it has its roots in ‘cool’ as a source of social capital and urban status among counter-culture groups. And while the authors recognize the impact of activism in raising standards in opposition to what is declared to be global capitalism’s corrosive impact on social life, the character of such market dynamics is less about opposition and confrontational stand-offs, than accommodation. As Denzin (2001) notes, the interplay between consumption and anti-consumption is more complex than the staunch rhetoric of resistance suggests, no more so than in the subtle interpenetration of ploys through which “consumers use the resources of popular culture for personal and group empowerment” (ibid, p. 328). A close reading of Douglas (1996) reveals that modern consumption was itself born of revolt and resistance, itself the product of what Baudrillard (1998) refers to as “the ‘social logic of differentiation” (ibid, p.91). Furthermore, the cultural logic of consumption is bound up with the urge to break-out of the constraints of local givens, such as hearth and community, towards the formation, with new allies, of collectives and forms of ‘floating sociality’ (Maffesoli 1996) based on choice, inclination and the ‘culture of quirk’ (Hebdige & Potter, 2008). Inventing new ‘subversively quirky’ collectives is then as much the prerogative of those with shared interests in the aesthetic appeals of, say, car modification or compost-making, as it is of those with shared interests in opposing what they take to be the domination and exploitation of global capitalism.

The logic of distinction and differentiation is at work in this context, for as Douglas (1996) argues, “most consumer revolts are symbolic gestures of independence” (ibid, 123). If this is so, then as Hebdige and Potter (2008) suggest, interpretive analyses of resistance as social differentiation must move beyond accounts of it as “a collective effort [through boycotting] to coerce corporate change” (Kozinet and Handelman 1998, p. 475); or otherwise to protest against profit-motivated consumer manipulation and structures of domination (Dobscha 1998; Penaloza and Price 1992; Thomson and Haytko 1997). “Bring[ing] the consumer back in” to such accounts (Laermans 1993; Denzin 2001), especially through the construct ‘co-optation’ (cf Giesler, 2008; Giesler and Luedicke, 2008) provides a way of saying that, although we can think of everyday consumption practice, including resistance, as being influenced by structural constraints,
such as income, education and marketplace ideology, they are not in the final instance determined by them. This latter point is well made by Thomson and Coskuner-Balli (2008) in their discussion of the assimilation of the organic food movement into the everyday mainstream. They describe the ‘corporatization’ of the organic food movement as an example of co-optation, where the ‘capitalist marketplace transforms the symbols and practices of countercultural opposition into a constellation of trendy commodities and de-politicized fashion styles that are readily assimilated into the societal mainstream’ (ibid: 529).

If consumption is a productive practice, culture being produced through consumption (Fiske 1989; Willis 1990), then the potential for resistance is itself embedded in the cultural logic of consumption. Cultures of anti-consumption become part and parcel of recursive production through creative acts of bricolage and re-appropriation, re-significations that disrupt and contest dominant representations. As the authors of creative practices by means of which cultural commodities are appropriated and inscribed within tactics of daily life, consumers’ practices of resistance must also be inscribed within those tactics of daily life, for as Baudrillard (1998) argues, “it is the exchange of differences which clinches group integration”(ibid, p.93). Resistance can then be understood not only with a big ‘R’, as individual or collective ‘conspicuous acts of anti-consumption’ (Kozinets and Handelman, 1998), involving subversion, contestation, de-mystification, and disruption of the corporate status quo, organised and negotiated on a global stage to advance and exploit political influence and investment. There is also resistance with a small ‘r’- that which occurs as agency expressed individually or collectively in everyday micro-practices, performed on a local stage, and manifested through consumer experiences of making do, of managing with what is available and to hand to “fit the circumstances of their immediate social settings and their sense of personal history, interests, and life goals” (Thompson and Haytko 1997, p 18). When consumers become active players in realising the possibilities for identity construction through collective resistance and empowerment, then, as Denzin (2001) concludes, “grounded aesthetics help people give fresh meanings to the structural and cultural formations that circulate through their daily lives” (ibid, p. 328). Aronould and Thompson (2005) write that “most research on consumers’ practices of ideological resistance highlights the creative and often sophisticated ways in which consumers critically reinterpret media and advertising ideals and ideological inducements” (ibid, p. 875). In their view consumer activists are seeking to form lifestyles that defy dominant consumerist norms through finding ways to question corporate interests. Interestingly, Thomson and Coskuner-Balli (2008) advance the potential of the construct co-optation by suggesting that new resistive movements that emerge post-assimilation can return to “[reassert] the countercultural values and ideals that originally animated [the organic food movement]” (ibid: 529).

This paper explores the creative work that is done by consumers through the pursuit of lifestyle choices that involve modifying cherished possessions, in this case cars. Holt (1995, 2002) uses the term ‘unruly bricoleurs’ to denote those who express personal sovereignty and claims to personal authenticity through non-conformist acts of consumption such as debadging and other improvised forms of resistance to mainstream consumer sensibilities and dominant marketplace ideology. The focus of this paper is, paradoxically perhaps, on everyday practices by means of which ‘unruly bricoleurs’ participate in displays of localized cultural capital through de-badging their vehicles, or otherwise rework markers of brand identity and other marketer-generated material, in pursuit of ways to ‘anchor’ local identity projects (Bengtsson, Ostberg & Kjeldgaard 2005). Cornwell and Drennan (2004) validate this micro perspective for the understanding of macro issues when they use the term ‘elective identity’, which they define as: “…that sense of self that is developed by choice and change. It is the identity that people are able to self-fashion from the world around them, to pick up and discard at will…[moreover] the elective identity pursuits of consumers are both drivers and outcomes of globalization and fragmentation” (2004, p.114). Through reframing anti-consumption as a cultural economy of resistance (Littler 2005, the paper helps understand how, as Fischer (2001) advises, “consumption and resistance as co-constituting discourses [that] are inextricably linked” (ibid, p. 123). At the same time, the paper draws our attention to the micro-macro linkage (Cornwell and Drennan 2004) and the value of exploring consumer behaviour through the lens of such consumption practices (Venkatesh 1999).
From Brands to De-branding Practices

For some people brands are consumed for their difference; for others they are consumed simply with indifference; but for others still, those of interest to this paper, the mere presence of such signs and symbols demands a response. A rich stream of emergent consumer research explores consumers’ resistance to commodity culture and brands (Arnould & Thompson 2005; Dobscha 1998; Firat and Venkatesh 1995; Fournier 1998; Holt 2001; Murray and Ozanne 1991; Ritson et al. 1996; Schor 1998; Thompson 2003; Thompson and Haytko 1997). Research has thus focused upon the anti-brand movement (Fischer 2001), consumers of the natural world (Dobscha 1998), downshifters (Schor 1998), to the voluntary simplicity movement (Murray 2002) or the burning man movement (Kozinets 2002b). Murray (2002) draws our attention to how such consumers, who are often cynical of commodity culture and its global sweep, seek to construct their sense of who they are through what he terms their ‘salient negations’ to commodity culture. While, Venkatesh (1999), in his invited attempt to broaden the field of macromarketing, draws our attention to the symbolic and provisional character of consumption practices within the global sign economy: “Symbols create meanings, and consumers negotiate consumption processes via meanings...Meanings are always in transit, and as meanings change, so do consumption practices.” (1999, p. 156).

Similarly, Kates (2003) argues that to better understand consumer relations with brands, it is necessary to embrace the collective consumption context of social relations that constitutes practices of identity formation. Ritson et al (1996) reveal how consumer subcultures are engaged in forms of symbolic guerrilla warfare to affirm, maintain and consolidate their group identity through their appropriations of marketing brands. The example they use is ‘Dikea’, a UK-based lesbian group that had re-appropriated the Ikea logo and uniform at one London Gay Pride Festival. As the informant Amanda explains:

“I don’t think straight people mock or lift slogans and logos like Dyke, with the Nike logo. I’ve seen that and Faagen Dyke (Haagen Dazs), but I’ve never seen any smaller groups lift things. I don’t know if straight culture would pick up on it...what can they do with Ikea? Because the marketing is aimed at straight people, then they’ve got no need to manipulate it, and make it specifically have reference to them.” (1996, p. 128).

To understand such social relations, the collective can be seen to be engaged in tactics and practices which aim to empty the brand (cf. Marcoux 2001) of its marketer-produced significations. An anti-consumption tactic through which these embedded associations are disrupted and diverted, or ‘twisted’ (Cova-Gamet and Cova 2000) is for the collective to use its own symbolic creativity to produce its own signifiers of value, consumption-based meanings which are inspired, as Fiske (1989) observes, through giving voice to the creative possibilities of collective resistance, personal pleasure and individual freedom within daily life. The importance of brands then derives not merely from their role as commercial or managerial constructs, but for the spaces they provide for exercising creativity.

The focus on de-branding practice concurs with the notion of the brand, not only as constitutive of social relations, but also as a medium or mediating cultural object, an artefact whose meaning is not fixed, determined or closed, but open. The insights offered by framing the brand in this way are keenly described in the work of Lury (2004). She argues that brands should be understood as cultural commodities, as artefacts in the making, which are always to be read as in motion, for in this way the brand becomes an interface of interactivity. She writes that “the ‘is’ of the brand is also its ‘may-be’; in its being – its objectivity – it has the potential to be otherwise, to become” (ibid, p.151). While positioning the brand as a cultural recipe, Lury (2004) also admits that “the brand is more often closed than open in practice” (ibid, p 150). However, such reframing helps situate ideas of anti-consumption, and, as Denzin (2001) suggests, expose the “ways in which [circuits of culture] overdetermine the meanings cultural commodities have for human beings” (ibid, p. 325). The potentiality of the brand then lies in its ability to belie closure and to be transformed through practices of re appropriation embedded within everyday practice. This point is further discussed when we explore cybercultures of car modification and the tactics reportedly used by enthusiasts to eviscerate the brand - erasing as much as possible of dominant representations of marketer-generated meanings - and to inscribe new significations of local value. Herein, the micro-practices of consumers

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assume an almost institutional appeal, for writing in the context of macromarketing studies, de Coverly et al argue that “challenging the implicit logic of the system within which we live is extremely difficult, but it is crucial if we are to be more than mere slaves to that system.” (ibid: 300).

Grounded Aesthetics & Consumption Practices

This alternative approach to understanding cultural production through everyday creative practices and forms of expression borrows from the work of de Certeau (1984), who theorizes consumers in almost macro-terms as “immigrants in a system too vast to be their own, too tightly woven for them to escape from it” (1984, p. xx). His work draws upon a Foucauldian view of power and resistance, wherein power is inscribed everywhere and is productive, in the sense of being constitutive of the subject. As previously noted, there is a crucial coupling of power and resistance, for as Foucault (1980) suggests, “there are no relations of power without resistances” (ibid, p.142). de Certeau (1984) charts the many ways in which consumers seek to resist macro-force, such as that of power, writing that “The tactics of consumption, the ingenious ways in which the weak make use of the strong, [thus] lend a political dimension to everyday practices” (ibid, p.xvii). Arvidsson (2008) makes a similar point when he speaks of the “emergence of grassroots social production as a significant social fact” within the ethical economy (2008, p.327).

The approach of de Certeau is far removed from the notion of subcultural appropriation and resistance as the battle between the ruling and working classes for cultural space and self-determination (cf. Clarke et al., 1993). Instead attention is drawn to the sphere of the symbolic and of representation as sites for all manner of everyday anti-consumption practices. From this viewpoint a range of mundane practices take on a different hue, as de Certeau (1984) observes:

“Many everyday practices (talking, reading, moving about, shopping, cooking, etc) are tactical in character. And so are, more generally, many ‘ways of operating’: victories of the ‘weak’ over the ‘strong’ (whether the strength be that of powerful people or the violence of things or of an imposed order, etc.), clever tricks, knowing how to get away with things, ‘hunter’s cunning’, maneuvers, polymorphic simulations, joyful discoveries, poetic as well as warlike” (ibid, p.xix).

De Certeau finds ‘cunning’ and ‘wiley’ intelligence in the everyday practices and tactics of contemporary consumer society. His foregrounding of tactics as a way of rendering resistance apparent has been inspirational to a number of studies: from the consumption of junk mail (Reynolds and Alferoff 1999), to the Sony Walkman (Bull 1999), to Fan Zines (McLaughlin 1996), and to care homes for the elderly (Thorpe 1999). McLaughlin’s (1996) work in particular shares many of the preoccupations of de Certeau (1984) as well as Foucault (cf 1988). In reframing the tactics employed within consumer culture as a form of ‘vernacular theorizing’, McLaughlin (1996) observes a form of critically resistant interpretive practice at work within the content of ‘zines’ produced around the fan-bases of TV programmes such as Star Trek and popular music bands. In terms of the nature of such creative and critical practices McLaughlin (1996) suggests that “Zines are high-attitude productions; each zine takes an attitude rather than passively consuming pop texts; and each attitude taken has the urgency of resistance” (ibid, p 54). Lury (1996) argues that the notion of tactics as improvised resistance is crucial here, stating that they are “natural, unknowing or deceptive”, in contrast to strategies which she describes as “knowing, or self-consciously reflexive” (ibid: 231). Developing this line of thought further, Buchanan (2000) explains that

“tactics are constantly in the swim of things and are as much in danger of being swept away or submerged by the flow of events as they are capable of bursting through the dykes strategy erects around itself and suffusing its protected place with its own brand of subversive and incalculable energy. Tactics refers to the set of practices that strategy has not been able to domesticate. They are not in themselves subversive, but they have a symbolic value which is not to be underestimated.” (ibid, p.89).

McLaughlin (1996) thinks of consumers as poachers employing creative and critical practices to question the culture produced by corporate interests (ibid, p.56). However, any optimism about the revolutionary
potential of the tactics of vernacular theorizing must be tempered. For as Buchanan (2000) advises, “Tactics are not liberatory in the material sense of the word: the little victories of everyday life do no more than disrupt the fatality of the established order” (ibid, p.104-105). The target for critique here is the work of Fiske (1988) who asserts the revolutionary potential of ‘little victories’. Meanwhile, for de Certeau (1984) everyday tactics and practices are never about taking control. Instead they are about ‘making do’ through silent productions which ‘produce without capitalizing’ (ibid, p. xx). In this sense their significance lies in making explicitly the macro-micro linkage (Cornwell and Drennan 2004); but also in the way they cast our attention to multitude of ways and means through which consumers re-appropriate spaces (the streets, the city) and texts (reading), or for us the global economy and branding so as to make them ‘habitable’. As he continues:

“...like a rented apartment. It transforms another person’s property into a space borrowed for a moment by a transient. Renters make comparable changes in an apartment they furnish with their acts and memories; as do speakers, in the language into which they insert both the messages of their native tongue, and, through their accent, through their own ‘turns of phrase,’ etc., their own history; as do pedestrians, in the streets they fill with the forests of their desires and goals. In the same way the users of social codes turn them into metaphors and ellipses of their own quests.” (ibid, p. xxix-xl).

Tactics can then be seen as a form of resistance; a resistance with particular limits, opportunities and potentialities. Miller (1991) suggests that cultural practice is akin to praxis: “that is, a working out of philosophical conundrums by other means” (ibid, p.207-208). This approach to consumption and objects (or material culture) sees it as much more than a game of social distinction, à la Bourdieu (1984). Rather than cultural practices being seen as the stuff of sociability, they are seen as the stuff of belonging - and as Miller suggests, without them, “the feeling is one of insignificance within a vast sea” (ibid, p.212). Adrift in such an inhospitable environment, living amidst the alienating tides and currents and tides of the global economy, Miller proposes:

“The sheer profusion encouraged by the transience of fashion was expected to overwhelm us in its very diversity, but in practice there is the building up through bricolage of specific and particular social groups which define themselves as much through the rejection of all those cultural forms they are not as from the assertion of their particular style. Small sections of the population become immersed to an extraordinary degree in the enormous profusion of hobbies, sports, clubs, fringe activities, and the nationwide organizations devoted to interests as diverse as medieval music, swimming, ballroom dancing, steel bands and fan clubs. The building of social networks and leisure activities around these highly particular pursuits is one of the strangest and most exotic features of contemporary industrial society, and one which is forever increasing.” (ibid, p.209-210).

The analysis now turns towards the generation of data about the tactics by means of which car enthusiasts achieve a sense of significance, untangling what people do with cars and how forms of everyday practice and local knowledge are expressed. Paraphrasing Geertz (1993, p. 56) the task is now to “figure out what the devil they [informants] think they are up to” when they degrade their cars; for in one sense “no one knows better than they do themselves; hence the passion to swim in the stream of their own experience” (ibid, p.58).

**Methodology**

This paper emerges from an ongoing study of tactics and practices of consumer resistance which engages with informants in a variety of ways in several empirical sites. An exploratory research design is being executed that makes use of conventional fieldwork devices, including depth interviews and participant observation. However, drawing on the generously informative work of Kozinets (1997, 1998, 2001) and Kozinets and Handelman (1998), it seems plausible that there are insights to be gained through exploring the emergent discursive terrain by means of a netnographic interpretive methodology – and to do so before the researchers insert themselves into the various empirical settings, armed with questionnaires, notebooks, cameras, tape-recorders and interview protocols. In this sense the netnography discussed here is an adjunct
Qualitative method that is used to sample the discursive resources in circulation among the target cultures and communities as they present themselves online through newsgroup postings. Discussion threads and newsgroup postings can provide, as Kozinets (1998) advises, the basis of textual accounts offering access to the interplay of discursive resources and interpretive categories in circulation among, in this case, the virtual community of car modification enthusiasts. Those accounts can also help to follow how investments in the discursive resource-base are nurtured, sustained and transformed through interpellation, including the rehearsal of anti-consumption rhetoric and sentiment.

Kozinets (1997) describes netnography in simple terms as the “textual output of internet-related fieldwork” (ibid, p. 470). In later work he defines netnography as “a written account resulting from fieldwork studying the cultures and communities that emerge from on-line, computer mediated, or internet-based communications, where both the fieldwork and the textual account are methodologically informed by the traditions and techniques of cultural anthropology” (ibid, 1998, p. 366). And although Kozinets (1997) advises caution with regard to the application of netnography, citing a lack clear guidelines and codified experience with the method available in the literature, he advises that it “offers a qualitative technique by which consumer researchers may investigate cyberculture, virtual community, and a wide range of consumer experiences that manifest in and through them” (ibid, p. 369). He defines virtual communities [of consumption] as “affiliative groups whose online interactions are based upon shared enthusiasm for, and knowledge of, a specific consumption activity or related group of activities” (1999, p.254).

The analytical focus of this paper is then directed towards the virtual community of consumption that is represented by car modification enthusiasts and a series of web-based exchanges that discuss their reported activities and inclinations. In this way the paper offers a window onto a variety of practices that characterize how consumers actively use cars and other resources of popular culture in creative ways as symbolic resources for constructing and sustaining social identity. Also illuminated are ways in which arenas of anti-consumption are invested with particular meanings that are grounded within practices of daily life. Through analysing forms of reportage, including group-specific language, symbols and norms naturally occurring in online discussion, textual data is generated about consumption practices that can be read as constitutive of forms of consumer resistance. The netnography poses itself the problem of untangling the interpretive categories embedded within participants’ postings around cars and their modifications, in order to explore forms of everyday or local knowledge being expressed through such cultural practices. Methodologically the paper is also curious to explore the potential of netnographic fieldwork with virtual communities as a lens through which to understand cultural practices. Although this endeavour is inspired by the work of netnographers such as Kozinets (1998, 1999, 2002a), Maclaren et al (2004) and Paccagnella (1997), it recognizes, as Kozinets (1998) concludes, that “the textual representation of netnography presents new challenges for traditional [ethnographic] techniques, and opportunities for new representational styles” (ibid, p. 370).

Over an eight-month period an internet-based methodology generated observations of online posting activity on five different internet newsgroups, bringing together those with an interest in the highly particular pursuit of car modification. Participants used those web-forums not only to share information and insights, but to give individual and collective voice to enthusiasms towards car modification and customization as a way of improving vehicle aesthetic appeal. The investigation used a netnographic design (Kozinets 1998) to map those enthusiasms as participants report how they redesign and restyle the look of vehicles.

Focussing on virtual communities of car consumption, a number of online sites were visited where consumers might display their enthusiasms towards cars and their modification. The investigation began with visits to several newsgroups, including: MBWorld Discussion forum; VWvortex forum; Mini2.com; and Hondacivicforum.com. The decision was made to generate data through non-participant observation, otherwise known as ‘lurking’ in the context of internet communication (Kozinets 1997; Maclaren and Catterall 2002). This choice was made on the basis of reports that researcher incursions, or requests for help be unwelcome in cyberspace (Kozinets 1998; Maclaren and Catterall 2002). Kozinets (1998) discusses the ethical issues involved in such research, and following his advice the study protects the anonymity of our respondents through the deletion of any personal details such as usernames, car registrations etc, focussing
instead on such anonymous details as the number of posts, cars driven etc to distinguish between respondents.

In terms of the quantity of data generated, a search of the car lounge forum (vwvortex.com) using the term ‘debadging’ yielded a total of 175 results or discussion threads. Subsequent postings ranged in number from 1 to 117. Due to the high quantity of traffic on this site, the decision was made to focus our enquiry at this stage on the exchanges made on the vwvortex.com car lounge forum, especially the message board known as the car lounge. The decision was also prompted by the finding that this message board was not only attractive to fans of Volkswagen cars, but also to fans of Audi, BMW, Mercedes and Volvo. Furthermore, this virtual consumption community is international in character, participants hailing from countries including Australia, Austria, Canada, Finland, UK and USA. The strength of participant enthusiasm on this site is indicated from the statistics which reveal that the forum receives over 800 posts per day, or around 35 postings per hour on topics relating to the cars and the car industry. Over 1000 pages of text were downloaded relating to the topic of debadging. Two general observations emerge from this body of text. First: although the forums are used for exchanging information and advice, they are also used for venting and expressing passion for cars and identifying like-minded others. Second: on the issue of the visual appeal of cars and their modification, car aficionados are not only seen as opinion leaders, but also as stylists and designers enacting forms of everyday resistance through using discussion boards as key reference sites for asserting status through the presentation of self via calculated displays of knowledge.

The Everyday Aesthetics of Debadging

Our analysis of reports of what participants do with their cars begins with an examination of the cultural significance of debadging. The tactic of debadging refers to the removal of brand-related signage from the exterior of the car. In the majority of cases such signage is located to the rear of the car. Numbers, letters and logos indicative of the make and model of car are removed. To explore why such tactics are adopted the question ‘why do people debadge’ was posed on several web forums. Our curiosity about possible answers to this question was shared by several discussants. One commented, ‘Alright, I’ve been wondering about this for a while now: What exactly is the appeal in debadging your car? I’ve never understood why people do it.’ The question attracted a variety of answers, ranging from the view that badges and brand livery ‘clutter things up’, to the view that their removal produced a look that was ‘less busy and more appealing to my eyes’. Some discussants spoke of how the socially desirable look and appearance of a car should communicate ‘clean looks’, or a look that was ‘fresh’ - it being generally held that ‘badges date the car’. For others, the desired look was one of ‘smooothness’, what some referred to as the ‘sleeper’ or ‘stealth’ look.

The focus upon styling and design aesthetics is significant, for as Barthes (1957) observed “it is well known that smoothness is always an attribute of perfection because its opposite reveals a technical and typically human operation of assembling: Christ’s robe was seamless, just as the airships of science-fiction are made of unbroken metal” (ibid, p.88). For Barthes the smooth streamlining of the Citroen DS body shape marked a transformation in the mythology of the car, it being cherished for its almost magical qualities. To better appreciate the significance of design aesthetics, Lury (2004) suggests it is necessary to consider the meaning of the term design and she notes that “to design is to shape the future. The Italian for design is progetto, or architettura – project, or architecture. These expressions clearly convey how design gives physical shape to ideas that will affect people’s lives” (ibid, p.39). The ability, in other words, to ‘de-sign’ through the tactic of de-badging reveals that at the everyday level, design is about finding solutions, making do and overcoming contradictions through improvisation and collective innovation. For many discussants car modifications focus their efforts on achieving a desirable stylistic look, where the reclamation of the act of de-signing is, paradoxically, intended to achieve anonymity, while at the same time generating resources for pursuing identity projects. Reclamation is also a form of investment in cultural capital, where debadging practices were engineered to speak to those ‘in the know’, those who understand; and also to exclude others on the basis of their lack of inside aesthetic and technical knowledge and appreciation. As one discussant aptly suggested:
Several discussants reported that debadging was motivated simply by the desire to fool others into thinking that their cars were of a higher specification than was the case, as in the suggestion that “People don’t need to know it’s a shitty poverty spec car any more”.

Enthusiastic car modifiers thus appear to be involved in games of social distinction, for as Bourdieu (1992) observes, “The classifying subjects who classify the properties and practices of others, or their classifiable objects which classify themselves (in the eyes of others) by appropriating practices and properties that are already classified (as vulgar or distinguished, high or low, heavy or light etc. – in others words, in the last analysis, as popular or bourgeois) according to their probable distribution between groups that are themselves classified” (ibid, p. 482). According to this logic debadging serves to classify the debadgers, despite attempts to render their acts as beyond the logic of the market.

An alternative reading of such practices might theorize enthusiasts as designers for whom ‘making do’ (de Certeau 1984) is achieved through their attention to aesthetic considerations, or as one of the discussants trenchantly stated:

“I think the main reason is because what the factory thinks looks good, is not always what the consumer thinks”

This statement of consumer empowerment is supported by those other discussants who justified their actions as a particular form of cultural politics. For example, one discussant commented:

“I don’t really understand the reasoning behind badges in the first place. You know what you drive, so why does it need to be on the car at all? And once I see one sample of any given car, I know that car the next time I see it without the need to be reminded. So maybe it’s just for stupid people? 😒.”

And expressing their antipathy to the practice of advertising itself, another discussant comments that:

“I feel no need to advertise. I paid my money, it is what it is, and if you don’t know what I’m driving - you don’t need to know…and if someone comes up to me and spouts off factual information about my vehicle, well then we’ve got something!”

In the above comments the consumption practice of debadging not only manifests a form of cultural questioning, a critique which is sufficiently reflexive to see that things can be different; but, more importantly, it indicates how status ambitions and narratives of identity are comingled with expressions of cultural capital:

“I used to get all kinds of attention in the VW's I drove, it was easy to tell the wanted/unwanted from the first little back and fourth...my car was debadged completely, mk2 GLI. and if the first question was “2.0 or 1.8?” I knew I was talking to someone I didn’t have to educate... if it was, "what's this thing got for balls?" I knew I was talking to someone who needed to go for a hell ride with me until they lost their lunch, then tell them how I made it go that fast... haha”

On the making of social difference, Fiske (1988) observes that “tactics have no place, but create a space of their own within the place of the enemy” (ibid, p. 288). Discussants at this level appear quite sophisticated in terms of their understanding of car modification, their appreciation of the ways of operating within this terrain, and restless in their pursuit of the recognition and respect that comes with status within the group. Moreover, they appropriate the language of the marketers and advertisers themselves, when they define their practices as one of ‘brand re-engineering’. This practice thus appears motivated by the desire to re-appropriate the car by means of personalizing it through debadging which can also be seen as a divestment ritual employed to empty-out the marketing-produced brand meanings attached to the object-car
through advertising and other forms of profit-motivated representation. Reading this as a cultural practice which has at its root the desire to strip the car of producer interest is captured in the following comment, “I don’t like advertising for free”. In this sense the practice of debadging is understood as a tactic for reclaiming control of the representational space that is the car, so to escape the logic of market, and to avoid being ‘labelled and branded’ as a particular type of consumer (Poster, 2004). As one discussant comments:

“There are soooo many logos and badges on cars nowadays it kills me. I don’t have any VW logos on the exterior of my car now”.

In their critical analysis of advertising, Harms and Kellner (1991) conclude that in “dream[ing] of a world without advertising of the sort that litters contemporary capitalism...and in a world without advertising perhaps individuals could finally attempt to discover and determine what they really wanted to be and to discern for themselves what kind of a world they wanted” (ibid, p.65). Some of the reasons given for debadging cars suggest that a form of critical theorizing is being practised in the everyday lives of car enthusiasts. A finding perhaps that echoes McLaughlin’s (1996) idea of ‘vernacular theorising’ at the level of micro-practice.

The tactic of ‘keeping people guessing’ can also be interpreted as critique of the brand as a source of cultural and consumer value - in the words of Firtat and Venkatesh (1995), a way to ‘register rebellion’ and signal affiliation. The act of reclaiming the car and its representational space is reminiscent of Klein’s (1999) examples of countercultural groups who attempt to reclaim the public space of the street through attacks on public advertising hoardings. The car in this sense is rendered as an all-too-public ‘canvas’, with the accoutrements of the brand, its signs and lettering akin not to a source of value, but rather a form of pollution, the brand being seen as a form of dirt which is simply ‘matter out of place’ (Douglas 1999). Through such practices of emptying-out the brand (cf. Marcoux 2001), car enthusiasts are able to construct and maintain a critical sense of self, so that the tactic of ‘keeping people guessing’ also supports claims of difference: differences of status and of reputation; differences of aesthetic taste; and differences borne of competing knowledge claims, a point that is revisited in the next section.

Making room for resistance

To further explicate the act of debadging the significance of the ‘social space’ of web forums is viewed in Foucauldian terms, where such social space brings forth particular forms of human relations. For example, in the interview ‘Space, Knowledge and Power’ Foucault (1986) discusses the significance of the problem of the chimney:

“...at a certain moment it was possible to build a chimney inside the house – a chimney with a hearth, not simply an open room or outside the house; that at that moment all sorts of things changed and relations between individuals became possible...Why did people struggle to find the way to put a chimney inside the house” (ibid, p. 253).

Foucault’s answer is to suggest the importance of ‘interconnection’. And in much the same way Kozinets (1999) suggests that “the online environment can under many circumstances be used as a medium of meaningful social exchange” (ibid, p. 253). He argues that it makes possible particular forms of sociability and community through facilitating exchanges between like-minded enthusiasts, wherein they share experiences, swap views and offer each other support and information. This generates space, a room in which the conditions of possibility of resistance are fostered and encouraged. For example, some of the internet threads appear to be designed to foster support and encouragement, with discussants asking questions for guidance (“Which do you like?”) and others reciprocating by sending their own photographs of the debadging work they had performed on their own cars. Instances like this suggest the extent to which the web forums serve as spaces for the exchange of judgements of taste à la Bourdieu (1984).

In discussing the notion of consumer freedom expressed in the works of Bauman, Warde (1994) observes that “any insecurities they might have (regarding confirmation of the self-identity that they have
This practice opens up how car enthusiasts might be ‘playing with the pieces’ (Baudrillard 1998) and creating a world in which a WRX can be ‘rebadged’ as a Porsche Turbo. The text collected from the web-forums indicates that discussions frequently take place over games of distinctions that energise car enthusiasts, such as the arrangement of lettering and numbers. Instances of poking fun have also been revealed, where, for instance, reports told of the letters of Range Rover being rearranged as ‘Ran Over’, ‘Hang Over’ and ‘Mange Rover’. In a contribution from Australia, the following fun instance was cited: ‘There’s a Mitsubishi Express van that I’ve seen around Artarmon a few times, that is owned by a fish monger. The Mitsubishi has been changed to read – ITS FISH!’. However, harmony and humour are not always apparent on the web forums and there is evidence that space is available for airing different views on debadging. The text suggests that enthusiast’s passions and commitments can occasionally engender discord, especially where terms are bandied around that can easily be interpreted as carrying perjorative or insulting intent. For example, some discussants spoke of debadging in terms of it making a car look ‘retarded’, or ‘naked’ and ‘bald’. Others described debadging (and by implication debadgers) as being ‘stupid and immature’, and that it was ‘something 16-25 year olds would do’ to try to fool others: ‘People debadge their car mainly to make other people think their 2.0 is a chipped 1.8t Drag Monster’. In this sense, the forums are a melting pot of divergent ideals, aspirations and lifestyles where we glimpse the productive capacities of social production, for as Arvidsson writes: “Social production is driven by a paradoxical combination of, on one hand, community-oriented sharing and, on the other, the rational and reflexive pursuit of self-interest. Indeed, one gives to the community to increase one’s own standing and charisma, or the size of one’s networks.” (2008, p. 333).

Conclusion

“Original, creative thought is the manifest ability to see Nobody on the road...We raise our vision of reality by seeking out and recognizing the self-contradictions inherent in our thinking. We have to make visible, the paradoxes that dwell in macromarketing. All fields possess paradoxes, but they rest on the fringe of consciousness. The paradoxes inherent to macromarketing have to be brought to the center of our attention for careful study.” (Monteson 1981, p.21).

The paper is built on two basic points of departure. The first considers the limits of contemporary anti-consumption discourse, arguing that consumer research needs to move on from celebrations of resistance as consumer activism and boycotting activity, towards the idea of consumer resistance as a cultural economy of the everyday in which cultures of consumption and anti-consumption circulate and feed-off one another. For as Littler (2005) suggests, the rhetoric and politics readily deployed by anti-consumerism needs to “move beyond the limited binaries of ‘dominance and resistance’ by extending models of cultural politics understood in terms of articulation and transformative practice” (ibid, p. 228). This leads nicely into the second point of departure which provides theoretical resources by means of which to frame the ideas of consumer culture, resistance, articulation and transformation. To do so, the paper makes used of the work of Arnould and Thompson (2005) who discuss the constitutive and productive aspects of consumption, noting that the “marketplace has become a pre-eminent source of mythic and symbolic resources through which [people] construct narratives of identity” (ibid, p. 871). They remind us that not only do consumers actively rework and transform symbolic meanings, in this case through modifying cars, but that through a variety of everyday practices they use “marketplace cultures [to] define their symbolic
boundaries through an ongoing opposition to dominant lifestyle norms and mainstream consumer sensibilities” (ibid, p. 874). The paper builds on those ideas through revisiting the work of de Certeau (1984) and de Certeau et al. (1998) in order to frame the study of consumer resistance through everyday practices by means of which unruly consumers improvise ways to articulate tactics of resistance through improvised acts of bricolage that surround debadging practices. The netnography has proved to be a valuable way of entering the field and gaining familiarity, via the analysis of online exchanges, with the discursive resources in circulation around the topic of debadging. And we are reminded of Slater’s work (1994) in comparing the tactics of postmodern consumers with those of their modern counterparts:

“Consumer culture is a fancy-dress party in which we dress up our everyday lives in ever-changing costumes, drawn from an inexhaustible wardrobe and driven by impulses which are themselves prompted by the life of the party rather than the life outside it. On the other hand, the postmodern consumer is reckoned to be ironic and knowing, reflexive and aware of the game being played. In a sense, the mass consumer of modernity was suckered – was truly conformist, really wanted things, was really in the game. The postmodern consumer in contrast is hyper-aware of the game itself (indeed, that is the only way to play it). This consumer must have considerable cultural capital in order both to make sense of mobile and detached signs and to be able to treat them as just signs; must obtain pleasure not from the things themselves but from the experience of assembling and deconstructing images; must be free of obligations to finalities in order to keep in view the play of signs, and keep up with it.” (1994, p. 197-198)

The consulted web forums enable us to witness the confrontations and negotiations between these opposing stances to brand consumption, each with their own logic of value surrounding the significance and place of brands. With some discusants committed to the brand (ie. the “Why would you not want someone to know you were driving a VW” response), while others appear to adopt a strategy of debranding as a tactic to produce a car which is an anti-sign.

Indeed, in framing contemporary advertising as hypersignification, Goldman and Papson (1996) remind us of the successful strategy of selling Subaru as an anti-sign: “A car is just a car. It won’t make you handsome or prettier, and if it improves your standing with your neighbours, then you live among snobs” (1996, p. 47). It appears that many of the car enthusiasts who contributed to the online discussions we followed operate with a similar logic: that is, through erasing the brand they are implicitly criticizing the immutability of the system of signs which operates within consumer capitalism. Such a tactic brings us back to Jameson’s (1989) suggestion, that is having spent most of the essay illustrating how postmodernism serves merely to reinforce the logic of consumer capitalism, he leaves the reader with the idea that “the more significant question is whether there is also a way in which it resists that logic” (ibid, p.125). Debadging thus appears as one such tactic which attempts to resist the logic of consumer capitalism and its obsession with sign-value through erasing such signs.

As consumers enrich their repertoire of online activities, it seems that businesses need a resource for web-based environmental scanning, where it monitors the development of cyber-communities based around consumption and marketing interests. Kozinets (1999) coins the term ‘Virtual Communal Marketing’ to describe how firms must learn from online observations about emerging forms of consumer groupings, especially where signs of activism and resistance are in circulation. Online environmental scanning will help firms generate a more detailed understanding of how consumers actually use their goods and experience their services. It seems that this activity will be worth investing in, for as Kozinets advises, “the existence of united groups of online consumers implies that power is shifting away from marketers and flowing to consumers” (ibid, p.258). The shifting of power to the dynamic nexus of consumer to consumer exchanges is critical here, made possible through the vitality of the global platforms of brand community and brand affiliation. Which is not far removed from Mittelstaedt et al’s (2006) suggestion that central to macromarketing is the belief that “markets are embedded in a network of social relationships, the agora…”[They continue]…much of the work of macromarketers during the past twenty-five years has been devoted to calculating the uncalculated.” (2006, p. 135).  

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More so, and to make explicit implications for macromarketing we witness how unruly bricoleurs through their debadging attempts attempt to render the value logic of brands and branding as somewhat passé and all-too-limiting in their attempts to stand out from the crowd; instead their efforts are more akin to Arvidsson’s move to an ethical economy wherein “socially recognized self-expression is the main motivation and community contribution is the main measure of value.” (2008, p. 326). Consumption practices thus become all-important for how consumers navigate macro-forces like the global sign economy at the micro-level. Moreover, they employ the value logic of branding but turning such logic on its head to open up new forms of communication with like-minded others through subversion and twisting existing communication. Consumption practices also represent important instances of consumer innovation and exchange to reveal the complex interplay between power and resistance, brands and consumers, for as Foucault elaborated: “…discourse can be both an instrument and an effect of power, but also a hindrance, a stumbling block, a point of resistance and a starting point for an opposing strategy. Discourse transmits and produces power; it reinforces it, but also undermines and exposes it, renders it fragile and makes it possible to thwart it.” (1979, pp.100-101). Within the text of such online forums we reveal the extent to which branding discourses are undermined and exposed, the limits of branding and the attempts to thwart its beguiling logic and appeal made explicit. It is no coincidence perhaps that consumers use the logic of branding itself, inverting this logic and power through their social productions to unfold new forms of communal understanding, in the search to recalculate the in calculable character of social relations. Debaging as we have endeavoured to demonstrate in this paper is one such creative act, an instance of collective innovation, design and theorizing - an attempt to see beyond the paradoxes and contradictions of our current frames of reference and understanding; an attempt in other words to see “No [Brands]… on the road”.

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Willis, Paul; Jones, Simon; Canaan, Joyce; and Hurd, Geoff 1990. Common Culture: Symbolic Work at Play in the everyday cultures of the young. Milton Keynes: Open University Press.
Musical Contributions to Consumer Activism – 1955-1975

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Marketing literature on consumer activism has always acknowledged the role of journalists, politicians and scientists from outside the discipline. In this paper we look at examples of contributions from musicians over a twenty year period that coincides with what is recognized as the permanent establishment of the consumer movement. Selected music lyrics are analyzed using the framework for describing new social movements developed by Touraine and Duff.

Introduction

In their assessment of marketing theory Sheth, Gardner and Garrett (1986) recognized activism as one of their twelve distinctive schools of thought in the subject. While unifying themes and purposes can be easily recognized in most of their other schools this does not seem so evident with the activism school of thought. Activism literature is mainly non-managerial but some writers cited in this area (e.g. Drucker, 1969) wrote about the importance of responding to activism because of the managerial consequences. If there is a single common thread in the literature on activism reviewed by Sheth, Gardner and Garrett (1986) as part of this school is it possibly reflects a different view of the market place in which traditional ideas of consumer sovereignty are challenged and controls are advocated in order to ensure that consumer rights are met adequately. One of the main problems in identifying the real themes in activism is the variety of sources and literature that are encapsulated in the review. While there has been literature on consumer activism in marketing publications since the late 1960s and early 1970s many writers quoted in the area would not be classified as either marketing academics or practitioners, for example, Packard (1959; 1960), Kennedy (1962), Carson (1962/00), Nader (1978; Nader and Green, 1973) or more recently Klein (2002).

In this paper we wish to acknowledge a further source of material on activism arising from the arts and creative industries, in particular music. This is not a comprehensive content analysis of activism in music over the decades but an initial study demonstrating the potential place of some artists in the activism movement. To examine how musicians have contributed to activism we are taking advantage of new social movement theory as developed by Touraine and Duff (1981) and Melucci (1988; 1996; Melucci, Keane, and Mier, 1989) in particular, and already referred to in a marketing context by Cova (1989) and Kozinets and Handleman (2004).

Background and Context

While his perspective primarily deals with the US context of consumerism, Hermann (1970) describes three different era’s of consumer activity. The last of these he dates to the 1950s and onwards. He makes the significant case that this period has been different to previous periods where activism has been a temporary phenomena based around opposition to particular events. Since the 1950s consumer activism has been established as a permanent phenomenon in developed economies with the formation of national consumer associations and continuous lobbying on different issues associated with a range of consumer rights that were ultimately adopted by the United Nations General Assembly in 1985. In this paper we focus on the period from the late 1950s through to the mid 1970s which was a time of great structural, technological and behavioral change in society. The 1960s are also remembered for strong activist movements in both Europe and North America with the environment, politics and war at the focus of the opposition. Singers like Joan Baez (http://www.joanbaez.com/) were clearly at the forefront of such protests but examination of lyrics from that period suggests that both consumer lifestyles and the activities of corporations were also important aspects of protest. The decision to conclude our reflections in this paper in
the mid-1970s is essentially one of convenience. The consumer movement has not ‘gone away’ since that time but the issues have certainly changed. Additionally, within this first period we believe there is ample evidence from musical sources to link to the elements of new social movement theory for the purposes of the objective described earlier.

Amongst the structural changes that have been acknowledged as contributing to the establishment of consumerism on a permanent basis is this time have been both rising education levels (Kozinets and Handleman 2004) and also the development of television with mass advertising which provided constant reminders to consumers of marketers’ attempts to influence their behavior. Packard (1960), in particular, saw this as a great threat to independent thought and behavior. Another market and societal change that coincided with this period was the establishment of the mass music industry. While radio had provided general access to music for a number of years, the late 1950s saw the widespread adoption of record players in the home and the explosion of the record industry – a phenomenon addressed by the great British duo Flanders and Swann in their “Song of Reproduction” (1957) produced as part of their revue ‘At the Drop of a Hat’ which ran continuously in London to full houses every night for nearly two years in 1959 and 1960:

“Today for reproduction, I’m as eager as can be. Count me among the faithful fans, of high fidelity. High fidelity Hi-Fi’s the thing for me. With and LP disk and an FM set, and a corner reflex set.”

Flanders and Swann wrote a number of songs that, while all humorous, clearly poked fun at consumers’ wishes to adopt material possessions to extraordinary lengths. “Design for Living” (1957) from the same source provides a long diatribe on conspicuous consumption exemplified by the following lines:

“We’re terribly House and Garden; the money that one spends. To make a place that won’t disgrace our House and Garden friends.”

In the context of Touraine and Duff’s framework for analyzing social movements (1981) the lyrics in “Design for Living” illustrate aspects of identity. This is the first principle issue discussed by Touraine and Duff in defining a social movement, along with opposition and totality. Membership of a social movement in some way contributes to the individual’s self image and to the formation of their identity. Quite simply, people choose to join social movements which have some degree of ‘psychological or attitudinal fit’ (McAdam and Paulsen, 1993, 642). They desire to be part of a group that shares similar values and beliefs.

Touraine and Duff’s second element is opposition and defines how the activist movement relates to a common adversary. In consumer movements it is presumed that this usually takes the form of opposition to business, or perhaps government in the case of public services, but it can also take the form of opposition to other groups of consumers. Clear and extreme examples of the latter can be seen in recently reported examples where people have spiked the tires of fuel inefficient vehicles where people have spiked the tires with nails or placed embarrassing videos on U-tube [http://www.youtube.com/watch?v=DpoXxCH_Qro] [http://www.youtube.com/watch?v=JNffIHoCPFk&feature=related]. Where opposition is manifested against types of consumers, it can be difficult to differentiate identity from opposition since people can create the former by disassociating themselves from particular groups. Apart from opposition to mainstream culture (Kozinets and Handleman 2004), opposition has been identified in different ways in the literature – dissatisfaction (Garrett, 1986), power (Kotler 1972, Sadler 2004), multinational corporations and anti-globalization (Kozinets and Handleman 2004).

The final element of Touraine and Duff’s framework concerns totality which is fundamentally concerned with the goals and objectives to be achieved by the social movement. In the concept of totality these are also linked with a call to action. Hermann (1970) identified the problems of discerning clear goals for the consumer movement in its overall state. Furthermore, Mirosa’s typology of food related consumer movements (2008) makes it clear that in reality there is no single cohesive consumer movement but rather a
mix of social movements with their own agendas. Consequently we expect considerable variation in the
goals expressed by different groups of activists within the broad boundaries of what is generally termed the
consumer movement.

The three elements of Touraine and Duff’s framework were used to identify overall themes as
suggested in methods for content analysis so that we could systematically identify and categorize the
communication content in the song lyrics (Berger 2000, Kassarjian 1977). Music lyrics since the 1950s are
available in several searchable Internet sites – lyrics.com; elyricsworld.com; azlyrics.com – and on artist’s
websites. These sites were searched for key words that could be linked to aspects of consumer behavior such
as money, image, shopping, brands. Over 100 potential songs were identified as possibly being relevant for
the study which was deemed more than sufficient for an initial exploratory investigation.

Findings

Identity

Aspects of self image and identity are revealed in many songs. Often they are presented in a
humorous vein such as The Kinks song by Ray Davies ‘Dedicated Follower of Fashion’ (1966)

“They seek him here, they seek him there,
His clothes are loud, but never square.
It will make or break him so he’s got to buy the best,
Cause he’s a dedicated follower of fashion”

Davies uses famous London spots such as Carnaby Street that were trendy in the 1960s as reference
points to be seen in gaining status, while another songwriter from the same period, Peter Sarstedt, used Juan-
les-Pines and St. Moritz as status points in his song “Where do you go to my lovely?” (1969) that
emphasizes the superficial nature of consumption and how the real self is unaffected by living the life of the
jet setter:

“When the snow falls you’re found in St. Moritz
With the others of the jet set
And you sip your Napoleon Brandy
But you never get your lips wet.
But where do you go to my lovely
When you’re alone in your bed
Tell me the thoughts that surround you
I want to look inside your head.”

Skepticism of authenticity and criticism of pretence also comes through in lyrics by Bob Dylan
(Leopard-Skin Pill-Box Hat, 1966):

“Well, you look so pretty in it. Honey can I jump on it sometime?
Yes, I just wanna see if it’s really the expensive kind....
Your brand new leopard-skin pillbox hat.”

To achieve a similar objective in “Mercedes Benz”, Janis Joplin (Joplin, Neuwirth and McClure
1971) uses strong irony by apologizing for her inability to be able to drive the right kind of car:

Oh lord, wont you buy me a mercedes benz
My friends all drive porsches, I must make amends.
Worked hard all my lifetime, no help from my friends,
So lord, wont you buy me a mercedes benz?
The lyrics of a less well known song composed by Sarstedt entitled ‘Many coloured semi-precious plastic Easter egg’ (1969) deal with possessions and how they form part of identity. In the lyrics below he invents an absurd series of products and he clearly links ownership and identity in a way that seems to be describing the idea of the extended-self as Belk (1988) came to define it and bring it into the consumer behavior literature 20 years later.

“Those lovely things, I miss them so, you ought to know by now.
Those lovely things, I need them most, they rule my life somehow.
Many coloured semi-precious plastic Easter egg;
Green-eyed mojo praying mantis antique rosewood dice;
Early English Russian influenced porcelain caviar spoon;
Pre-cast concrete handmade cufflinks smuggled from Japan.”

Opposition

As noted above opposition can be directed to other consumers or towards business. An example of opposition toward other consumers is found in another song by Ray Davies – ‘Plastic Man’ (1969). In these lyrics Davies questions the authenticity of the conformist consumer by reference to the new material of the 1960s and all that it symbolized as a cheap substitute:

“He’s got plastic flowers growing up the walls,
He eats plastic food with a plastic knife and fork,
He likes plastic cups and saucers ’cause they never break,
And he likes to lick gravy off a plastic plate.
Plastic man got no brain,
Plastic man don’t feel no pain,
Plastic people look the same.”

Perhaps the most famous band to write oppositional lyrics to business in the 1960s would be the Beatles who decry corporate greed in ‘Piggies’ (Harrison, 1968)

“Have you seen the bigger piggies in their starched white shirts
You will find the bigger piggies stirring up the dirt
Always have clean shirts to play around in.
In their sites with all their backing they don’t care what goes on around
In their eyes there’s something lacking, what they need is a damn good whacking”.

More specific direct opposition to marketing and notions of added value through convenience can be found in Fripp and Sinfield’s lyrics ‘Catfood’ (1970) performed by the band King Crimson. The lyrics of this song are clear in their detestation of pre-prepared low grade convenience food:

“Everything she has chosen is conveniently frozen.
Eat it and come back for more!
Lady window shopper with a new one in the hopper
Whips up a chemical brew;
Croaking to a neighbour while she polishes a sabre
Knows how to flavour a stew.
Never need to worry with a tin of hurri-curri;
 Poisoned especially for you!”

Totality

Objectives and purpose are not quite so evident in most of the music lyrics we analyzed. At a general level there are many examples of artists calling for world peace or expressing desires for love, truth
and compassion. Obvious and well known examples of these type of songs from the period under consideration include Bob Dylan’s ‘Blow in the Wind’ (1963) and John Lennon’s ‘Imagine’ (1971). However more specific consumer activist objectives were not so easy to discern. Exceptions to this from 1973 are two songs from the Genesis album ‘Selling England by the Pound’ - ‘Dancing with the Moonlit Knight’ (Banks, Collins, Gabriel, Hacket, and Rutherford, 1973) and ‘Aisle of Plenty’ (Banks et al., 1973). The Moonlit Knight is an allusion to the Green Shield trading stamp, a very successful loyalty scheme that was particularly associated with Tesco supermarkets at that time. Examples of lines from this song include the following:

“Citizens of hope and glory; Time goes by – it’s the time of your life. 
Easy now sit you down. Chewing through your Wimpey dreams, 
They eat without a sound, digesting England by the pound. 
Young man says you are what you eat – eat well. 
Old man says you are what you wear – wear well. 
You know what you are, you don’t give a damn; 
Bursting your belt that is your homemade sham.”

This and other sentiments in the song are a call to action to change consumption and move from the mass produced standardized product as typified by Wimpey food. In ‘Aisle of Plenty’ (Banks et al., 1973) Genesis display both opposition to the large supermarket chains and call for consumers to escape their clutches.

“‘I don’t belong here’, Said old Tess out loud. 
“Easy love, there’s a Safe Way home.”
- thank you for her Fine Fair discount, Tess Co-operates 
Still alone in o-hell-o – see the deadly nightshade grow.”

The sentiments on the album ‘Selling England by the Pound’ were reinforced by the way Genesis produced and performed the material on tour. Peter Gabriel, as lead singer, dressed in an elaborate Britannia costume and part of the Genesis message was clearly related to how they saw national identity being changed and devalued by commercial activity. In marketing we tend to see the relationship between country and product as a top-down effect where image spills over from general cultural phenomenon to the brand or product. Genesis identify the reverse effect and in this respect they are signalling later activist concerns and complaints about the effect of international brands such as McDonalds and Starbucks on transforming local culture.

Conclusions

We believe the examples reviewed in this paper are typical of the ones we uncovered for this period although we have not as yet subjected that claim to any systematic scrutiny. The easiest themes to identify were those related to identity and particularly the acquisition of image and status through consumption. This is a popular theme in many more lyrics than can be associated with activism in any way. For example, the lyrics from several of the Beachboys songs from the 1960s can be linked to rituals associated with belonging to the Californian surfing culture of the time, but they are not critical in the way that we have interpreted the examples of lyrics quoted in this paper. Questioning of the substantiveness of image attained through consumption means that opposition sentiments against materialistic consumers seem as prevalent as those actually against business.

This short analysis has demonstrated that musicians were participating in the activism movement in this period and also that song lyrics could potentially be a valuable source of material for historical analysis of consumer activism. We would expect that issues would change over time so that variations in identity, opposition and totality can be matched to different time periods. Such changes may be based on responses to external pressures, for example particular environmental concerns like global warming, or they may result from the initiatives of particularly influential artists. Looking at the 1980s for example we would expect to
see the influence of Bob Geldof around issues relating to trade, income distributions and poverty. We plan to extend this research using content analysis to quantify issues identified in musical activism over time.

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Fripp, R., P. Sinfield and I. McDonald. 1970. Cat Food [Recorded by King Crimson]. On In the Wake of Poseidon [LP], UK: Island Records.


Sarstedt, P. 1969 Where do You go to my Lovely? On As Though it were a Movie [LP]. EMI Records.
Marketing and Transition Economies: An Economic Perspective

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The 20th century presented dramatic changes in the economic power relationships in the world. Based on GDP (PPP terms) and taking the US 100, the relative size of 5 big countries were the following in 1900: Britain 62, Russia 48, Japan 17, Germany 40, France 32. One hundred years later, in 2000, the figures were the following: US 100, Britain 15, Russia 13, Japan 35, Germany 21, France 15. (Sources: The Economist June 29 2002. A. Maddison: The World Economy in the 20th Century. OECD Paris 1989) Taking USA as a benchmark, the sluggish European development is astonishing. Even taking into account the last year’s turmoil and the weak US dollar, the differences are huge.

Economic historians argue that some of the Central-Eastern European economies lost their relative development comparing to the West-European economies at least with 50 % in the last Century. This could have been one driving force behind the collapse of former socialist systems. The political system change was followed by economic system change. The so called command economy was substituted with the market economy. The market economy goes parallel with marketing. The basic question of the paper is: how are related the marketing tools, marketing institutions to the economic development in general, and especially in the transition economies. Based on the literature analysis (e.g., Lavigne, Marie (1999): The Economics of Transition; From Socialist Economy to Market Economy, Second Edition, Palgrave, New York, Hunt, D. Shelby (2000): A General Theory of Competition, Sage Publications) a conceptual model will be developed and confronted with statistics and empirical data.

For confrontation of the theory and practice, the EBRD transition reports will be used. The European Bank of Reconstruction and Development every year publishes the Transition Report of the year. “The transition Report offers an in-depth analysis of economic progress in 29 countries from central Europe to central Asia. Drawing on the EBRD’s experience as one of the largest investors in the transition region, the Report provides comprehensive analysis of the transition from central planning to market economies. In the year of 2007 drawing on a survey of 29,000 people across 29 countries, the Report analyses how the transition to market economies and democracy has affected the lives of ordinary citizens across the region.”

Relying on other surveys from the region, especially regarding the countries joined to the European Union in 2004, the role of privatization and the foreign direct investments in marketing will be discussed. The microeconomic foundation of macroeconomic development might be a key driver of the economy. The case of Hungary shows that it is not enough for sustainable competitiveness.
Trust for Market-Related Institutions, Attitudes toward Marketing, and Perceptions of QOL: Turkish Perception Above and Below the Poverty Line

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This study deals with the relationships between Consumer Trust for Market-Related Institutions (CTMRI), Consumer Attitude toward Marketing (CATM), and Subjective Quality of Life (QOL) for consumers in Turkey. A comparison of those above the poverty line in Turkey with those below the poverty line suggests that the relationships among these three constructs differ markedly across the poverty line.

Consumer sentiments toward marketing practice (i.e. CATM) can be viewed as a critical indicator of the marketing system’s performance in delivering well-being and QOL to consumers (e.g. Peterson and Ekici 2007). Researchers also noted that degree of trust individuals accord to institutions of society contributes positively to higher QOL for individuals in that society (e.g. Nicholas 1990). However, to date, no research has investigated how consumers’ evaluations of the marketing practice as well as their (trust) evaluations of societal institutions, simultaneously, relate to individuals subjective QOL. In other words, our paper offers a unique perspective to QOL studies as it investigates not only the relationship between QOL and sentiments toward marketing practices, but also between QOL and trust for the market-related institutions in the broader environmental (business) context within which marketing practices take place.

In our study, CATM focuses on important activities of business, such as provision of goods and services, advertising, pricing, and retail environments; CTRMI focuses on consumer perception of trust for market-related institutions, such as government regulators, consumer groups, business and manufacturing, and both news and entertainment media. Importantly, the design of our study allows a comparison of those above the poverty line with those below the poverty line in the context of a developing (Balkan) country—Turkey. The focal research question of our study compares the relationships among CTRMI, CATM, and QOL across two groups separated by the poverty line.

A survey was conducted with a broad cross-section of Turkish consumers 21 years of age and older. The data was collected in the three largest metropolitan cities in Turkey (Istanbul, Ankara, and Izmir) and in a large size Black-Sea town. A total of 264 respondents (132 representing each income group) comprise the final sample in our study.

The results of the structural equation modeling (multisample confirmatory factor analysis) indicated that significant positive correlation exist between CTRMI and CATM for both groups. However, significant positive correlations were found between CTRMI and QOL and between CATM and QOL for consumer below the poverty line, while no such significant correlations exist between the same set of constructs for those above the poverty line. In other words, poor people who report more negative attitudes toward marketing practices would tend to report lower QOL, and likewise, poor people who distrust market-related institutions would report lower QOL. Similarly, poor people who report more positive attitudes toward marketing practices and more trust for market-related institutions would report higher QOL. By comparison, CATM and CTRMI appear to be independent of QOL for those living above the poverty line.

These striking results suggest that the QOL of the poor in Turkey is related to trust for market-related institutions and attitudes toward marketing, while QOL is independent of these two constructs for those above the poverty line. An important implication for macromarketing thought is that the provisioning and protective aspects of markets and their related institutions are more salient in the lives of the poor.
Table 1. Average Combined Monthly Household Income

<table>
<thead>
<tr>
<th>Household Income Bracket</th>
<th>Frequency</th>
<th>Per Cent</th>
<th>Cumulative Per Cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am a dependent and I don't know</td>
<td>28</td>
<td>8.8</td>
<td>8.8</td>
</tr>
<tr>
<td>&lt; 500 YTL</td>
<td>44</td>
<td>13.8</td>
<td>22.6</td>
</tr>
<tr>
<td>501 - 1,500 YTL</td>
<td>114</td>
<td>35.8</td>
<td>58.5</td>
</tr>
<tr>
<td>1,501 - 3,000 YTL</td>
<td>78</td>
<td>24.5</td>
<td>83</td>
</tr>
<tr>
<td>3,001 - 5,000 YTL</td>
<td>25</td>
<td>7.9</td>
<td>90.9</td>
</tr>
<tr>
<td>5,001 or more YTL</td>
<td>29</td>
<td>9.1</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>318</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Table 2. Construct Items Used in the Study

**Quality of Life**

q2.1 - My life is close to my ideal.
q2.2 - Conditions of my life are excellent.
q2.3 - I am satisfied with my life.
q2.4 - I have gotten the important things I want in life.
q2.5 - If I could live my life over, I would change almost nothing

**Trust for Market-Related Institutions**

Trust for Manufacturers & Businesses - **"I trust..."**

q7.1 - manufacturers to ensure product safety.
q7.2 - I trust manufacturers to package products appropriately.
q7.3 - businesses to abide by regulations protecting consumers.
q7.4 - businesses to efficiently provide what consumers want.

Trust for Government Regulation - **"I trust..."**

q7.5 - the government to retain its integrity when lobbied by businesses
q7.6 - government to protect consumers.
q7.7 - government to appropriately regulate businesses.
q7.8 - government to do research that will ensure public safety.

Trust for Consumer Groups - **"I trust..."**

q7.11 - consumer groups to offer credible information.
q7.12 - consumer groups to educate the public.
q7.13 - consumer groups to remain independent of business.

Trust for News Media & Entertainment Media - **"I trust..."**

q7.15 - the news media to serve as a watchdog against wrong-doing to consumers.
q7.16 - the entertainment media to create enough entertainments safe for all consumers.
### Consumer Attitude toward Marketing

#### Business Provision
- q2.6 - businesses provide the shopping experiences I want
- q2.7 - businesses provide the goods I want
- q2.8 - businesses provide the services I want

#### Positive Advertising
- q3.6 - Most advertising is annoying.
- q3.7 - Most advertising makes false claims.
- q3.10 - Most advertising is intended to deceive rather than inform.

#### Fair Pricing
- q3.13 - Most prices are reasonable given the high cost of doing business.
- q3.14 - Most prices are fair.
- q3.15 - In general, I am satisfied with the prices I pay.

#### Retail Service
- q3.16 - Most retail stores serve their customers well.
- q3.18 - I find most retail salespeople to be very helpful.
- q3.20 - Most retailers provide adequate service.
The Global Con-Divergence of Food Marketing and Consumption: Macro-Micro-Macro Perspectives from Greece and Romania

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Clifford J. Shultz, II, Arizona State University, USA
Don Rahtz, College of William & Mary, USA

In this presentation, the authors share some findings from a longitudinal study on the export, marketing, and consumption of food in the Balkans. Specifically, findings from a study on consumer attitudes toward wheat-based pasta are shared. The authors then extrapolate some implications for the evolution of trade, markets, and marketing systems. In this regard, we share a macro-micro-macro perspective on food marketing in the Balkans.

Romania and Greece are the countries of focus in this stage of the research. While these countries are adapting to EU policies and a number of forces inherent to globalization, Greeks and Romanians are increasingly looking for “new”, diverse and higher quality food products; at the same time, however, they often cling to “old” and arcane marketing and consumption habits as well. We have coined the hyphenated word “con-divergence” to describe this simultaneous phenomenon. Changes in attitudes toward food products, packaging, shopping, retailing, brands, images, tastes and habits therefore potentially provide a window to the evolution of a marketing system and society more broadly.

A challenge in conducting such a study is finding a food that is widely marketed throughout the region and with which a preponderance of consumers are familiar. Some foods, e.g., wheat-based pasta, may transcend cultures and markets; this is noticeably true in the Balkans, where product awareness, content and packaging can be somewhat uniform. On the other hand, early findings in other parts of the Balkans also indicate that pasta-research reveals subtle differences in consumer preferences and behaviors. The study of food marketing and consumption, particularly in the category of wheat-based pasta, therefore may provide insights vis-à-vis the extent to which policy makers and consumers embrace political, societal and marketing forces that affect the convergence or divergence of consumption patterns, and thus help to define the boundaries of markets and marketing systems. Cultural/societal tendencies in consumer behavior, over time, may provide some insights about markets and societies. More specifically, macro understanding may emerge from micro study with implications for macro policy, which in turn will affect micro practices and behavior, and so forth. Over time, we may obtain better understanding of that cornerstone of macromarketing: the interplay of marketing and society.

The empirical research discussed here examined Romanian and Greek consumers’ intention to buy pasta products when information about the country of origin, price, and type was provided. Surveys were designed and administered to collect data. The results revealed that the country of origin of the pasta products had a different effect on Romanian versus Greek consumers. Greek respondents were more willing to buy pasta originating in Italy when compared to Romanian consumers. Overall, findings revealed that Greek and Romanian consumers did not rate too highly the international pasta brands. Nonetheless, it was shown that there are considerable prospects for American durum wheat in the region, particularly Greece and Romania. Furthermore, there are mutual benefits arising through regional and external trade, which is anchoring these countries in the global economy.

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Georgia, Russia, South Ossetia: Preliminary Assessment of Post-War Market and Marketing Dynamics, with Implications for Future Research

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The recent military discord between Russia and Georgia has greatly damaged the Georgian marketing system and consumer confidence; it also has put the world on edge, as fears escalate that wider and more devastating military advancements from Russia could be imminent. The purpose of this presentation -- some very preliminary assessments emanating from field observations, experience in other recovering economies, and the nascent stages of a working paper -- is to introduce conference attendees to some of the geo-political and macromarketing dynamics that are playing out among Russia, Georgia, South Ossetia and Abkhazia, with implications for (1) regional and global stakeholders of this simmering conflict, (2) future research, and (3) policy, marketing system/practices, and consumer behavior.

Accounts regarding who actually started this particular conflict vary. Many observers, including Georgian President Mikheil Saakashvili, contend that Russia has become a belligerent power trying to expand its sphere to include the borders of the former Soviet Union; in this process, any country of that former union that effects democratic policies and practices embracing the west (e.g., the EU and NATO) will be subjected to ruthless tactics ranging from invasion (see Georgia) or hostile negotiations and deprivation of resources (see Ukraine). Russia conversely has claimed that Saakashvili has interests to possess “disputed regions” of South Ossetia and Abkhazia, and that Russian actions have been defensive. This position has been the foundation for Russian military activities throughout the Caucasus. Some fear a more militaristic Russia could flex its muscles elsewhere, ushering in a new cold war. Russia’s Putin has claimed that a NATO alliance for Georgia is impossible; the US, a supporter of Georgia, has different perspectives, as do members of the EU. Indeed, soon after the invasion, high ranking diplomatic missions from some EU countries – former members of the Soviet Union and currently sharing borders with Russia -- visited Tbilisi in a visible show of support for Georgia.

So, while the conflict seems local, it clearly has implications for European and global well being. Energy and food trade; housing, transportation and infrastructure, and just about all aspects of consumer behaviour will be affected regionally and more globally, regardless of how this conflict plays-out.

In this presentation, the authors collectively share some initial findings and observations based on life-long personal experiences in Georgia, observations based on experiences as a UN peace keeper, and more distant observations from prolonged scholarship on markets, communities, and recovering economies.

The presentation is not intended to provide solutions, or even to provide clear details of the conditions and prognoses; rather, the authors intend to introduce session attendees to some underlying issues, their relevance to macromarketing, and to initiate discussion that could be stimulating and may provide directions for further research.
E*TRADE as Shopping Mall: Neoliberalism and the Investing Self as Consumer

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Online investing has seen a dramatic rise in popularity over the last decade. It has been hailed as the democratization of Wall Street and as a major factor in the spreading of the ‘ownership society.’ With the financial crisis in full effect, we offer a critical discussion of the larger cultural and social shifts responsible for turning the act of investing – for many Americans traditionally an important vehicle for achieving long-term financial security – into a frivolous act of consumerism that ultimately undermines (if not caricatures) the purpose of investing as the absence of, and abstinence from, consumption.

Introduction

The ongoing global economic collapse represents a massive challenge for poorer countries and its citizens around the world. For billions an already dire world void of reliable access to basic social services, clean water, sufficient food, and safe shelter has just become less likely to offer relief, let alone lasting solutions, to a life marked by utter deprivation, vulnerability, and lack of opportunities. Members of so-called emergent economies are realizing that their chances of a more prosperous and satisfying life full of possibilities and a capacity to aspire (Appadurai, 2004) may be severely diminished and future prospects, at least for some time to come, much more limited than expected. Even for the large majority of individuals in the affluent societies of the west and in particular in the US, the meltdown of the economic system represents a massive shock that for millions throws into question with utter confusion and unprecedented intensity all the presumed certainties and foundations of personal lives as consumer, worker, retiree, etc. Because of the deep economic crisis, savings for retirement or the education of one’s children are disappearing or reduced significantly, job prospects are severely curtailed, and the future quality, volume, and accessibility of hitherto more or less taken-for-granted “entitlement programs” are in doubt. As has been pointed out widely across the entire mediascape (see for example CNN’s documentary ‘I.O.USA’ or New York Times’s interactive online series ‘The Debt Trap’) one of the major problems for the country as well as its citizens is the fact that both have been living beyond their means and, hence, on borrowed money.

Since the second world war, a continuous trend towards consumption and away from production now shows up in negative savings rates, record debt levels, and, perhaps most disturbingly, a cultural disposition that considers consumption and production as two separate, unrelated spheres rather than two sides of the same coin (Barber, 2007). In this paper we look at one of the most glaring example of America’s radical turn towards a culture of consumption and away from one of production and saving: online investing. We argue that over the past decade and a half, fuelled by the emergence of the Internet, one of the foundational tools of securing for the future, personal investing, has been transformed into a trivial and slightly frivolous act of consumption, which ultimately undermines (if not caricatures) the purpose of investing (saving) as the absence of, and abstinence from consumption. We conclude by cautioning that turning personal investing into a consumption activity should not be celebrated as some kind of democratization of Wall Street or the emancipation of the individual investor. Instead, the investing as consumption approach should be condemned for putting at risk the future of the investor. All the institutions – various administrations, the media, the Federal Bank, online brokerages, etc. – that have encouraged the conversion of the stock market into a site of acquisitive consumerism should be considered partly responsible for individual and collective pain felt by millions of Americans today.
Beyond Technological Determinism

The investment boom years of the late 1990s came to a grinding halt when the stock market crashed in the spring of 2000. The pervasive optimism so characteristic of the new online investor class that had formed at the intersection of technological innovation, neoliberal economics, and the progressive individualization of society (e.g. Gagnier, 1997; Heelas et al., 1996; Sassen, 1999), was gradually replaced by a more sober sense of capitalist promise and personal vulnerability. But in many respects, the ‘damage’ was done when the practice of personal investment, in no small part due to the advances in information technologies such as the Internet, was established as a technically effortless act of online shopping for stocks. But perhaps more important than bringing to the individual investor’s desk the hitherto unavailable power to buy and sell stocks in an inexpensive, autonomous, and convenient way has been the change in investors’ perception of stocks and the stock market: no longer the Byzantine and exclusive playground for the masters of the universe, the New York Stock Exchange (NYSE) and the National Association of Securities Dealers Automated Quotation System (NASDAQ) are places for everyone to enjoy and feel at home, from the slightly juvenile college student to the technologically challenged senior citizen.

Put theoretically, new communication and information technologies bring to the field of complex global financial flows an aesthetic quality that renders accessible, physically and intellectually, the market as a seemingly logical, commonsense entity (Knorr Cetina, 1997; Knorr Cetina & Bruegger, 2002). The computer screen is of particular importance here as it assembles a geographically dispersed and usually invisible market and presents it to the trader as a cohesive and continuous consumptionscape (Zwick, 2005; Zwick & Dholakia, 2006), not unlike the mall or the supermarket.

The notion that improvements in information and communication technologies have played a part in turning individual investing into consumerist shopping and the investor into a shopper is certainly worth considering. Throughout the 1990s, ICTs made much larger inroads in the U.S. than in almost any other part of the world and this increase of Internet connectivity is paralleled by strong growth of the online investment market in the in the U.S. (Carey, 1999). Yet, it would be a serious mistake to reduce such a deep shift in individual investors’ cultural and social imagination of the stock market to the ability to trade conveniently from your home computer. We need to be wary of the conceptual trap of technological determinism, which puts consumers in a profoundly passive relationship vis-à-vis technology thereby producing reductionist explanatory models of social and individual behavior. Certainly, technology shapes human behavior but it is equally the case that humans shape the use of technology (MacKenzie & Wajcman, 1999; Smith & Marx, 1994). Hence, in order to understand the growth of individual investing over the past fifteen years, and in particular its transformation into a consumerist pastime, a sociological rather than technological analysis is needed. The approach taken in this paper recognizes that culture, including technoculture, is premised and made real on the basis of material subject-object relations that erect a web of “structured structures predisposed to function as structuring structures” (Bourdieu, 1990, p. 53), within which technology is designed, consumer subjectivities are constructed, and consumer action is taken. We argue that the rise and the nature of the investing subject can only be fully understood within the larger context of the rise of Neoliberalism shaping individual consumer and investor subjectivities at the beginning of the 21st century.

Investment Culture and the Market on the Screen

Since the 1980s market liberalism and economic individualism have become the dominant political and social frameworks in the US, Great Britain, and (with variations) Europe (Bourdieu, 1998; Comaroff & Comaroff, 2001; Giroux, 2004; Sassen, 2007). The socio-political discourse emanating from the Neoliberal restructuring of national economies and the welfare state centers around the logic of the market and makes the nature of market conduct the paradigm for all forms of human conduct (Binkley, 2009; Gagnier, 1997). During the 1990s, with the Neoliberal revolution in full force, individuals were flocking to the stock market in unprecedented numbers. Investors were getting younger, more technologically savvy, and – armed with the Internet and emboldened by a steadily climbing stock market seemingly void of risk – self-reliant. Towards the end of the millennium, online brokers were booming and the number of individual investors using the Internet to conduct stock and other financial transactions was increasing. These autonomous
“renegade capitalists”, as a then popular commercial by online brokerage firm Ameritrade (now part of Toronto-Dominion bank) called this new investor group, were not trained investment professionals with business degrees and often openly ignorant about the conventional wisdom and rules of the professional investment game. Clearly, at the turn of the century with the stock market at dazzling heights new investor subjectivities were emerging at the intersection of complex economic, social, and cultural forces.

After a decade of strong growth and approximately three years (1997-2000) of exorbitant growth, the crash of April 2000 suddenly brought home for the first time to many individual investors the realization that the stock market may not, after all, be a completely fail-safe way to fast and fantastic riches. Like many others, my informants lost a lot of money during the so-called dot-com meltdown of the early 21st century. But none of my informants ever completely left individual investing behind and exchanged the fun of battling it out with the stock market for other, presumably more secure forms of wealth creation. To this day, online investing remained a very successful e-commerce application with the number of online accounts in Europe and the U.S. growing steadily, suggesting that the practice has become a socially and culturally deeply entrenched part of late capitalist economies.

We are currently in the midst of a second, but this time much more dramatic market crash and this time a much larger number of individuals are affected to a much more drastic extend, having seen their investments diminish at staggering speeds. It is quite clear that Americans are especially disturbed by the market downturn because the perception of the stock market as a legitimate, if not required, place to create wealth and secure the future has formed particularly strongly among individual investors in the US. The U.S. has more investors than any other country in the world (Staute, 1998) and the demand for stocks has been growing impressively for over a decade and a half now. Not by accident did innovative companies and adventurous investors combine first in the US to crack the fortress protecting Wall Street professionals and insiders from the competition of masses. At the beginning of the 21st century individual online stock trading had established itself firmly as one of America’s favorite pastime, threatening the absolute monopoly of the Wall Street establishment. As one commentator remarked (Klam, 1999, p. 70):

This is not about money-grubbing; it's a new democratic revolution. Day trading, like the right to own dirty magazines, the privilege of serving in our armed forces, is a fail-safe against the loss of individual freedom – which for Americans is the same thing as collective freedom – and for that matter is the only sure way to keep your soul intact.

New online brokerage firms were quick to pick up on this new zeitgeist of, as the Wall Street Journal slogan puts it, “adventures in capitalism.” Their ads show a 12-year-old buying a helicopter with stock-market winnings and a “dude” without a job drives away in a Rolls-Royce towing a yacht. But then, trying to push the progressiveness of online trading as a beginning of a new era, which requires new subjectivities, the messages started to shift. There was the goateed Gen-Xer with an unconcerned, satisfied air, calculated to look cutting-edge, who somewhat smugly proclaimed ‘we're pioneers’, and the thirty-something, professional female with the no-nonsense attitude, who pronounces with determination ‘we're renegade capitalists.’ Finally, one ad shows how a classroom of immigrants studying English begins to rave about an Internet broker (Ameritrade). “They've mistaken it for the word America, they think their English teacher wants to talk about online trading and they all love this new country!” (Klam, 1999, p. 70). In these messages the online brokerages replicated the neoliberal discourse of the entrepreneurial self, a discourse coextensive with what Foucault (2008) terms neoliberal governmentality, which Binkley (2009) explains as a way in which subjects are governed as market agents, encouraged to cultivate themselves as autonomous, self-interested individuals, and to view their resources and aptitudes as human capital to be maximized and brought to optimal profitability (Binkley, 2007; Foucault, 1991; Rose, 1996).

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1 The term surfaced during an Ameritrade television commercial in Spring/Summer 2000. In the ad, a determined, “professional” woman in her late twenties globally defines savvy Internet investors who take matters into their own hands rather than relying on traditional financial institutions as “renegade capitalists".
Virtual stock brokerages were quick to understand the potential of the Internet to bring the global financial markets closer to everyone's living room (Steltzner, 1999). In a flood of TV commercials during the first heyday of online stock trading, the individual investor is now directly challenged to “tear down the walls to Wall Street” (Datek), “beat the market” (E*Trade), and to “outsmart the professionals” (Ameritrade). The main message to the private investor was that the market is ripe for the taking and that professional stock brokers are no longer needed and hence should be fired and disintermediated. Online brokerage firms had a clear vision of conduct for the individual investor, which includes shedding dependence on any alleged authority, taking responsibility for one’s future wealth, and – in true entrepreneurial spirit – taking things into one’s own hands. Characteristic of a neoliberal culture a separation between the interests of the private individual and the social system is established, except that in an ironic twist the to be opposed collectivity consists of the class of professional stock brokers. Paraphrasing Mary Britton King (2000), online stock trading came to be seen as “a capitalist social movement.”

While much of the advertising rhetoric deliberately distorts the possibilities for wealth accumulating through stock trading, it cannot be denied that Wall Street's monopoly position has been challenged by the liberalization of the individual investor (Osterland, 2000). Emerging new media – the Internet-based portals and financial sites – obviously fueled the rapid growth in online trading. But also traditional media like television, magazines, and radio have been active agents in the institutionalization of a postmodern investment culture. Television channels like CNBC and CNNfn have seized on the rising entertainment value of Wall Street, airing celebratory journalistic accounts of successful investment bankers and stock brokers quite similar to the star profiles found in People magazine and Entertainment Tonight. And as financial news shift locale from the newspaper to the television screen, the same set of media strategies that have proven successful in the general news category now apply to the reporting of stock quotes and interest rates. CNBC’s Maria Bartiromo and Diane Dimond have emerged as the prototype of the beautiful yet smart financial news anchor, whose good looks join their financial savvy to add additional value to the audience.

The Birth of the Consuming Investor

While the effect of popular culture and the Internet for the transformation of personal investing into a populist consumption activity can hardly be understated, we need to look at the larger social and cultural structures within which the practice of individual online investing has been situated from its inception. Markets are a social institution and actors in these market are social agents (DiMaggio, 1994; Swedberg, 1994). So what kind of subjectivities have been brought forth by the social and cultural discourses dominating late capitalist societies at the beginning of the 21st century. I argue that two major social transformations, the rise of universal risk and the individualization of society, and one political shift, the increasing dominance of neoliberalism, produce modern subjectivities that are uniquely disposed to embrace the ideology of the stock market.

Growing up with Risk

Many sociologists argue that in comparison to the self in traditional societies the modern self has lost its bearing in standardized and predictable life cycles and now faces the unsettling forces of de-traditionalization and de-standardization (e.g. Beck & Beck-Gernsheim, 1996; Giddens, 1991; Heelas, 1991). The modern self can no longer feel secure – socially, economically, and psychologically – and gain a sense of what Giddens (1991) calls ontological security. Indeed the world itself has become insecure (Beck, 1986; Giddens, 1990) and as traditional and institutional forms of security disappear, risk enters into modern lives from all directions (Bauman, 1991, 1996, 2003). Ulrich Beck's influential book Risk Society (1986) put forth a polemic argument for what he calls “the democratization of civilization risk.” He starts off his discourse form an ecological perspective, demonstrating the increase of pollution in all spheres of life. Unlike the conditions in large European cities at the end of the 19th century, when streets where contaminated with horse dung and urine pestering nose and eyes, the risks of modern pollution come in invisible and odorless form. No one can see or smell the radioactive cloud escaping from the Chernobyl reactor or the chemical remnants and genetically engineered proteins filling our food. Hence, no one can ever be sure to not be surrounded by risk at any time. Most importantly in modern risk societies, dangers have become ubiquitous.
and global. Spilled oil and radioactivity do not stop at national borders and contaminated food finds its way into the supermarkets of the world without discrimination.

Ironically, so Beck's central point, in the face of such complexity and contingency the individual learns to accept and live with the permanent threat of global disaster and omnipresent risk. The modern self is exposed to and perceives a riskier world but has developed cognitive and behavior mechanism to cope with a world of uncertainties (see also below). So, if disaster strikes individuals expect someone, usually the scientists, economists, or government representatives who often are responsible for its creation in the first place, to fix the problem. Agricultural imports from England are banned for a while, polluted beaches are chemically cleaned, banks get bailed out, terrorists get killed, and Hurricane victims (sometimes) get compensation for their losses. People's increasing trust in society's ability to repair the damage caused by global accidents has transformed the way risk is perceived. Thus Claus Leggewie (1995) argues that we have moved beyond the risk society and now live in a repair society, where risk and accidents are no longer the exception but the norm and individuals are being socialized into a world were stark ruptures and serious disruption are as common as they are revocable and (seemingly) repairable. Macro-structural risk hence becomes a fact of life that many (in the west) have come to see as moments of economic opportunity rather than events to be avoided at all costs.

*Individualization*

Describing contemporary social, economic, and cultural condition of modern life two main transformations occurred over the past several decades since the WW II. First, there is “the deregulation and privatization of the modernizing tasks and duties” (Bauman, 2000, p. 29) as a result of the increasing functional differentiation of social systems (Durkheim, 1984; Luhmann, 1984; Parsons, 1951). Second, there is what has been described as a detradiation of life worlds (Bauman, 1991; Beck, 1983; Rose, 1995). On the one hand, the “complementary differentiation” (Habermas, 1994) of the economic system governed by labor, capital, and commodity markets and the bureaucratic system of public administration is the great historical example for the development of modern social systems into functionally specific subsystems. More and more of these traditionally public subsystems, from health, to transportation, to education, to retirement planning, have been handed over to the market and made available for private choice and consumption. On the other hand, the dissolution of traditional life worlds is reflected in the erosion of religious worldviews, the end of highly stable and stratified social hierarchies, and the disintegration of social institutions (Giddens, 1991; Habermas, 1981; Weber, 1958). Both seminal changes combine to produce a modern self that is quickly finding itself emancipated from the social, liberated from moral duties towards others beyond the letter of the law, and free to choose from an abundance of career, relationship, and lifestyle options made available through the market. As Bauman (2000, p. 31) summarizes, “individualization” consists of transforming human ‘identity’ from a given into a ‘task’ and charging the actors with the responsibility for performing that task and for the consequences (also the side-effects) of their performance.”

The consequences of modernity for the individual – defined here as the result of modernization processes – are two-fold: the loss of conventional support systems and the emancipation from “natural” dependencies. In other words, the liberation of the subject is irreducibly connected to the requirement for individual self-reliance, self-provision, and autonomy. In concrete terms this means that with the end of predestined life projects and linear career planning (Wallulis, 1998) grows both the range of options available to the individual and the need to make decisions. Decisions about which school to go to, what career to choose, with whom to enter into a relationship, if and how to save for retirement, whether to get medical treatment and if so which one to choose, where to live, etc. are no longer predetermined by one's milieu or membership to a social class (Habermas, 1994) but must be made by the individual and always stand up to the question of ‘why’?. In short, in individualized societies the individual must learn to regard him- or herself as the center of decision-making, as the only authoritative “planning office” – and hence the only one responsible for its effects – relative to his or her choices.

Individual freedom therefore becomes antithetical to the notion of individual security. Free individuals must design their lives increasingly as ongoing projects under construction, without lasting
certainty (and perhaps even fleeting certainty) about the exact direction, let alone destination, of the life journey. Indeed, according to the new spirit of capitalism (Boltanski & Chiapello, 2007) any ‘buy-in’ to long-term dependencies has the potential to become downright dangerous when individual plans about career, identity, residency, or social relationships must remain nimble, adaptable, and mobile in a world without certainties.

**Neoliberalism**

Recently, the modernization process – the emancipation and responsibilizing of the individual – has become inextricably intertwined with the neoliberal political project of advocating the rolling back of the welfare state and the cultivation of individual choice (Bourdieu, 1998). Neoliberalism emphasizes individual liberty and freedom, in particular as expressed through the market, where open and competitive supply responds to consumer desires through the individual liberties of market choice. The freedom of the market becomes the model of freedom per se. From this perspective, neo-liberalism is the political technique to provide, through specific programs and initiatives, a climate to bring about the voluntaristic, entrepreneurial and self-responsible dispositions upon which market forms depend. Hence, the freedom postulated by Neoliberalism is not just individual but individualistic because “rather than fostering social bonds, the target of neoliberal governmentality is to eliminate precisely those collectivist tendencies, which threaten to stifle self-interested, competitive economic behavior” (Binkley, 2009).

Foucault’s (1991; 2008) concept of neoliberal governmentality is of great help to understand how practices and techniques of neoliberal governmentality reach deeply into the very domain of subjectivity and the construction of the modern self in liberal societies (Burchell, 1996; Rose, 1996). The concept does not speak to the principles of the State or the ways societies divide the political from the non-political. Foucault is rather concerned with how (Rose, 1993, p. 286):

In the name of public and private security, life has been accorded a 'social' dimension as a result of the formation of a complex and hybrid array of devices for the management of insecurity and risk comprised by practices of social work and welfare, mechanisms of social and private insurance, and a range of other social technologies.

In other words, a new formula is taking shape to rule the conduct of individuals in the post-welfare state. This formula does no longer govern through society in any traditional sense but through the regulated choices of individual consumers. Neoliberalism strives to abolish state authority and its monopoly of expertise and rushes to hand both over to the experts "within the market governed by the rationalities of competition, accountability and consumer demand" (Rose, 1993, p. 285).

Foucault suggests that the concept and strategy of individual freedom have been used to construct the modern subject that has learned to equate freedom with freedom of choice (Slater, 1997, p. 34). At this point, neoliberalism and social individualization converge in the rule of freedom and choice. Put differently, the choice to be free (and hence having to make choices) is no choice at all (Bauman, 1988; Beck, 1996; Hitzler, 1988): *one is condemned to be free.*

The newly freed subject, whether in industry, in education, in management, in private life as consumer, is forced to take responsibility for every decision it makes. The technologies of the self that are shaped by the liberal rule stress individual responsibility, autonomy and self-reliance. Long-term commitments are increasingly undesirable as they might turn out to be detrimental for future life plans of the individual. The modern self’s greatest fear is to mortgage her future (Wallulis, 1998) and not keep her options open. Commitments are only made “until further notice” (Bauman, 1991; Beck & Beck-Gernsheim, 1996) because long-term commitments run up against the necessity of consumers to design their lives

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2 This idea is adapted from Sartre (1946, my emphasis) who writes: C’est ce que j’exprimerai en disant que l’homme est condamné à être libre. Condamné, parce qu’il ne s’est pas cree lui-même, et par ailleur cependant libre, parce qu’une fois jete dans le monde, il est responsable de tout ce qu’il fait (p. 37).
increasingly as permanent projects under construction, without lasting certainty (and perhaps even fleeting certainty) about the exact direction, let alone destination, of the life journey. Indeed, according to the new spirit of capitalism (Boltanski & Chiapello, 2007) such ‘buy-in’ to long-term dependencies has the potential to become downright dangerous when individual plans about career, identity, or social relationships must remain nimble in a world without certainties. Ontological insecurity and biographical uncertainty then turn out to be the modus operandi for the liberal subject in Western societies.

In sum, the social and political discourses that gained prominence after the post-war era gave birth to neoliberal subjectivities that fashion themselves as risk resilient, individualized, and self-reliant individuals. As authoritative voices are challenged and collective interests considered to stifle entrepreneurial, self-interested, and competitive behavior, everyone is now set free and responsible for governing themselves as autonomous market actors and for exhibiting a mode of conduct conducive to market rationalities. The stock market – especially once made accessible by the personal computer – provided a ‘natural’ playing field for individuals that on the one hand are faced with state that no longer provides for a secure future and on the other have accepted the responsibility for maximizing their subjective potentials through choices and actions.

Investing as Shopping

There is one, however implicit, authority which individuals have been asked to accept and that is the authority of a set of rationalities and technologies characteristic of the domain of economic conduct. In other words, the only authority left is the market and of free individuals enacting choice. This disposition of the modern self, its neoliberal subjectivity, was met half way by the individualizing, liberating, and empowering features of the Internet. It would therefore be inaccurate to reduce the popular rise of individual online investing to the emergence of the Internet. Rather, the emergence of individual investing can only be understood when linked to the broader philosophy, discourse, and practical rationality of neoliberalism centered on the maximization of profit and financial security as a form of self-government (cf. Binkley, 2009). Neoliberal governmentality, hence, is a political project that in its aspiration to control the conduct of populations focuses less on macro-structural, disciplinary forms of power imposed by the state and more on a growing emphasis on the practical activity of self-government – again, not as a practice of discipline in Foucault’s sense – but as one of freedom (Bauman, 1988).

Yet, under conditions of individual freedom, individuals are required to undertake the active, everyday practices of shaping, changing, or negating features of the self, which today is accomplished via consumerist yearnings for a life full of choices and opportunities. Therefore, the freedom to become anybody (Bauman, 2000, p. 62) cannot be separated from the responsibility of taking care of oneself in all aspects of life because fewer an fewer individuals and social institutions can be counted on for help with the work of life planning and implementing. It is the market, then, where the neoliberal self has learned to enact individual freedom and to look at consumption choices as the site for creating one’s life in all its complexity, almost like a work of art. Life trajectories, goals, and possibilities remain under construction, never “petrifying] into everlasting reality” (Bauman, 2000, p. 62). From this vantage point, the strategy to confer more and more long-term planning tasks, including financial long-term planning, to the logic of the market makes sense for neoliberal subjectivities who on the one hand have seen traditional securities and long-standing realities dissolve and on the other have acquired cognitive structures of the “natural” importance of self-reliance and personal responsibility. The seemingly universal aspirations of agency, flexibility (to change your mind), and abundance (of choice and opportunity) bestowed on the investor by the online brokerage model puts the stock market, as a model for securing the future, beyond criticism, no matter how ludicrous an idea it is. Therefore, a market for stocks, just like any other contemporary consumer market, must be seen as a well adapted form of neoliberal financial planning where the objective is no longer to really secure the future but to maintain mutable, flexible lifestyles emblematic of light, consumer-friendly capitalism (Bauman, 2000).

Conclusion

A number of questions emanate from the rise of neoliberal investor subjectivities. What exactly are the consequences of increased risk acceptance for the actions of individual investors? What does the
possibility of a crash mean to investors that believe in the repair society? What are the implications for the
dividual's investment strategy when everything seems to conspire against lifelong projects and permanent
bonds and when long-term commitment turns into commitment until further notice (Bauman, 1993)? What
can we expect from the individual investor whose desire to colonize the future (to use Gidden's apt term) is
dramatically different from that of previous generations? Answers to these questions are of critical
importance for public policy makers, governments, and academics concerned with the well-being of
consumers. For macromarketing researchers, the consumption of investment offers an illuminating case
study with which to investigate the effects of larger socio-cultural and political structures on consumption
behavior. What we have argued in this essay is that several decades of neoliberal dominance in the US and to
varying degrees in other parts of the affluent world has left its consumers, indeed citizens, vulnerable to the
failures of the market. What for a long time appeared to be a natural mode of securing long-term financial
security in a world without certainties has been debunked as a practice that merely adds more insecurity and
anxiety to the masses of now liberated consumers of investments. In other words, individual online investing,
by many considered to be the solution to the problem of a progressive neoliberalization of life, has proven to
be simply part of the problem.

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The US Freedom of Information Act and Privacy

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This presentation will set the stage for a study being conducted on FOIA practice, chiefly at the US federal level, in executive agencies. From a macromarketing perspective, new technologies are leading both consumers and businesses to increasingly share information in order to gain more tailored offerings from providers. But the destination and use of such information is not always clear, and one eventual stopping place can be federal, state, and local government agencies. Given this prospect, it’s important to have up to date, comparative information on how FOIA requests are treated as well as what differences in attitude and practice are apparent throughout the vast number of affected agencies.

Introduction

On January 21, 2009, President Obama issued on memo directing executive department and agency heads to administer Freedom of Information Act (FOIA) requests with a presumption toward openness and disclosure. This order immediately changed an explicit Bush administration policy toward denying requests when in doubt, detailed in an Ashcroft memo in 2001. A little over a week later, on January 30, a federal appeals court denied an FOIA request from the nonprofit group Consumers’ Checkbook aimed at a release of Medicare records of individual doctors by the Department of Health and Human Services. The court directed that release of the records would violate the privacy rights of the doctors. These two recent events neatly juxtapose the ongoing conflict in FOIA practice between government openness and personal privacy.

Recent work in macromarketing has focused on the new environment created by contemporary information and communication technologies (ICT), particularly how the role of consumers in creating the offering has been substantially expanded. ICT allows interchange between groups of consumers or even individuals, resulting in an ability to create customized communications and offerings. Consumers want to actively participate in the development of products or experiences (Fyrat & Vician 2008) “In an era where information has come to dominate value creation, the separation of production and consumption has become blurred” (Zwick & Dholakia 2008, p320). This new relationship can’t occur without the new technologies for exchanging, storing, and applying massive amounts of consumer information. And the new technologies would be fairly pointless were consumers not willing to turn over significant personal data in exchange for more personalized offerings.

Similarly, and less discussed, is the effect on business information. ICT’s have also created an environment within which businesses routinely share everything from protected intellectual property to routine, day-to-day sales information. Fully integrated value chains also co-create offerings and develop plans based on a network full of data, information, and knowledge. As with consumers, the distinction between sellers and buyers has blurred as partnerships increase. And, again, it’s the modern technologies that are enabling the paradigm change combined with the willingness of organizations contribute their proprietary information to the information networks that have been created.

One unintended consequence of these new exchange relationships is the loss of control over personal or proprietary information. The willingness to share combined with the ability of ICT’s to distribute far and wide has led to both consumers and businesses not always knowing where their information might be. Further, the ICT’s also create an ability to join seemingly unrelated databases, potentially connecting sensitive information from one source with another source to who the data provider had not intended to provide it. One further unintended consequence, generally unrecognized, is the potential loss of control over such databases—that the sources may not be able to prevent use beyond their promised privacy policies, non-disclosure agreements, or other good intentions. In bankruptcy proceedings, for example, customer data
can be considered a valuable asset to be turned over to the highest bidder regardless of promises made to those same customers. Or if the information has ended up in the hands of the government, through regulatory filings or even purchase, it can leak out through FOIA requests. Thus, we have the subject of this paper.

Background on the Freedom of Information Act

Earlier, the attitude of the Obama administration toward FOIA requests was noted. Even with memos and directives that seem to establish an overriding attitude in any given administration, FOIA practice is given to significant differences between agencies. Sometimes this has to do with mission, sometimes with the type of records kept by the agency, sometimes with the experience or attitude of top administrators. In some ways, the very idea of consistent practice regarding FOIA is hard to grasp. This is particularly true when one figures in all the layers of government in the US, not just federal.

Moreover as technology has progressed and the nature of digital data held by government agencies has changed, some of the issues have also changed. The government, through collection or purchase, holds much more personal or proprietary information than it used to. Further, even though records released under FOIA may be anonymous, joining those data with other databases leads to the very real possibility of individual identification. For a variety of reasons, then, it makes sense to review data on FOIA administration now, setting a benchmark as we move toward what might be a new era of openness from executive agencies balanced against increasing privacy concerns.

The US Freedom of Information Act was passed in 1966, requiring executive agencies to proactively publish records of public interest and respond to specific requests for other records (Apfelroth 2006). Agencies can decline to disclose records on the basis of exemptions for:

- National security or foreign policy
- Internal personnel policies and practices
- Personal privacy where exempted by law
- Trade secrets or other confidential business information
- Deliberative privilege
- Personnel or medical files
- Law enforcement
- Financial institution assessments
- Geological and geophysical information and data, and
- Critical infrastructure

All exemptions were included in the original legislation except the last which was instituted after 9/11. Whether to claim an exemption and deny release under an FOIA request is left up to the agencies. If the decision is tested in court, the Justice Department will defend the agency—the reason why the overall attitude of a given administration is important (Uhl 2003).

Over the years, a pattern has emerged of the Congress pushing for more openness in the administration of the Act while courts have generally countered with rulings protecting privacy. The original Act, obviously, was intended to open up government to public scrutiny. An important court ruling, the Reporters Committee case, however, later held that personal privacy should be respected unless the FOIA request concerned the “central purpose” of the agency’s operation (Halstuk and Davis 2002). So the courts cut back on the openness over privacy concerns. The Electronic FOIA amendments in 1996, partly in response to Reporters Committee, reestablished that Congress meant all records, central or not, in all forms (Leahy 1998). Thus, openness was reasserted. An even more recent case, National Archives and Records Administration v. Favish, reestablished protection of privacy, adding a “sufficient reason” test providing a public interest in disclosure overcoming a “presumption of legitimacy” of an agency’s FOIA denial (Halstuk 2005). So there has been substantial give-and-take over the past forty-plus years.
The FOIA is intended to open up government to public scrutiny, and the press does use the process to obtain numerous records of public interest. But the process is also well-known as a means to obtain competitive intelligence information on competitors and documents for legal proceedings. Further, recent activities highlighted in the court case Department of Information Technology of Greenwich v. Freedom of Information Commission demonstrate increasing interest in harvesting government records for personal data of individual consumers (Bloom 2006). In Greenwich, a single consultant sought to obtain and then combine records from three city databases concerning voter registration, recreation management, and a geographic information system. The city of Greenwich chose to deny the request over concerns that joining the databases could result in connections that would render anonymous records in one database identifiable through one of the others. The court in this case came down on the side of openness, ruling that the requester should be allowed to obtain the databases.

As we move to ever more freely released consumer information and proprietary business information, it’s important to understand what can happen to that surrendered information if it winds up in the hands of government, whatever the level. The nature of FOIA is that decisions on how to proceed on requests are affected by a number of factors, from administrative directives such as the Obama and Ashcroft memos to individual agency attitudes, from the nature of the information to the expectations of those handing it over. Current practice can and should be evaluated, and now is a good time to do it, as potentially dramatic shifts in federal attitudes may be taking place.

Study

This presentation will report preliminary results from a study of FOIA statistics collected in annual reports from federal departments and agencies. As FOIA requests are increasingly used by marketers to either build consumer databases or collect competitive intelligence (often uncovering confidential business information), it’s fair to ask just how open government should be to such requests. There’s a balance to be struck between openness and privacy in a number of agencies at all levels of government. But who is deciding on that balance, and how?

The statistics to be collected report on FOIA requests processed, those honored, or those denied (by exemption/reason). Processing times and costs (and sources of costs such as litigation) are also included. What collecting these data allows us to do, initially, is set a benchmark just as we are entering a new executive direction regarding FOIA. As we go back in 5 or 10 years, what changes will we see versus the data that will be coming out over the next few months?

Secondly, the openness/privacy tension will not only continue but likely mushroom in coming years. There are agencies that are quite used to taking appropriate care with private consumer records and/or proprietary trade secrets of business. The FDA, for example, as a matter of course deals with confidential business information that is not released lightly. With the expansion of digital records of all sorts (e.g. marketing databases purchased by government agencies), departments and agencies are going to find themselves with types of information with which they have less experience. It makes sense to take an overall view of best practices at the federal level as a guide to all agencies as they approach potentially new and complex questions about handling requests.

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Measuring Service Quality of Governmental Websites: The Development and Validation of the Electronic Governmental Service Quality (E-GovServqual) Scale

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In recent years, the development of new technologies and the emergence of the Generation Y (individuals born between 1982 and 2001; Strauss and Howe, 1992), have accelerated the digitalization of B2C relationships through the use of websites and self-service technologies. Governmental agencies are no exception and they need to ensure that services provided online meet citizens’ expectations. This paper introduces the Electronic Governmental Service Quality (E-GovServqual) scale, a 24-item scale that measures citizens’ service quality perception of governmental agencies’ websites, having as an ultimate objective to help improve the service quality of governmental websites. The scale includes the overall Electronic Governmental Service Quality dimension as a second-order dimension along with seven reflexive dimensions: (1) Interactivity & Personalization, (2) Information Quality, (3) Quality of Assistance, (4) Ease of Use, (5) Website Functionality (6) Privacy & Security, and (7) Design & Aesthetics. Managerial implications for governmental agencies are provided.

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Abandoning the Catholic Religion in Mexico: Leading Factors

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Religious organizations are free to choose the way they satisfy their members, even if they wish or not to do so. By comparing three different Mexican states, this research investigates factors of Catholic religion abandonment, searching in personal, Catholic Church marketing, Catholic Church services, social and anthropological variables. Findings reveal that religiosity level (high, average or low) makes people see religion in different a way. In spite of this, 48.4% agree that the lack of knowledge of one’s own religion is one of the main causes by which the Catholic faithful decide to change.

Introduction

Mexico is a country with high religiosity levels. This religiousness has caused the historical tensions between the government and the Catholic Church, though they do not appear to have minimized the current levels of religious affiliations and involvement (Benjamins and Campbell, 2008), which according to Camp (2000) are considered as very important or important for most of Mexicans.

Statistical data presented by the Interior Secretary, the Roman Catholic religion continues being the main religion in Mexico. Religions are not different from any other market actors; they affect markets when they compete by offering goods and services in the marketplace and face competitive pressures as any other market actors (Mittelstaedt, 2002). Since the 80s, Mexico has had a decline in the Catholic affiliation index. This change could have happened because of several reasons: people can become agnostic or atheistic, or mainly, they can change their religion. This last one can be assumed as the most important reason, since at the same time that catholic members diminish, other religions’ members increase.

As it is normal in any situation, all change has a cause. So, if people are not satisfied with the service offered, in this case, catholic religion, they will look for a better service, one that will better satisfy their needs. Parker (2005, 36) says:

It can not be affirmed that Latin America has stopped being “catholic” and it has become “protestant”. But we can not either sustain that Latin America continues being “catholic” with the characteristics, the sense and the meaning that it had towards the beginning of the 20th century, when Catholics represented 92.3% of the population, or more recently, when Catholics continued maintaining a percentage above 89.7% of the population (1970).

This research has three objectives: (1) to determine the relation of the religious level with the personal opinions of Catholics about different aspects of the Catholic Church; (2) to examine any possible existing relation between age, mass opinion, Catholic’s behavior (communion during mass), and the belonging to an ecclesiastic ministry or praying group; and (3) to examine the opinion of Catholics about the leading factors that make Catholic Church members decide to abandon their religion;

Religious Marketing

Hamberg and Pettersson (2001) affirm that the religious markets have a similar behavior to other product and service markets, if one considers religious production to be like any other product or service
consumers demand. Thus, it is possible to continue with this logic and suppose that catholic members’ satisfaction represent a basic argument for people to continue or abandon the catholic religion. Kotler (1996) says that it is possible to affirm that buyers make a value judgment and act consequently. According to Sanjay and Gurinderjit (1995), for many people, religious marketing might seem strange, but marketing concepts and principles can be applied to religious organizations such as churches. A responsible organization will tend to fill, serve and satisfy its market (Kotler, 1996). Hansen and Woolridge (2002) state that little research has been done in churches, mainly because churches sense a lack of need to market their product, not noticing that lucrative and non lucrative organizations are facing a highly competitive environment. So, religious marketing can be seen as a management tool, and can be considered as a process that takes place through market analysis, and the development of appraising, that of course, can be fulfilled with effective communication programs that satisfy spiritual needs without ignoring the religious organization’s goals (Abreu, 2006).

Religion Change

All religions need to be immersed in a social and anthropologic environment, which as well sets the standards of religion change. Loveland (2003) mentions as necessary the recognition of religious change as a complex phenomenon with many determinants.

On the other hand, Wallace (2001) assures that religion change is a process by means of which an individual adheres to a religious organization becoming a member of that group, and in an affiliation act, he accepts the lessons given by this group. This change fills an internal deficiency that makes them feel better and simultaneously look up for their integration in society. The author considers that, though many of these deficiencies can have a social nature, an important personal influence exists, which can be considered to be like the lack of ownership or membership. The existing distance between religious activities and the own religion is created by the processes of modernization, globalization and secularization, all of which have offered a big sample of religions that adequate to personal spiritual needs or to a religious market, triggering the loss of hegemony and religious monopolies in the existing dominion religions of a country (Canton, 2002).

This opposition can be expressed through voluntary non assistance; that is, not to attend mass. An individual who chooses not to assist religious services is implying opposition to the values of the institution, and this can generate conflicting preferences within the religious product offered by the institution (Loveland, 2003). When people wish to believe in God but are not feeling comfortable in their religion, they are in a deinstitutionalization situation, in that they are open to the heterogeneous visions or religious providers, and are even propitious to the eclecticsms or the composition of “ad hoc” religions or a “briccolage” religion, familiarized more to the individual predilections than to the logic and coherence of a dogmatic system (Mardones, 1996). People now can decide whether to belong or change their religion, modifying their old religious references that ordered their world and gave a sense to their lives, transformed by the changes that emerge from their surroundings and present life: the scientific, technological, anthropological advances among others (Varguez, 2000).

Globalization began a process, in which religions are dragged to a second place in society, creating empty spaces of religiousness. This phenomenon added to the spiritual crisis, make individuals stay away from religion and active participation in religious activities related to their beliefs (Andrade, 2002).

There is no doubt that lifestyles have changed in recent years; Internet and the new mass media are an important tool so that religions can penetrate markets, increasing the possibility to show their messages, narrations, beliefs and images (Parker, 2005). In the same way, the consolidation of the modern culture, newspaper and book printing, contributes to the development of a new global historical conscience, plus, new technologies change the perception of time and space, creating new socio-cultural formats that allow new ways to conceive commerce, work, learning and free time (Parra, 2004). The influences generated by the economic system, of production, consumption, cable television and Internet, spread cultural styles that can affect the basics of certain cultures, generating greater complexity in the construction of identities.
Globalization has created a technological-economy logic, which can provide functionality and efficiency to markets in a renewed capitalist system (Hamui, 2005). Personal identities are complexly made and tend to be measured by mass media criteria (Parra, 2004), probably because of the interaction between conversation groups through the network, formed by hundreds of people interested in commenting on subjects of similar interest.

These changes generate cultural modifications and have an important effect in religion, motivating each person to choose, select and organize their personal projects in a more or less arbitrary way, transforming the religious experience. It is remarkable to see the way in which religious movements’ characteristics can comply with each region and individual, causing people to voluntarily adhere to new religious associations. This also agrees with the assumptions of the democratic systems; in which citizens’ election freedom make them decide on alternative projects that coexist in a same social frame (Hamui, 2005). Besides, it is doubtless that uncertainty can cause flexibility with peoples’ beliefs (Parra, 2004) and that spiritual needs are an inherent situation of human beings; in all human history, religion has filled a spiritual emptiness (Reyes, 1998).

People who change religions experience an enormous difficulty in their lives, as they realize there is something wrong and that the only solution is a radical change. Parker (2005) mentions four basic reasons why the Catholic Church’s influence has diminished in the last decades:

1. The new (global) economies and the so called “consumption culture” have promoted contradictory values,
2. the mass media communications and the new information technologies,
3. changes in the way to educate, and
4. emerging new social movements.

Then, it can be assumed that the Catholic Church is conscious that some their faithful are no long so faithful and that they might change their religion. This was confirmed by Gandaria (2008), who mentions the existence of an intrinsic reason within the same church, when mentioning that they annually lose a 3% of their members due to priest scandals, internal slowness, and strong reaction to recognize these social issues. Molina (2003, 11-13) shows the following statistics (Table 1) about the catholic population by decades, based on INEGI’s census. Only the three studied status are considered:

<table>
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</thead>
<tbody>
<tr>
<td>Aguascalientes</td>
<td>99.5</td>
<td>97.7</td>
<td>99.1</td>
<td>98.3</td>
<td>97.2</td>
<td>96.1</td>
</tr>
<tr>
<td>Puebla</td>
<td>98.5</td>
<td>97.1</td>
<td>97.0</td>
<td>94.8</td>
<td>92.3</td>
<td>91.5</td>
</tr>
<tr>
<td>Tamaulipas</td>
<td>96.7</td>
<td>94.8</td>
<td>95.1</td>
<td>89.7</td>
<td>86.0</td>
<td>83.1</td>
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</table>

As noted, it is convenient for the Catholic Church and all other churches to understand the way they satisfy their member’s needs, and which needs they are leaving aside. The understanding of the satisfied and unsatisfied needs along with the factors that might influence a good service perception can, first of all, set a standard to improve the given service and avoid the abandoning of their religion.

Methodology

Variables were divided in five different groups called: interviewed demographics, personal thinking, church marketing, social thinking and conclusive opinions. A structured personal interview survey was
designed. To ease application and analysis, most questions used a five-point Likert scale. Satisfaction levels as well as the disposition towards a religion change were not measured directly.

After a pilot test with 30 interviews, 10 in each state, the survey was slightly modified. The sample size used a 5% precision level and 95% confidence level, giving a total of 384 surveys. The sampling execution is considered non-probabilistic since it was based more on the investigators’ personal judgment than in the opportunity to select the sample elements (Malhotra, 2004).

The sample was divided by quotas, proportionally assigned in the three states; all the interviewed were Catholic people with an age between 15 to 50 years. Total Catholic population was considered (INEGI, 2000) in the studied cities, summarizing the following amounts: 1,065,111 Catholics in Puebla, Puebla; 535,595 Catholics in Aguascalientes, Aguascalientes; and 475,324 Catholics in the cities of Tampico, Madero and Altamira, Tamaulipas. The assigned quotas were of 89 surveys for Tamaulipas, 99 for Aguascalientes and 197 for Puebla. Once the surveys were applied, and subsequent to the revision, edition, codification and tabulation, the final sample size was of 380 surveys: 89 in Tamaulipas, 97 in Aguascalientes and 195 in Puebla.

A conclusive descriptive design was made, establishing clearly the problem, hypotheses and answers’ needed throughout the information. It is cross-sectional as well, since only one sample was obtained from the objective population and they were interviewed only once to obtain their data.

Findings

Frequencies:

a) Demographics

The sample was composed by 61.3% men and 38.7% women, with a mean age of 29.63 average years, and a standard deviation of 10.212. Mainly, the interviewed were students with a 35.5%, general employees with a 13.4% and teachers with a 10.5%. In terms of marital status, 63.7% of the interviewed were single and 32.9% married. Their socioeconomic distribution was: 45.5% high and middle high class (A/B/C+), 24.2% typical middle class (C), 24.2% in low middle class (D+) and the last 17.4% belonging to lower class levels (D/E), the bottom of the pyramid. Socioeconomic levels in Mexico are determined by a point-scoring scheme based upon education level and occupation of the head of household, the ownership of goods (such as water heater/boiler, toaster, vacuum cleaner, etc.), the number of light bulbs in the home, the number of rooms (excluding bathrooms) and the number of servants.

b) Personal opinions:

One of the first questions was about their perceived religious level; 41.1% describing themselves as being a very Catholics person (high level), 35.6% as medium or average Catholics, and 23.2% as low or not much Catholic (low level). Most persons attend mass weekly (45.8%), followed by every 6 months (14.7%). Only 23.4% of the mass attendants take communion every time they attend mass.

Only 14.9% of the interview people belong to some kind of praying group or ecclesiastical ministry. Confession frequencies were measured by the date of their last confession, varying a lot: 10.3% confessed less than a month ago, 22.6% from 1 to 6 months ago, 9.7% from 6 to 11 months ago, 21.3% from 1 to 2 years ago; for the rest, the last confession date was even longer ago or they did not remember when.

An important finding was the way people perceive mass: 50.5% see it in a negative manner (always the same, boring, tired, etc.), while 49.5% see it in a positive way (interesting, spiritual, beautiful and moving). The Catholic Church promotes itself with events, either done by each Parish or by the Catholic Community. However, only 71.3% of the interviewed mention they have assisted a Community event, but
59.1% of them had assisted only some times. The same happens with parish events, with 75.5% of the interviewed assisted, but most of those (64.3%) irregularly.

c) Catholic Church Marketing

In many religions, marketing is a day to day activity. Marketing allows them to acquire and retain members. Since Catholic religion had been leader for the past five centuries and practically all of them with little or no competition, marketing activities are practically unknown by them (Hamui, 2005). It has been recently that the Catholic Church in Latin America is trying to understand what marketing is about.

This section included several tangible aspects: parish, church, cathedral, parish office; and several intangible aspects concerning priest service and work; bishop service and work and a global evaluation. In the Likert scale, 25.6% of the interviewed agreed completely that all tangible aspects were positive; 31.6% agreed on them been comfortable and nice, and 20.6% were indifferent. A positive priest’s service, work (evangelism and communitarian) and personal appearance was completely agreed by 23.4% and merely agreed by 30.4%. It was very hard to measure bishops in the same aspects as priests, because 44.6% of the interviewed people have never seen them or treated them.

Among other marketing aspects considered were the different services offered by the Catholic Church and the procedures to make them. People can ask for more than one service, so the total is above 100%: 72.2% have asked for a basic service; 9.5% for a communitarian service; 36.7% for a spiritual workshop, 37.1% a spiritual service and 21.3% none. Almost half of the people were attended by a secretary, and had to visit the parish office twice to receive the service. Mainly, service was fast; they were well treated and were satisfied with the price, if any. Less than 4% had any kind of problem that was completely solved.

d) Sociological opinions:

This section included 18 different sociological variables that might influence a personal Catholic religion’s perception or satisfaction. All of the them measure the opinions about different causes for the abandoning of a religion: lack of knowledge of their own religion; people being pressured by other religions’ visitors; people might taking their own religion lightly; religious evolution; globalization and new religious tendencies, religious television program’s influence; support in times of crisis; discrimination, ex-communion and acceptance of gays and divorced, among others. Very different answers’ were received here and are better analyzed in the factor analysis.

c) Conclusive opinions:

This last section made interviewed people think twice and reflect. They were asked directly what they thought could motivate or cause catholic people to abandon their religion. Almost 49% thought ignorance or a lack of knowledge of their religion made Catholics abandon their religion easily. For a 23.6%, abandoning was caused by the influence of friends or relatives, combined by the frequent visits Protestants made to their homes. Another reason was given by 12.8%, who thought people abandoned Catholic religion and became members of another religion because of convenience, since many other religions offer different type of “incentives”. Dissatisfaction caused by an unpleasant event, no attention, or lack of empathy of Catholic leaders was mentioned as a cause of abandonment by 11.0%. The remaining 4.1% mentions a lack of faith as a cause of abandonment.

Religious Level Correlations

In order to determine the relation of the religious level with the personal opinion of Catholics about different aspects of the Catholic Church (parish, church, cathedral, parish office, priest service and work, bishop service and work and a global evaluation) the answers to 17 Likert type scale variables were taken to determine the Catholics’ personal opinion toward different aspects of the Catholic Church. Kendall’s Tau C
correlation coefficient for rectangular tables was used to measure the relationships between two ordinal variables. The interpretation of correlation coefficients was based on the set of intervals proposed by Davis (1971) as: 0.01 to 0.09 – negligible association; 0.10 to 0.29 – low association; 0.30 to 0.49 – moderate association; 0.50 to 0.69 – substantial association; 0.70 or higher – very strong association. The “religious level” variable was categorized as low, medium and high.

Three evaluated aspects regarding “priests characteristics and performance” were found to have a positive low and significant association with religious level, corresponding to: considerate and kind with the congregation, very good pastoral job (frequent evangelization, visiting sick people, talks for the community) and always taking care of personal, as shown in Table 2. Regarding the correlation between the opinion toward the global Catholic priests evaluation, specifically “very good job performance” and religious level indicate a significant low positive association.

Table 2. Relationship Between Catholic’s Opinion Towards Different Religious Aspects and Religious Level

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Religious Level</th>
<th>Kendall’s Tau C</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parish or church characteristics</td>
<td>Comfortable</td>
<td>0.07</td>
<td>0.13</td>
</tr>
<tr>
<td></td>
<td>Beautiful</td>
<td>0.00</td>
<td>0.94</td>
</tr>
<tr>
<td>Parish office characteristics</td>
<td>Comfortable</td>
<td>0.03</td>
<td>0.62</td>
</tr>
<tr>
<td></td>
<td>Beautiful</td>
<td>0.00</td>
<td>0.95</td>
</tr>
<tr>
<td>Cathedral characteristics</td>
<td>Comfortable</td>
<td>0.01</td>
<td>0.82</td>
</tr>
<tr>
<td></td>
<td>Beautiful</td>
<td>0.07</td>
<td>0.11</td>
</tr>
<tr>
<td>Priests characteristics and performance</td>
<td>Considerate and kind with the congregation</td>
<td>0.13</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>Considerate and kind with the interviewee</td>
<td>0.09</td>
<td>0.08</td>
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<tr>
<td></td>
<td>Very good pastoral job (frequent evangelization, visiting sick people, talks for the community, etc.)</td>
<td>0.11</td>
<td>0.04</td>
</tr>
<tr>
<td></td>
<td>Very good community job (dealing with: dispensaries, dining halls, organizing bazaars, etc.)</td>
<td>0.06</td>
<td>0.34</td>
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<tr>
<td></td>
<td>Good appearance (clothes, grooming)</td>
<td>0.04</td>
<td>0.36</td>
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<tr>
<td></td>
<td>Always taking care of personal reputation</td>
<td>0.10</td>
<td>0.02</td>
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<td>Bishops characteristics and performance</td>
<td>Considerate and kind with the congregation</td>
<td>0.02</td>
<td>0.72</td>
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<td></td>
<td>Considerate and kind with the interviewee</td>
<td>-0.12</td>
<td>0.08</td>
</tr>
<tr>
<td></td>
<td>Very good pastoral job (frequent evangelization, visiting sick people, talks for the community, etc.)</td>
<td>0.09</td>
<td>0.21</td>
</tr>
<tr>
<td></td>
<td>Very good community job (dealing with: dispensaries, dining halls, organizing bazaars, etc.)</td>
<td>0.25</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source: own

Then again, to determine any existing relationships between Catholics’ attitudes toward variables that make Catholic Church members decide to abandon their religion and Catholics’ religious level, Kendall’s Tau C correlation coefficient was used to measure the relationships between two ordinal variables (Davis, 1971).
The correlation between “religion is out of style” and religious level indicates a significant low negative association (see table 3). Regarding the correlation between “the Catholic religion discriminates single mothers” and religious level, it indicates a significant low negative association. Also, the opinion toward “the catholic religion discriminates divorced couples that marry again” presents a significant negative correlation with religious level.

The opinion “the catholic religion excommunicate easily people that commit certain sins” is negatively associated with religious level. The correlation between “in other religions there is more acceptance between people” and religious level was found to be statistically significant but low and negative. The associations between religious level and other opinions towards the leading variables that make people abandon the Catholic religion, were negligible.

Table 3. Relationship Between Catholic’s Opinion Towards Variables for Abandoning the Religion and Religious Level

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Religious level Kendall's Tau C</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catholics change their religion because they have no knowledge about it.</td>
<td>0.01</td>
<td>0.85</td>
</tr>
<tr>
<td>Poor people are easier to convince to change their religion because they are offered money or free food.</td>
<td>-0.06</td>
<td>0.21</td>
</tr>
<tr>
<td>The inappropriate behavior of some priests makes people angry, so they look forward to change their religion.</td>
<td>-0.07</td>
<td>0.15</td>
</tr>
<tr>
<td>Some people change their religion because other religions keep coming to their homes and invite them to their parish, or simply, to talk about God.</td>
<td>0.05</td>
<td>0.26</td>
</tr>
<tr>
<td>People who study more tend to stop believing in God.</td>
<td>-0.05</td>
<td>0.31</td>
</tr>
<tr>
<td>The “mistakes” made by some priests make people change their religion.</td>
<td>0.03</td>
<td>0.52</td>
</tr>
<tr>
<td>Society evolves, so gospels can not be interpreted the same was as they were 20 centuries ago.</td>
<td>-0.04</td>
<td>0.34</td>
</tr>
<tr>
<td>Catholic religion is &quot;out of style&quot;.</td>
<td>-0.17</td>
<td>0.00</td>
</tr>
<tr>
<td>Globalization has made people conscious about the existence of many other religions.</td>
<td>-0.04</td>
<td>0.33</td>
</tr>
<tr>
<td>I have watched Christian television programs.</td>
<td>-0.02</td>
<td>0.60</td>
</tr>
<tr>
<td>A lot of people change their religion because the Christian television programs convince them.</td>
<td>-0.04</td>
<td>0.42</td>
</tr>
<tr>
<td>Catholic religion does not solve my problems.</td>
<td>-0.02</td>
<td>0.63</td>
</tr>
<tr>
<td>When people need more support because they are in an emotional or economic crisis, Catholic religion gives them the support that they need.</td>
<td>-0.01</td>
<td>0.90</td>
</tr>
<tr>
<td>In other religions, the persons in the community support each other more than the Catholics do.</td>
<td>0.05</td>
<td>0.28</td>
</tr>
<tr>
<td>Catholic religion discriminates single mothers.</td>
<td>-0.24</td>
<td>0.00</td>
</tr>
<tr>
<td>Religion discriminates divorced couples who marry again</td>
<td>-0.19</td>
<td>0.00</td>
</tr>
<tr>
<td>Catholic religions excommunicate easily people that commit certain sins.</td>
<td>-0.09</td>
<td>0.05</td>
</tr>
<tr>
<td>In other religions there is more acceptance between people.</td>
<td>-0.16</td>
<td>0.00</td>
</tr>
</tbody>
</table>

*Source: own*

**Age correlations**

So as to examine the relation of age with: religious level, Catholics’ behavior regarding their religion (communion during mass), mass opinion, and the belonging to an ecclesiastic ministry or praying group. Kendall’s Tau C correlation coefficient was used to measure the relationships between two ordinal variables.
(Davis, 1971) and Goodman–Kruskal’s Gamma coefficient was used to measure the ordinal by nominal relationship (Molinero, 2004). Age was categorized as adolescents and minor adults (15 to 21 years old), young adults (22 to 28 years old), medium age adults (29 to 35 years old), mature adults (36 to 42 years old) and old adults (43 years old and older).

The variables indicating the Catholics’ behavior regarding their religion were categorized as follows: main last confession date in months (> 36, [12,36], [2,12] and <= 2), belonging to praying groups or ecclesiastic (no or yes), opinion of mass (negative, positive), frequency of mass attendance (once per month or less, more than once per month to once a week, more than once a week), reception of communion at each mass attended (no and yes.)

Age was found to be positively low correlated but statistically significant with religious level, main last confession date, belonging to praying groups or ecclesiastic ministry and opinion of mass, as shown in Table 4. Marginal low positive correlations were found between age and frequency of mass attendance and reception of communion at each mass attended.

Table 4. Relations Between Age and Other Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Age Kendall’s tau c</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Religious level</td>
<td>0.113</td>
<td>0.012</td>
</tr>
<tr>
<td>Frequency of mass attendance (except weddings and baptisms)</td>
<td>0.087</td>
<td>0.054</td>
</tr>
<tr>
<td>Main last confession date</td>
<td>0.149</td>
<td>0.001</td>
</tr>
<tr>
<td>Receives communion at each mass attended</td>
<td>0.133</td>
<td>0.054</td>
</tr>
<tr>
<td>Belonging to praying groups or ecclesiastic ministry</td>
<td>0.215</td>
<td>0.049</td>
</tr>
<tr>
<td>Mass opinion</td>
<td>0.229</td>
<td>0.003</td>
</tr>
<tr>
<td>Parish event assistance</td>
<td>-0.015</td>
<td>0.857</td>
</tr>
<tr>
<td>Catholic event assistance</td>
<td>0.044</td>
<td>0.584</td>
</tr>
</tbody>
</table>

Source: own

In last term, a relation between socioeconomic level and the same other variables was searched. With an 0.05 alpha, socioeconomic level demonstrated not to be related with any other variable.

Factor analysis

As commented before, marketing activities are growing in importance for new religions. In order to examine the opinion of Catholics about the leading factors that make Catholic Church members decide to abandon their religion, Church Marketing variables were summarized by a factor analysis.

a) Catholic Church Marketing. This first group had a .876 result in KMO test and had 0.0000 significance in Bartlett’s sphericity test. A finding of 5 new variables summarized the 20 with a 77.77% explained variance. Principal components extraction method was used and matrix rotated with Varimax. The resulting factors and their communalities are shown on Table 5.

b) Sociological opinion. In an attempt to summarize the information given by the original social aspects variables, regarding the reasons for abandoning the religion, a factor analysis was made. For this second group, KMO test showed a .793 value and a 0.0000 significance in Bartlett’s sphericity test. Again, 5 new variables resulted summarizing the 18 before with a 55.77% total explained variance. However, 2 variables could not be included in any factor. Principal component extraction method was used and matrix was rotated by Varimax. New factors and their communalities are shown on Table 6.

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Table 5. Catholic Church Marketing Factors and their Communalities

<table>
<thead>
<tr>
<th>Factor 1: Bishop service and work</th>
<th>Communality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Considerate and kind with the interviewee</td>
<td>0.838</td>
</tr>
<tr>
<td>Considerate and kind with the congregation</td>
<td>0.811</td>
</tr>
<tr>
<td>Very good community job (dealing with: dispensaries, dining halls, organizing bazaars, etc.)</td>
<td>0.787</td>
</tr>
<tr>
<td>Very good pastoral job (frequent evangelization, visiting sick people, talks for the community, etc.)</td>
<td>0.761</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Factor 2: Perception, service and priest work</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Good appearance (clothes, grooming)</td>
<td>0.776</td>
</tr>
<tr>
<td>Always taking care of personal reputation</td>
<td>0.769</td>
</tr>
<tr>
<td>Considerate and kind with the interviewee</td>
<td>0.748</td>
</tr>
<tr>
<td>Considerate and kind with the congregation</td>
<td>0.676</td>
</tr>
<tr>
<td>Very good pastoral job (frequent evangelization, visiting sick people, talks for the community, etc.)</td>
<td>0.633</td>
</tr>
<tr>
<td>Very good community job (dealing with: dispensaries, dining halls, organizing bazaars, etc.)</td>
<td>0.620</td>
</tr>
<tr>
<td>Globally, very good job performance</td>
<td>0.468</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Factor 3: Facilities (parish and parish office)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Parish office is comfortable</td>
<td>0.842</td>
</tr>
<tr>
<td>Parish office is beautiful</td>
<td>0.785</td>
</tr>
<tr>
<td>Parish or church is beautiful</td>
<td>0.728</td>
</tr>
<tr>
<td>Parish or church is comfortable</td>
<td>0.627</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Factor 4: Knowledge of priests and Bishop</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge of how many priest attend the parish</td>
<td>0.850</td>
</tr>
<tr>
<td>Knowledge of every priest name in the parish</td>
<td>0.798</td>
</tr>
<tr>
<td>Knowledge of the Bishop's name</td>
<td>0.682</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Factor 5: Cathedral</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cathedral is beautiful</td>
<td>0.906</td>
</tr>
<tr>
<td>Cathedral is comfortable</td>
<td>0.792</td>
</tr>
</tbody>
</table>

Source: own

Table 6. Sociological Opinion Factors and their Communalities

<table>
<thead>
<tr>
<th>Factor 1: Discrimination and acceptance</th>
<th>Communality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Religion discriminates divorced couples who marry again</td>
<td>0.858</td>
</tr>
<tr>
<td>Catholic religion discriminates single mothers.</td>
<td>0.848</td>
</tr>
<tr>
<td>Catholic religions excommunicate easily people that commit certain sins.</td>
<td>0.774</td>
</tr>
<tr>
<td>In other religions, the persons in the community support each other more than the Catholics do.</td>
<td>0.475</td>
</tr>
<tr>
<td>Catholic religion is &quot;out of style&quot;.</td>
<td>0.464</td>
</tr>
<tr>
<td>In other religions there is more acceptance between people.</td>
<td>0.422</td>
</tr>
</tbody>
</table>

Factor 2: Convinced easily
Poor people are easier to convince to change their religion because they are offered money or free food. 0.714
The “mistakes” made by some priests make people change their religion. 0.656
Some people change their religion because other religions keep coming to their homes and invite them to their parish, or simply, to talk about God. 0.617
The inappropriate behavior of some priests makes people angry, so they look forward to change their religion. 0.614

Factor 3: Globalization and evolution
Globalization has made people conscious about the existence of many other religions. 0.783
Society evolves, so gospels cannot be interpreted the same was as they were 20 centuries ago. 0.57

Factor 4: Television’s influence
I have watched Christian television programs. 0.783
A lot of people change their religion because the Christian television programs convince them. 0.715

Factor 5: Support and lack of knowledge
When people need more support because they are in an emotional or economic crisis, Catholic religion gives them the support that they need. 0.78
Catholics change their religion because they have no knowledge about it. 0.466

Variables NOT grouped in any factor
People who study more tend to stop believing in God. 0.466
Catholic religion does not solve my problems. 0.466

Source: own

Results summary

After all the analysis made before and because religious level is the most important variable in this research, the tables 7 and 8 summarize the results.

Table 7. Religious Level and its Several Relations (in percent)

<table>
<thead>
<tr>
<th></th>
<th>Religious level</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Medium average</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Positive opinion of mass</td>
<td>80.8</td>
<td>59.3</td>
<td>27.3</td>
<td></td>
</tr>
<tr>
<td>Belonging to praying groups or ecclesiastic ministry</td>
<td>30.1</td>
<td>3.7</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>Takes communion during each attended mass</td>
<td>42.9</td>
<td>14.1</td>
<td>3.4</td>
<td></td>
</tr>
<tr>
<td>Main frequency of mass attendance</td>
<td>Once a week</td>
<td>Once a week</td>
<td>Once every 6 months</td>
<td></td>
</tr>
<tr>
<td>Main last confession date</td>
<td>65.4</td>
<td>47.0</td>
<td>15.5</td>
<td></td>
</tr>
<tr>
<td>Parish event assistance</td>
<td>76.9</td>
<td>76.9</td>
<td>28.3</td>
<td></td>
</tr>
<tr>
<td>Catholic event assistance</td>
<td>80.8</td>
<td>76.1</td>
<td>23.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: own
Table 8. Levels of Agreement to Marketing and Social Factors

<table>
<thead>
<tr>
<th>Marketing factors</th>
<th>Completely agree</th>
<th>Agree</th>
<th>Indifferent</th>
<th>Disagree</th>
<th>Completely disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>F. 1: Bishop service and work</td>
<td>30.4%</td>
<td>30.5%</td>
<td>27.3%</td>
<td>8.2%</td>
<td>3.7%</td>
</tr>
<tr>
<td>F. 2: Perception, service and priest work</td>
<td>27.6%</td>
<td>40.2%</td>
<td>18.0%</td>
<td>10.1%</td>
<td>4.2%</td>
</tr>
<tr>
<td>F. 3: Facilities (parish and parish office)</td>
<td>21.2%</td>
<td>31.2%</td>
<td>33.6%</td>
<td>10.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>F. 4: Knowledge of priests and Bishops</td>
<td>26.1%</td>
<td>15.5%</td>
<td>16.2%</td>
<td>14.4%</td>
<td>27.8%</td>
</tr>
<tr>
<td>F. 5: Cathedral</td>
<td>39.0%</td>
<td>41.5%</td>
<td>13.0%</td>
<td>5.1%</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

| Social factors                                |                  |       |             |          |                   |
| F. 1: Discrimination and acceptance           | 10.3%            | 21.4% | 23.8%       | 21.9%    | 22.6%              |
| F. 2: Convinced easily                        | 19.5%            | 33.9% | 20.1%       | 18.6%    | 7.8%               |
| F. 3: Globalization and evolution             | 20.8%            | 35.5% | 16.2%       | 17.1%    | 10.4%              |
| F. 4: Television's influence                  | 8.3%             | 20.3% | 26.8%       | 19.9%    | 24.7%              |
| F. 5: Support and lack of knowledge           | 27.3%            | 35.4% | 18.2%       | 13.2%    | 5.9%               |
| People who study more tend to stop believe in God |              |       |             |          |                   |
| Catholic religion does NOT solve my problems  | 11.6%            | 15.5% | 20.5%       | 32.1%    | 20.3%              |
| Variables NOT grouped:                        |                  |       |             |          |                   |

Source: own

Discussion and further research

The Catholic religion has more than one billion members around the world and all of them have different opinions about the religious service offered by the priests in their communities. These service opinions depend in an important way on the religious level each person has. The religious level can be high, medium or low and happens to be comparable with loyal clients, clients who seek for other offers and unsatisfied clients. Kotler (1996) mentions that client satisfaction is extremely important basically because periodic sales in any organization come from two groups: new clients and usual clients. It is always more expensive to attract new clients than to keep usual ones. The key to keeping clients is client satisfaction. A satisfied client:

- Buys more and is loyal for a longer time
- Buys additional products as the company introduces them
- Pays less attention to advertising and competence products, and is less price sensitive
- Offers ideas about products and services for the organization
- It takes less effort and expense to serve them than a new client because they buy in a routinely base.

So, this research shows that Catholic Church has only 41.4% satisfied clients (highly catholic persons), around 35.6% clients with an average satisfaction and 23.2% unsatisfied clients. These last unsatisfied clients are those not willing to “buy” any more and who will tend to abandon Catholic Religion in some time, as it has been happening for the last 20 years. Being unsatisfied is reflected in a lower mass attendance frequency, less communion during mass, less assistance to catholic and/or parish events, more negative mass opinions and a slightly more negative opinion towards priests work, among others. All these can be clearly seen in tables 7 and 8.

In exchange, people with higher religious levels have better opinions of mass, belong to praying or ecclesiastic ministries and has communion more frequently. Even their last confession date is recent because confessions timing seems to increase as religious level diminishes. There is even a higher possibility that these people assist to Catholic or parish events if the religious level is high or medium. It is also remarkable that Bishops service and work is better seen by people with higher religious levels, and they also have a
better perception of the facilities. The differences in the knowledge of priests are important among all 3 groups. In some social factors the differences are huge: for high religious people, Catholic Church does not discriminate, variable seen in an opposite way by those with low religious level. In the same way, for high catholic level people, religion seems to solve their problems; for low religious level people, it does not.

Clients psychographics make loyalty levels and these rise according to the offered product’s or service’s quality, shown in a greater disposition of the clients to use or to consume this products or services, paying less attention to the place it can be bought (Torres et al., 2007). It is possible to affirm that the people with low religious levels are unsatisfied with their religion. When being unsatisfied, they attend with less frequency to masses and religious events, will not have communion, will not confess their sins, do not know their priests and do not see Church facilities very attractive. These facts can be cause or effect of people dissatisfaction and unsatisfied clients will not see with good eyes their religion; to them, Catholic Church discriminates and definitively does not solve their problems. Consequently, abandoning Catholic Religion towards a religion that promises acceptance and the solving to their problems is highly feasible.

The fact that all religious levels agree that lacking knowledge of their own religion and that influence of others are important variables to abandon Catholic religion, none of these two cause dissatisfaction. People might not know much of their religion, but if they are satisfied, no matter who comes to evangelize them, they will not abandon easily their beliefs. The problem is that a low level catholic person will not approach its Church to know it, since their perceptions tend to be negative. Nevertheless, if other religions insist to him, it will be easier for this people to know and approach something different, whose perception is still neutral. A detected problem that might not generate dissatisfaction but can influence the global religion vision is the evangelizing work and the services offered by priests and Bishops, since there is a high level of ignorance if they do something and therefore the way in which they make it.

As of the Church services’, the most wanted turned out to be the so called “basic services”, which includes baptisms, confirmations, weddings and other common ones for the society. Others, like grief after a loss of a loved one, support when depressed or in crises, Sunday classes and many others were given less importance and requested very little. Nevertheless, the priest will only execute the service, and people with deal mainly with the secretary; besides, the procedure will take more than one visit.

Seeing different religions as in a market in which they all compete, including sects and agnostics, eases to perceive that dissatisfaction in practicing religious members represents an opportunity area that any competitor can be taken advantage of - and more likely they already have- to satisfy these people demands. Martindale Hubbell (2008) mentions that over 60% of an organization’s clients will abandon them because of service problems and around 20% will abandon them because of problems with the product or service performance. To verify which factors influence abandon in Catholic religion, social factors were correlated with religious level. Only 4 of them were significant with a 0.05 alpha. Factor 4: television’s influence is not correlated. Results can be seen in table 9.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Kendall’s Tau B</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>F. 1: Discrimination and acceptance</td>
<td>-.183</td>
<td>0.000</td>
</tr>
<tr>
<td>F. 2: Convinced easily</td>
<td>0.092</td>
<td>0.022</td>
</tr>
<tr>
<td>F. 3: Globalization and evolution</td>
<td>-.159</td>
<td>0.000</td>
</tr>
<tr>
<td>F. 4: Globalization and evolution</td>
<td>-.006</td>
<td>0.872</td>
</tr>
<tr>
<td>F. 5: Support and lack of knowledge</td>
<td>.176</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: own

As it can be observed, factors 1 and 5 have a negative influence in religious level: more discrimination, less religiosity; more globalization, less religiosity; while factors 3 and 2 correlate directly: more support, more religiosity, more incentives (food, money, medicines,…), more religiosity. Factor 1 is
related with service problems: denial of communion or baptism to single mothers, divorced and remarried couples, etc. Factor 5 is related again with service problems: there is no support in the most needed moments because there is no priest available; there is no teaching or deep knowledge of the Catholic religion. Factor 3 is related with globalization and the interpretation of the gospels: this can be related with the knowledge of more religion options and with these competitors on hand, any small failure of the Catholic religion product is magnified. Factor 2 is related, again, with service problems: there are no priest visiting homes, they give a bad service in medicine dispensaries and dining rooms, etc. With the above, it can be concluded that abandon in Catholic religion is mainly influenced by a bad service in many areas and, in second term and quite far form service, because of product itself is not adapting to its clients or faithfuls.

This research did not intend to find causes or variables that cause the different religious levels, which can still be studied. As a complement to this study, research among people who have already abandoned Catholic religion and now belong to some other groups would be interesting, trying to find out what their religious level was before they abandoned and their actual state towards their new religion, as well as some other key variables that made them change religion.

Macromarketing Research Implications

This investigation makes us reflect about several important marketing themes in a religious market.

**Competition is growing (market segmentation).** Even though Latin America has been traditionally Catholic dominant, globalization has made other religions evident. In countries like Mexico, religious competitors come from the north border, where protestant religions domain; from the south border, where a kaleidoscopic hybrid religions options are being created; and from internal growth, with the creation of new religions searching to serve a religious need by making money for themselves.

**Government regulations are changing.** All the competition above was possible because the Mexican government changed their policies and the existing laws, making the creation and registration of new religions easy. Besides, government allowed them to promote in the mass media. In all Latin America, the Catholic religion had never before faced competitors, even less knew how to use marketing tools to promote themselves, activities that were well known and practiced by the arriving religions. For all this religions, government deregulations opened their way to massive activities in stadiums, allowed them to have television and radio programs, or to publish articles in newspapers. Even smaller promoting activities, unknown for Catholics were used, such as praying groups in backyards, or even in schools.

**Catholic institution is under attack.** With the recent scandals of Catholic priests molesting children, others with lovers, some more that sell indulgencies, among other known problems, society is turning their back not to the responsible priest, but to the institution they represent. Services can not be separated form the person that gives them, so any incorrect activity done by a priest is quickly known. Competitors are the first interested in having the bad reputation of the Catholic institution known by everyone.

**Economic affectations.** Less amount of Catholic mean less money for the religion. Religious peregrinations and tourist visiting Cathedrals are important economic resource makers; with fewer peregrinations and less tourist, the amount of money received is diminishing. Other religions take advantage of not receiving tithe or alms, but having their members give them the amount of money they want whenever they want, in a “no pressure” strategy. Thou, their members are always being motivated to work for their temple, working for the community without being paid.

**Technology use.** Since the Catholic religion never needed to modernize, they were not aware of the technology growth. Web sites and blogs have not even been created by most parishes. There are many non institutional sites that give all types of information without any support. The Catholic institution itself is against the use of lights and sound during sermons, activities well known and used by protestant religions to empathize their messages. Mass media technology use come form other countries and only few programs are produced nationally, meanwhile new born religions even have daily television shows –some of them live.
Conclusions

Today, institutions invest in different resources to keep their clients loyal, considering among them that emotional experience plays an important role and is necessary to create a competitive advantage that allows a greater market share, because most of the services and products tend to imitate or be alike fast (Valenzuela, Garcia de Madariaga and Blasco, 2007). This research notes that religious level plays an important role for satisfaction and emotional experience that people show towards their church. As a matter of fact, an unfortunate emotional experience can lead to Catholic religion abandoning. People with low religious levels get bored during mass, and so, they assist less. They see priests and Bishops service negatively and criticize more facilities, among others. A client and an organization get their satisfaction along with the exchange of expected values, so value is one of the most important reasons considered while taking a decision of weather to use or not the product or service (Escobar, 2000).

People with higher religious levels are more satisfied with the Catholic Church and so, attend frequently to more services. When low religious levels are shown, people decide to attend fewer services or attend less frequently in time. This open gap will allow any competitor to come inside and satisfy this unattended spiritual or religious need, making them believe in a God of love, not a God for them to get bored. In one Father de Blas (2005) affirms that the priests have turned rancid and moldy the Word’s Bread, and they still want people to come and eat. He says may Churches smell boredom and priests want that the bored attendants to be consoled there; priests should be blamed of turning insipid and hateful the religion of the love.

Service institutes relations with clients by learning, use of relevant information and personalization or relational marketing levels that allow the organization to keep their clients, becoming the success key, an organization where service is not the same and so, should differentiate form the competence if it offers an excellence service (Puente, 2000). To many people, Catholic Religion does not offer an excellence service, not even a good one. This space has allowed the emerging of many other religions and sects that promise a better service with differentiations like: music and lights, nursery school, better equipped classrooms, better prepared teachers, etc. It only takes a visit to any temple to realize this.

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Variation in Subjective Well-Being across Consumer Lifestyle Segments

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The enhancement of quality of life is one of marketing’s contributions to society. Consumer lifestyles segments are used as modern day stratification tools, exploring how people choose to use resources available in order to express and develop their status in a society. In this paper we investigate how perceived quality of life varies across consumer lifestyle segments and provide potential reasons for the differences in perceived levels of satisfaction. This information can be used as a first stage to diagnose problems and to develop policies, ultimately raising Subjective Wellbeing across a population.

Introduction

One of marketing’s contributions to society is its enhancement of quality of life (Berry and Mirabity 2006; Sirgy, Meadow, and Samli 1995; Wilkie and Moore 1999). Marketing provides consumer experiences and increases consumer satisfaction (Day 1987, Lee and Sirgy 1995; Lee, Sirgy Larsen, and Wright 2002). Focusing on the aggregate marketing system, macromarketing specifically investigates the impact of marketing on “economic development, quality of life and other related issues” (Wilkie and Moore 2006; 228).

Quality of life is often assessed by the investigation of a person’s subjective view of their quality of life, frequently referred to as Subjective Wellbeing (SWB) or life satisfaction (Cummins and Nistico 2002; Diener 1984; Diener and Fujita 1995; Efklides and Tsorbatzoudis 2006). Variations in quality of life across a population will be linked in some way to the abilities people have and the choices that they make when participating in the market place. One way in which marketing has examined these patterns in consumer research is through the concept of lifestyles. In this paper we seek to explain how Subjective Wellbeing varies across different consumer lifestyle segments using data from the New Zealand Lifestyle study (Lawson, Todd, and Evans 2006). In so doing we demonstrate some ways how marketing influences the perceived quality of life of different groups of people in a society. The resulting information can be used by policy makers to diagnose problems and design and target policies.

Lifestyles have been used for over 50 years (Lazer 1963; Plummer 1974). It refers to groups within society that spend their lives as consumers in distinctive ways (Lawson and Todd 2002). In marketing, the concept is frequently linked to psychographics and personal values and considered to describe people on an individual, psychological level (Gunter and Furnham 1996; Lawson 2006). However, drawing on well established literature from sociology (Chaney 1996; Giddens 1991), lifestyles may be regarded as modern day stratification measures that provide a better understanding of a range of marketing aspects at a societal level as their membership depends at least in part on available resources (Lawson and Todd 2002; Lawson 2006). Lifestyles show how people are able to, and choose to, participate in the market place (Lawson and Todd 2002). That is to say that they provide descriptions of how consumers react to opportunities provided by the marketing system. While the characteristics of consumer lifestyle segments frequently suggest that some lifestyle groups are more satisfied with their life than others, this remains speculative.

Background

a.) Subjective Wellbeing

Quality of Life has gained prominence since the late 1960’s as traditional indicators such as the Gross-Domestic-Product were found to be suboptimal to measure “the goodness of a society (Cummins,
Eckersley, Pallant, von Vugt, and Misajon 2003, 159; also: Burroughs and Rindfleisch 2002; Diener, Suh, Lucas, and Smith 1999; Wilkie and Moore 1999). Subjective Wellbeing - the subjective perception of one’s quality of life (Burroughs and Rindfleisch 2002; Cummins and Nistico 2002; Diener 1984; Diener and Fujita 1995; Efklides and Tsorbatzoudis 2006) - is concerned with “how and why people experience lives in positive ways, including both cognitive judgments and affective reactions” (Diener 1984, 542). One prominent research stream within SWB investigates the global evaluation of life and frequently uses the concept in its aggregate form to investigate perceived levels of Quality of Life within a country (Kim-Prieto, Diener, Tamir, Scollon, and Diener 2005). Within this research, some studies emphasize overall satisfaction with life as a whole (e.g. Pavot and Diener 1993), while others build on the domain approach originally used by Andrew and Withey (1967) and Campbell, Converse, and Rodgers (1976). As a number of life domains emerge that elicit more specific information about the components influencing satisfaction with life as a whole, the latter approach tends to be favored in recent years (Cummins et al. 2003).

This research uses the International Wellbeing Index (IWI) (Cummins et al. 2003). Applied by the International Wellbeing Group, a group that includes over 100 researchers from 50 countries (International Wellbeing Group 2006) the measurement tool includes a Personal Wellbeing Index (PWI) and a National Wellbeing Index (NWI) (Lau, Cummins and McPherson 2005). The psychometric properties of both indices have been tested extensively (Cummins et al. 2003; Cummins, Eckersley, Lo and Okerstrom 2003b; Lau, et al. 2005; Tiliouine, Cummins and Davern 2006). Providing a theoretically sound, brief, standard tool to investigate Subjective Wellbeing is the major aim of the index (Australian Center on Quality of Life n.d.; Lau et al. 2005).

The Personal Wellbeing Index – an overall measure of personal life satisfaction - employs the theoretical principal of deconstruction and contains broad and semi-abstract domains, representing the first level deconstruction of life as a whole (Lau et al. 2005; Cummins et al. 2003; International Wellbeing Group 2005). The domains include: Satisfaction with - Standard of Living, Health, Achieving in Life, Personal Relationships, Personal Safety, Community-connectedness and Future Security (International Wellbeing Group 2005). (Since the data collection in 2005, a Spiritual/Religious domain was added to the PWI by the International Wellbeing Group (2006). Any future investigation of the IWI in New Zealand should include the new PWI domain and compare results.) Ranging from completely dissatisfied to completely satisfied, each domain is investigated with one question on a zero to ten (11-point) scale.

The NWI originally consisted of three domains (Cummins et al. 2003) but has been expanded to six domains (Tiliouine et al. 2006). These are: Satisfaction with - the Economic Situation, State of the Environment, Social Conditions, Government, Business and National Security. The National Wellbeing Index questions are measured identical to the PWI items.

b.) Lifestyles

Over the last 50 years, the term ‘lifestyle’ has been used in everyday life and in academic studies in a variety of different contexts (Blackwell and Talarzyk 1977; Cosmas 1982; Gutman and Mills 1982; Lastovicka, Bettencourt, Hughner, and Kuntze 1999; Mitchell 1983; Plummer 1974; Reynolds, Crask, and Wells 1977; Roberts and Wortzel 1979), resulting in critique of the concept as it leads to problems with its reliability and validity (Lastovicka 1982; Wells 1975). Among the array of conceptualizations and definitions, two broad distinctions can be made: viewing lifestyles as a micro concept, relating the stereotypical description of individuals (Gunter and Furnham 1992), or as a macro- (or at least meso-) concept, where lifestyles are representations of consumption within a market and, although the data is collected on an individual level, lifestyle profiles are seen as systems constructs (Lawson 2002, 2006; Lazer 1963).

As a micro concept, lifestyles goes back to Alfred Adler who is credited with inventing the term ‘style of life’ in the late 1920’s (Lawson 2006, Todd and Lawson 2002). The concept gained popularity at the end of the Second World War as it provided an opportunity to overcome the shortcomings of demographic profiles used to describe individuals (Wells 1975). Answering criticism related to
demographics, researchers either correlated consumer behavior to standardized personality inventories (e.g. Koponen 1960) or linked it to consumer motivation (Dichter 1964) – with the blending of the two research streams in the mid 1960’s being frequently referred to as psychographics research (Wells 1975).

The popular VALS segmentation, designed by Mitchell in 1983, also refers back to the theoretical work of Maslow (1954), linking lifestyles with individual motivation (Lawson and Todd 2002). Within VALS (Mitchell 1983) and SRI International, the prominent link to individual values is further suggesting that the concept is psychological. Gunter and Furnham (1992) therefore consider lifestyles alongside personality, values and psychographics as one method of psychological segmentation.

However, when the concept of lifestyle patterns was first introduced into marketing by Lazer (1963), it was built on a systems perspective (Plummer 1974; Lawson and Todd 2002). This is evident in its definition: [Lifestyles is “a systems concept. It refers to the distinctive mode of living, in its aggregative and broadest sense… it embodies the patterns that develop and emerge from the dynamics of living in a society” (Lazer 1963, cited in Plummer 1974; 33). Considering lifestyles as a systems concept followed a common approach in social sciences in the 1960’s (e.g. Alderson 1957; Fisk 1967; Katz and Kahn 1966), a point that has been almost forgotten (Lawson and Todd 2002). A system perspective shifts the unit of inquiry away from the individual (Lawson 2006). This shift away from the individual is further reflected in Lazer’s (1963) lifestyle hierarchy with group and individual expectations being derived from a cultural framework, converted into lifestyle patterns, which in turn determines purchase decisions and market reactions. This clearly reflects some kind of macro/micro continuum, placing lifestyles at a mid point, a view that is supported by empirical evidence as lifestyles seem to work best to predict higher level of choices such as product class rather than brand choice (Lawson 2006). As such, lifestyles explain choices that form part of a consistent pattern of consumption and can be used to investigate facets of consumption away from the purpose of segmentation to improve the application of a marketing mix by individual organizations; e.g. Lawson, Todd, and Boshoff (2001) have demonstrated the link between consumer sentiment and lifestyles.

Segmentation, by definition, concerns heterogeneity and/or equality within the market place. Consistent with its place in Lazer’s hierarchy, more recent sociology literature has sought to use the idea of lifestyles as stratification constructs suitable for post-modern societies where status is accorded more through consumption choices and less through the traditional resource bases that were used to define social class (Chaney 1996; Crompton 1998). This approach is consistent with more recent ideas in marketing, such as co-creation, which emphasize that consumers are not simple passive recipients of goods and services but seek to extract meaning and use them in ways to suit themselves (Vargo and Lusch 2004, 2007). The origin of this view of lifestyle would seem to lie in Weber’s work with his view of ‘estande’, or status, as the basis for class as opposed to heritage or wealth which have been more consistently emphasized as the bases for social class in the twentieth century (Weber 1948). Viewing lifestyle through this perspective makes it clear that marketing can and should be a major determinant influencing stratification of modern societies and consequently we would expect to find differences in quality of life. Identifying these differences could help us understand some of the ways marketing might influence quality of life and be used as a first stage of diagnosing problems and developing policies that will ultimately raise perceived quality of life across a population.

Data Collection and Methodology

The study used data collected as part of the *New Zealand Consumer Lifestyles Study* (Lawson, et al. 2006; Faris, Lawson, and Todd 1996; Todd, Lawson, and Jamieson 2000). The survey is based on an extensive AIO schedule, consisting of over 500 questions regarding New Zealanders attitudes, interests and opinions on a large range of topics including social and political issues, consumption and media habits, self identity, product ownership and travel behavior as well as values.

First conducted in 1979 and since 1995 in regular five year intervals, the survey has been updated to take account of new trends that have emerged in society, particularly regarding technological innovations.
and their effect on domestic, social and working lives (Lawson, et al. 2006). The IWI (PWI and NWI) was included for the first time in 2005.

The sampling frame was a commercially acquired list of names and addresses from New Zealand Post designed to be representative of New Zealand in terms of sex and location. Ten-thousand questionnaires were send out. To encourage participation, a variety of incentives were used including price draws and a $1 donation to one of three pre-specified charities for every questionnaire returned. Additionally, two weeks after posting the questionnaire, a single reminder was issued and 3556 completed responses were returned for analysis (response rate 35.5%). Comparison with census data released by Statistics New Zealand reveals that the sample can be regarded as representative of the New Zealand population between 20 and 65 years.

Reported Level of Wellbeing in New Zealand

Before the IWI for New Zealand was calculated, psychometric characteristics of PWI and NWI for both scales are examined using standard protocol as applied by Cummins and his colleagues (Cummins et al. 2003, 2003b; International Wellbeing Group 2005, 2006; Lau et al. 2005; Tiliouine et al. 2006). The psychometric characteristics of IWI in New Zealand compare favorably with previous applications in other countries (Cummins et al. 2003b; Lau et al. 2005; Tiliouine et al. 2006) and the IWI index produces psychometrically useful results in New Zealand (Cummins 2006). Full reporting of both the PWI and NWI can be found in Ganglmair-Wooliscroft and Lawson (2006).

<table>
<thead>
<tr>
<th>Table 1. Summary for Personal- and National Wellbeing Index</th>
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<tbody>
<tr>
<td><strong>Mean</strong></td>
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<td>----------</td>
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<tr>
<td>Life as a whole</td>
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<tr>
<td>PWI</td>
</tr>
<tr>
<td>Standard of Living</td>
</tr>
<tr>
<td>Health</td>
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<tr>
<td>Achieving in Life</td>
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<tr>
<td>Personal Relationships</td>
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<tr>
<td>Personal Safety</td>
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<tr>
<td>Feeling part of your Community</td>
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<tr>
<td>Future Security</td>
</tr>
<tr>
<td>NWI</td>
</tr>
<tr>
<td>Economic Situation</td>
</tr>
<tr>
<td>State of NZ environment</td>
</tr>
<tr>
<td>Social conditions in NZ</td>
</tr>
<tr>
<td>Government</td>
</tr>
<tr>
<td>Business in NZ</td>
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<tr>
<td>National Security</td>
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</tbody>
</table>

Prior to calculating the IWI (PWI and NWI), data was standardized into units of percentage of sample maximum (%SM) on a 1-100 distribution as suggested by Cummins et al. (2003). Reporting results as %SM has become standard within IWI research as it allows comparison with other measures that use a different number of answer categories. PWI and NWI are then calculated by averaging the scores of respondents over the seven (PWI) and six (NWI) domains included in the respective scales.

Key-results for the PWI and NWI are presented in Table 1. The mean value of PWI is 67.39 with a relatively high, but acceptable, standard deviation of 15.70 (Cummins 2006). As expected, the NWI is considerably lower than the PWI with an average value of 52 (standard deviation of 15.87).
Lifestyle Segments

Applying forward segmentation (Plummer 1974), attitudinal statements from the AIO schedules were used to classify respondents and predict behaviors of the groups. K-means clustering was used to classify respondents, with a range of solutions being evaluated for stability and predictive power in relation to behavioral variables. The chosen segments were further examined for face validity with other marketing academics and practitioners in New Zealand. The final solution comprises of seven lifestyle segments as seen in Figure 1.

Figure 1. Overview of Consumer Lifestyle Segments in New Zealand

<table>
<thead>
<tr>
<th>Segment</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pragmatic Strugglers (15%)</td>
<td>Politically conservative, Negative outlook, Perceive to get a raw deal from life</td>
</tr>
<tr>
<td>Educated Liberals (10%)</td>
<td>Progressive &amp; egalitarian; Enjoy variety &amp; diversity; Arts and cultural activities</td>
</tr>
<tr>
<td>Success Driven Extroverts (14%)</td>
<td>Value free enterprise; Actively ambitious; Urban professionals</td>
</tr>
<tr>
<td>Pleasure Seekers (17%)</td>
<td>Materialistic and unconcerned; Living for today; Not many opinions on social or political issues</td>
</tr>
<tr>
<td>Traditional Values People (17%)</td>
<td>Family and community oriented; Conservative</td>
</tr>
<tr>
<td>Social Strivers (14%)</td>
<td>Outer directed; Conformist; Discrepancies between attitudes and behavior, wants and haves</td>
</tr>
<tr>
<td>Conservative Quiet Lifers (13%)</td>
<td>Home centered; Traditional views; Reflection of aging population</td>
</tr>
</tbody>
</table>

Subjective Wellbeing Across Consumer Lifestyle Segments

ANOVA with Bonferroni post-hoc tests were used to examine variety in Subjective Wellbeing - Personal- and National Wellbeing as measured by the International Wellbeing Index - versus Lifestyle Segments (for all tests significance level is set at p<0.01).

Figure 2 and 2a - for Personal Wellbeing (PWI) - and Figure 3 and 3a - for National Wellbeing (NWI) - give an overview of the wellbeing expressed by lifestyle segments. Within figures, lifestyle segments are presented in decreasing order of average wellbeing ratings (average number out of 100 in brackets) with those segments not showing significantly different evaluations indicated through black cells on the right hand side of the figures.

Personal Wellbeing Across Consumer Lifestyle Segments

When looking at the average Personal Wellbeing rating, four significantly different groups emerge. Traditional Values People and Educated Liberals are significantly more satisfied with their Personal Wellbeing than any other group. The first segment is described as older, conservative lifestyle segment. Often ‘empty nesters’ with a large proportion of over 50 year olds, they are community oriented, with a strong sense of family and religion and an interest in home oriented activities but also golf, sailing or fishing but not arts or culture.

The equally satisfied Educated Liberals contain a different demographic group; middle aged and established in family and career with a high proportion of women. This group reports strong social concerns and constitutes the only ‘left wing’ consumer lifestyle segment. Their (second highest) income level and (highest) education level is not reflected in a liking of shopping – this group is also very critical of marketing activities, particularly of advertising.
Pleasure Seekers and Success Driven Extroverts form the second highest group in terms of Personal Wellbeing. Success Driven Extroverts are status conscious and prefer an exciting, urban lifestyle. As consumers they enjoy shopping – particularly for nice things that reflect their personality. The group has the highest educational attainment and highest income of all consumer lifestyle groups. Pleasure Seekers are mostly in their twenties to mid-forties and definitely not homebodies. They have many characteristics of
Generation X, life for today and show a general lack of concern for political or social issues. Pleasure Seekers like to shop.

Social Strivers are the third group when Personal Wellbeing is investigated. They are opinionated, conservative and express conflicting views in terms of attitudes and behavior. This older group is generally not well resourced. Social Strivers are knowledgeable regarding the market place but are worried about money and keeping their finances in order. Their constant struggle between what they want and what they have or are able to attain is reflected in a relatively low Personal Wellbeing.

Conservative Quiet Lifers and Pragmatic Strugglers make up the lowest PWI group. The first of the two consumer lifestyle segments reflects the aging population in New Zealand. They describe themselves as homebodies activities are mostly centered around the house and the local community. The segment displays cautionary and negative attitudes towards the market place and tries to look after its possession and not buy gadgets or nice things. Pragmatic Strugglers on the other hand are made up of younger 20-40 year old, often one parent families with high financial commitments who feel that they are getting a raw deal from life.

When satisfaction with individual Personal Wellbeing domains is investigated, further details about the perceived quality of life of different lifestyle segments emerge that can guide policy makers when targeting to specific consumer groups. Standard of Living is the domain most closely related to consumption and marketing (Lee et al., 2002). The highest satisfaction with this domain is expressed by Traditional Values People. Although the segment’s income is average, they are the most acquisitive of all segments for household items and report very high ownerships of technological gadgets. However, this group is more likely to own their own house debt free and is also less likely to have other kinds of debt such as hire purchase so their standard of living is not under pressure as it is with some other segments. Their significantly higher level of satisfaction with the quality of their standard of living might also be explained by being often ‘empty nesters’, in a settled and contented stage of their life.

The second group in terms of satisfaction with Standard of Living is made up of Educated Liberals, Success Driven Extroverts and Pleasure Seekers. These three groups show different characteristics that explain how they achieve this level of satisfaction. Educated Liberals agree strongly that money cannot buy happiness. Their level of product ownership is average except for original paintings or music instruments. Success Driven Extroverts on the other hand do enjoy shopping and advertising and like to acquire nice things that reflect their personality. Pleasure Seekers, who form the third segment in this group do believe that money can buy happiness. They are enthusiastic and incautious shoppers, however, their product ownership is not very high in any category.

The third group – reporting the lowest level of Satisfaction with their Standard of Living comprises the three lifestyle groups that also have the lowest income: Social Strivers, Conservative Quiet Lifers and Pragmatic Strugglers. The first group (Social Strivers) is rather complex and contradictory in their attitudes versus their behavior but they find life a struggle and are pessimistic about their financial situation and very worried about not being able to pay bills. Conservative Quiet Lifers – another older segment – are characterized as late adopters of most products and cautionary towards the market place. They look after their possessions rather than buying nice new things. Pragmatic Strugglers on the other hand include mostly younger people. They are the most pessimistic and perceive to get a raw deal. Although their income is not the lowest, this group contains a lot of single-parent families with high financial commitments. The only products they own more often than expected are for home entertainment (DVDs, second TVs etc.)

The differences in segments regarding Satisfaction with Achieving in Life show a very similar picture – Traditional Values, an older segment that does not have the highest income or educational attainment but appears generally very content with their life reports the highest values, followed by Educated Liberals, Success Driven Extroverts and Pleasure Seekers. This group of segments also shows the highest educational attainment – in the case of Pleasure Seekers, this might be a future attainment as the group contains a considerable number of students. Consumer Lifestyle segments that report lower satisfaction with Achieving in Life show a slightly different picture than with the previous dimension investigated: As
implicated in their name, Social Strivers are striving to change their current situation and are hoping or expecting that it will change. They are therefore significantly more satisfied with their achievements than Conservative Quiet Lifers and Pragmatic Strugglers with particularly the last segment externalizing all blame.

When Satisfaction with Health is investigated the results don’t indicate the clear groupings of significantly different consumer lifestyle segments. However, the overall rank order of segments is consistent with the one previously discussed; Traditional Values People, Educated Liberals and Success Driven Extroverts are more satisfied with their health, followed by Pleasure Seekers. Social Strivers, Conservative Quiet Lifers and Pragmatic Struggler again constitute the bottom end of the figure. It is interesting to note that segments who are satisfied with their health span over a wide age range, so do those not satisfied – income and education is however considerably higher among the consumer lifestyle groups satisfied with their health. All three satisfied segments do not think that government spending on health care is too low and the oldest satisfied consumer lifestyle segment – Traditional Values People – further show the highest percentage of private health insurance of all segments, indicating that availability and affordability of health care might play a role. Consumer lifestyle segments not satisfied with their health indicate the opposite – they believe the government does not spend enough on health care and, particularly Conservative Quiet Lifers, do not own private health insurance.

The segments reporting a higher satisfaction with their health also all state that they exercise – choosing different activities depending on their consumer lifestyle group e.g.: Traditional Values People are more likely to play golf or go sailing or fishing while Educated Liberals exercise for fitness and contain the highest proportion of people who commute by bicycle. Consumer lifestyle segments satisfied with their health also consumer healthier food – making either balanced food choices (Traditional Values People), following a fresh and healthy diet with local, organic food featuring highly (Educated Liberals) or avoiding fast food (Success Driven Extroverts).

Pleasure Seekers, who make up the middle range of the lifestyle segments in terms of Satisfaction with Health are unconcerned with many health and nutrition issues while Social Strivers are again showing contradictions between attitudes and behavior in term so food choices. Conservative Quiet Lifers and Pragmatic Strugglers, the two segments found at the bottom end of health satisfaction spend a lot of time inactive in front of their television and the latter segment is also least likely of all segments to choose any healthy food options.

Satisfaction with Personal Relationships shows a similar order than Satisfaction with Health, except that Traditional Values People are significantly higher and Pragmatic Strugglers significantly lower than any other group. For the latter group this might be due to the high number of divorced people in that segment combined with many home based activities like watching TV. Although Conservative Quiet Lifers are somewhat active in the local community, they are frequently solitary survivors (widowed etc.), contributing to an overall low satisfaction with this aspect of their lives.

Traditional Values People, who have spend the longest time at their present address, and Educated Liberals, who enjoy giving dinner parties and participate in many cultural events, report the highest Satisfaction with Being Part of the Community. Success Driven Extroverts, Social Strivers - whose activities are often centered around the local community and include regular church attendance and volunteer work - and Pleasure Seekers again form the middle and Conservative Quiet Lifers and Pragmatic Strugglers report the lowest Satisfaction when being part of the community is investigated with both segments reporting a home-based life with low activity levels.

Satisfaction with Future Security seems to follow the previously described pattern; Traditional Values People and Educated Liberals are most satisfied, followed by Pleasure Seekers, Success Driven Extroverts and Social Strivers. Conservative Quiet Lifers and Pragmatic Strugglers are once again most pessimistic. The high level of satisfaction on this dimension expressed by Traditional Values People might be also a reflection of their very high ownership of various insurance policies (life insurance, personal
medical insurance, car insurance, superannuation) while Conservative Quiet Lifers and Pragmatic Strugglers – who are least satisfied with their future security – rarely have these safety nets available.

Satisfaction with Personal Safety shows one big change in terms of segment order; Traditional Values People have left their place at the top and falls into the middle of consumer lifestyle segments. The heightened fear about personal safety seems to be not related to personal experience and might be fuelled by the media and a perception of lack of safety as many members of this segment live in smaller towns that show a very favorable crime record. This result could be linked to their rather conservative attitudes also expressed in concern for social order and obedience, their wish to be tougher on crimes and call for more spending on police.

National Wellbeing across consumer lifestyle segments

Examining the overall NWI index a slightly different picture emerges at the higher end of the scale compared to the PWI; Educated Liberals, Pleasure Seekers and Success Driven Extroverts – two of the best resourced lifestyle segments in terms of income and educational attainment and one group that is unconcerned about most political and social issues (Pleasure Seekers) – form the most satisfied group. Traditional Values People are now found in the middle of the range, while Social Strivers, Conservative Quiet Lifers and Pragmatic Strugglers make up the group with the lowest NWI – unfulfilled wants and/or a generally dire financial situation clearly influences these groups’ evaluation of National Wellbeing.

Individual dimensions relating to economic issues emphasize this picture; Educated Liberals and Pleasure Seekers claim the highest level of satisfaction with the Economic Situation in New Zealand, Success Driven Extroverts and Traditional Values People form the second group, still significantly higher than Social Strivers, Conservative Quiet Lifers and Pragmatic Strugglers.

When Satisfaction with Business in NZ is examined, a similar picture emerges; the lowest three segments are significantly less satisfied than Educated Liberals, Pleasure Seekers, Success Driven Extroverts and Traditional Values people. While financial resources and overall financial situation of the consumer lifestyle segments clearly influence these ratings, their satisfaction ratings are also reflected in questions relating to the level of corruption in business - the first group believes there is less corruption rather compared to the second group of consumer lifestyle segments – or whether business is allowed to make too much profit where the same pattern emerges.

A similar pattern can also be found when Satisfaction with Social Conditions in NZ is explored and Satisfaction with National Security shows a similar picture – the only difference being that Educated Liberals are significantly more satisfied with this facet of national wellbeing than any other segment.

At the time of investigation, New Zealand had a Labour Government. This might explain the result of the dimension ‘Satisfaction with the NZ Government’. Educated Liberals – the only ‘left wing’ segment - and Success Driven Extroverts are significantly happier than Pleasure Seekers, Social Strivers and Conservative Quiet Lifers. The conservative Traditional Values People are found in the second least satisfied group, maybe a reflection of their call for more spending on law and order. The generally disillusioned Pragmatic Strugglers are once again the least satisfied consumer lifestyle segment.

When the last dimension of National Wellbeing – Satisfaction with the State of the Environment in New Zealand – is examined, a slightly different picture emerges. Educated Liberals are leaving their place in the most satisfied group which is taken over by Pleasure Seekers and Traditional Values People. This result might be a reflection of the environmentally focused behavior shown by Educated Liberals as they are for example more likely to walk, cycle or commute by public transport and purchase organic products than other lifestyle segments. They are therefore also more critical when their satisfaction with the environment in New Zealand is investigated and are only found in the next consumer lifestyle group, together with Pragmatic Strugglers and Social Strivers. Conservative Quiet Lifers are even less satisfied.

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**Discussion and Conclusion**

This research explored whether expressed quality of life varies across different consumer lifestyle segments and how the marketing system influences and interacts with different lifestyle groups in a society. The consumer lifestyle segments discussed are clearly linked to availability of resources and allow an investigation how different groups within society are able to and choose to participate in the market place (Lawson and Todd, 2002). The segments also provide some indication of the social standing of the group within the broader societal structure.
Linking Lifestyle Segments with perceived Wellbeing shows how characteristics of consumer segments are reflected in the groups’ subjective evaluation of their quality of life. Personal- and National Wellbeing differ significantly between consumer lifestyle segments with the general pattern somewhat following income and educational attainment levels for the overall indices.

More detailed information can be found when individual domains are investigated. For example Standard of Living – the domain that on average explains most of overall satisfaction with life as a whole and is closest related to marketing – shows that higher income and educational attainment appear to be one characteristic of satisfaction. However, as can be seen in the Traditional Values People (who have average income and educational levels), it is not the most essential one. Accumulated ownership of goods and general characteristics of the life stage (family, financial reserves, interests and activities) seem to be at least partly responsible for high expressed satisfaction with Standard of Living.

Lifestyle segments also reveal how groups of people that report similar levels of wellbeing interact with the market place, either by choice or necessity and help to explore different reasons for similar wellbeing levels; Success Driven Extroverts might draw their satisfaction with their standard of living from being able to buying nice things while Educated Liberals, generally not keen shoppers, rather refrain from shopping and if they do so buy different things (e.g. organic food) and consider product quality and service important.

This information might be used by local bodies who aim to increase the quality of life in their respective city; e.g. the Quality of Life Project ‘07 investigated objective and subjective quality of life in twelve major New Zealand cities [http://www.bigcities.govt.nz/]. The project aims to identify possible points for action to ensure sustainable quality of life in these urban areas. However, cities have a unique profile of lifestyle segments, each perceiving different things as an improvements of their standard of living; e.g. access to state of the art shopping centers provides increased satisfaction for Success Driven Extroverts but is not appreciated by Educated Liberals who in turn rate Arts and Cultural Events highly when evaluating their standard of living. On the other hand, these events will have little positive impact on the perceived standard of living of Traditional Values People.

When Satisfaction with Health is investigated, demographic aspects again seem to play only a limited role. However, all segments that express high satisfaction with their health are active and make balanced or healthy food choices – with each segment within this category giving again more information about type of activities or style of food - while consumer lifestyle segments with low satisfaction with health are generally leading rather sedentary lives, again for different reasons.

The characteristics of segments reporting low satisfaction with their health provide a challenge for policy makers as groups will respond differently to initiatives. “Push/Play” is a large a campaign by Sport and Recreation New Zealand (SPARC), a government organization promoting active lifestyle [http://www.sparc.org.nz/]. It provides New Zealanders with cheap and entertaining options to engage in a minimum of 30 minutes of moderate intensity physical activity on most days of the week [http://pushplay.sparc.org.nz/]. In its television advertisements, parents are playing with children in the garden or women are going for a ‘power walk’ with friends – the portrayal of these activities might encourage Pragmatic Strugglers to become more active and subsequently increase satisfaction with their health, but will not appeal to Conservative Quiet Lifers. The motivation and goal setting page on the SPARC website (http://pushplay.sparc.org.nz/get-going/goal-setting/), might particularly appeal to Social Strivers, as they often have the appropriate intentions that are not followed by the corresponding behaviour.

National Wellbeing is also influenced by the availability of resources and employment together with political and social attitudes. Public policy makers might use results from different domains within NWI to strengthen or alter certain behavior and thereby increase the perceived wellbeing of the segment e.g. Educated Liberals are currently not very satisfied with the state of the New Zealand environment and already show behavior targeted towards reducing their negative influence on it (e.g. commuting by public transport or by bicycle, recycling). This consumer lifestyle segment might therefore be in favor of government
projects increasing availability of renewable energy and take satisfaction out of using it while Social Strivers who constantly show contradicting answers between attitudes and behavior might require additional (monetary) incentives to support these projects.

Even though the presented results are culturally dependent, similar consumer groupings can be found in other western societies. For example, when the New Zealand Consumer Lifestyles and VALS as used by SIR International (Mitchell, 1983; http://www.sric-bi.com/VALS/) are compared, Experiencers (VALS) appear to describe a similar group of the population than Pleasure Seekers (NZ Lifestyles), Thinkers (VALS) appear to share some characteristics with Educated Liberals (NZ Lifestyles) and Survivors (VALS) with Pragmatic Strugglers (NZ Lifestyles).

Consumer Lifestyle Segments are useful, contemporary measures of social stratification that provide information about availability and use of resources. Linking Consumer Lifestyles with expressed quality of life and investigating how satisfaction with individual domains of personal and national wellbeing is related to consumer lifestyles offers valuable information to public policy makers as it suggests causes for expressed lower/higher satisfaction levels of particular groups in a society and enables the design and targeting of specific policies accordingly.

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The Impact of Blueprinting on Service Quality and Quality of Life

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Service blueprinting is a tool used to map out in detail everything that must occur in order for a service to be provided and a customer to be served or processed. In this way it is therefore a tool useful to the design and management of consistent service quality standards and, thereby, also helps to ensure customer satisfaction. In this paper a case is made for how effective service blueprinting can also contribute beneficially to quality-of-life outcomes as well as the maintenance of prescribed quality standards.

Introduction

The purpose of this paper is to explain how service blueprinting enables the maintenance of consistent service quality standards, and how these may contribute beneficially to a consumer’s perceived quality of life (QOL).

The paper is comprised of four main sections. In section one we briefly explain the nature and uses of service blueprinting. Next we discuss the concept of service quality, with particular reference to intrinsic quality, and the effects that service blueprinting can have on quality standards. Then we summarize the concept of quality-of-life marketing and, with reference to research, argue in what respects we believe service blueprinting can contribute beneficially to quality-of-life outcomes. The paper concludes with research propositions, and by outlining research we intend to undertake with the aim of verifying these propositions.

Service Blueprinting

A service blueprint maps out in detail, step by step, everything that must occur in order for a service to be provided and a customer to be served or processed. This includes both frontstage activities that will be observable to a customer, as well as back stage support activities that may be invisible to a customer (Shostack, 1984, 1987 and 1992; Fliess and Kleinaltenkamp, 2004; Bitner, Ostrom and Morgan, 2008). Thus service blueprinting serves to design the process of service provision or delivery, and to enable consistent adherence to what is mapped out. As a consequence, the maintenance of service quality standards is more reliably managed and better ensured (Scheuing and Christopher, 1993).

Service blueprinting can also be used to review and refine the process of service provision, including changes that may be deemed advisable as a result of feedback received from customers or changed customer expectations. In this way blueprinting and regular reviews of an extant process serve to ensure that the process of what is offered and how remains contemporaneous with customer needs and expectations, as well as competitively viable.

Service Quality and Value

Service quality is definable from at least two perspectives: that of the customer and that of the service provider. From the customer’s perspective quality experienced is assessed with reference to what is observable and capable of being perceived by the customer. From the service provider’s perspective, however, quality may reside intrinsically in decisions relating to the design of what is offered and how the service is delivered, and internal processes that serve to enable and maintain the standard of what is offered and how. Thus a distinction can be made between quality perceived and extrinsically attributed, and quality that is embedded in or intrinsic to what is offered and how, and that therefore provides the grounds for what is ultimately perceived and assessed by the customer as the technical quality of service provision. Therefore,
because results produced imply a quality of processes employed to deliver these, the sum value offered resides, in part, in these processes, and in how they are designed and managed (Band, 1991; Gale, 1994; Meredith, McCutcheon, and Hartley, 1994; Naumann, 1995; Richardson and Gartner, 1999). Service blueprinting is a process or tool that enables service delivery processes to be consistently managed and, as a consequence, quality standards to be maintained.

We acknowledge that service quality is thought by some to have two fundamental elements: technical quality and functional quality. By the former is meant the nature or outcome of the service experience (Gronroos, 1984); by the latter is meant the means by which a service is delivered (Gronroos, 1984). Both, and customer perceptions of each, therefore shape the extent to which a customer feels satisfied with what they have experienced and, as a consequence, whether they will be inclined to return to that service provider (Gotleib, Grewal and Brown, 1994; Mels, Boschoff and Nel, 1997).

Shillito and De Marle (1992) have argued that value can be defined or interpreted in one of four main ways: exchange value, intrinsic value, use value and utilitarian value. Their definition of intrinsic value is consistent with definitions of quality and value as intrinsic object-based properties (Crosby, 1979; Dodds, 1999; Gale, 1994; Garvin, 1983; Walters, 1999; Walters and Lancaster, 1999) that exist ex ante to the service encounter. These same properties may well determine the quality of what is provided and how, and thereby impact indirectly on the customer’s experience and personal assessment of this, but they also serve to define and distinguish the value offering or value proposition ex ante to the process of customer assessment. Thus value to the customer, like quality, may also be defined in a way that is both intrinsic and extrinsic to the offering: intrinsic in the sense that value may, or may not, be designed and ‘engineered’ into the offering (Walker and Johnson, 2009); and extrinsic in the sense employed by Heskett, Sasser and Schlesinger (1997) and others (Anderson, Jain, and Chintagunta, 1993; Anderson and Narus, 1998; Bolton and Drew, 1991; Day, 1990; Eggert and Ulaga, 2002; Gronroos, 1996; Woodruff and Gardial, 1996; Woodruff, 1997, Zeithaml, 1988), that it is a value equation performed by the customer.

Quality of Life Marketing

It has been argued that quality-of-life marketing (QOL) can have the effect of enhancing the physical and psychological wellbeing of consumers, while at the same time preserving or contributing to the wellbeing of a firm’s other stakeholders (Lee and Sirgy, 2004; Lee, Larsen and Wright, 2002; Sirgy, 1996; Sirgy and Lee, 1996; Samli, Sirgy and Meadow, 1987; Samli and Meadow, 1982). In other words, QOL marketing is based on the premise that what is marketed and how should be mindful of impacts on consumers and society with the aim of minimising negative impacts and enhancing the positive contribution to human welfare. Correspondingly, proposed consequences of QOL marketing (Lee and Sirgy, 2004), which include customer well-being, customer trust and commitment, corporate image and company goodwill, may be said to be aims of many service providers or organisations with the intention of creating memorable service experiences for their clients. Service blueprinting, we argue, is a useful means by which such experiences can be created and consistently managed. As a consequence, we submit that blueprinting also holds potential to ensure and enhance the customer’s sense of satisfaction and wellbeing as a consequence of how they have been treated.

Although Lee and Sirgy (2004) noted that their construct definition of QOL marketing was framed with reference to the marketing practices of consumer goods firms and was not necessarily intended to apply to other types of marketing including the marketing of services, they also noted that an opportunity existed to extend the concept of QOL marketing to other areas of marketing. Our aim here therefore is to explain how the practice of service blueprinting holds potential to contribute to the maintenance of quality standards and, thereby, a customer’s perceived quality of life (Dagger and Sweeney, 2006).

Blueprinting, Quality and Value

Research recently undertaken by Walker and Johnson (2009) had the principal aim of showing how external accreditation systems and processes can enable service providers within the accommodation sector
to establish service quality standards appropriate to satisfying the requirements and expectations of customer markets targeted. In turn, establishment of these standards served to ground the intrinsic quality of what is offered and provided. One of the findings of this research was that service blueprints enable a service provider to establish appropriate service delivery standards and, thereby, meet the requirements of external accreditation. Because this accreditation implies management control of internal systems and processes requisite to meriting this accreditation (Mishra, 2006), these same systems and processes serve to underpin and thereby define the intrinsic quality and value of what is produced and offered. This is to say that the intrinsic quality of what is produced and offered, whether observable to the customer or not, is grounded in the design and management of what is offered and how, something that may be enabled by a service blueprint.

The intrinsic quality and value of a service is likely to be influenced or determined by a range of factors internal and external to the firm offering that service. Internally the design, management and control of the quality and value of what is offered and how will be influenced or determined by, inter alia, corporate standards, policies and procedures, and the importance that a service provider places on quality standards (Dick, Gallimore, and Brown, 2001 and 2002). Implicit in this is the attention given to mapping out or blueprinting the service delivery process. That is, the extent to which the process of frontstage and backstage service provision is diagrammatically specified in order to ensure that everyone involved in the act of service provision understands what is expected of them. In this way nothing is left to chance, management control is ensured, and quality standards may be reliably maintained. In addition, in circumstances where service providers value, seek and secure external third party accreditation, the certification systems and processes integral to this accreditation may have a direct and significant impact on the quality and standard of what is designed and offered, and how (Dick, Gallimore, and Brown, 2001 and 2002). Furthermore, this accreditation, and what the service provider may be required to put in place and maintain in order to secure this, provides a customer with both a quality assurance and independent certification of wherein lies the value of what is offered (Mishra, 2006). Correspondingly, the intrinsic value of this to a customer resides, at least in part, in the quality assurance thereby provided, and corresponding returns to the customer that derive as a consequence of independent external professional accreditation.

The research by Walker and Johnson (2009) has shown that independent external professional accreditation is regarded as highly beneficial by service providers who have sought and securely acquired this. Respondents expressed and shared a common view that the process of applying for accreditation forced a critical review of all aspects of their operations, and also commonly agreed that the process served to motivate the development and detailed documentation of policies, systems and procedures. These, in turn, enabled greater consistency in the standard of what is provided, thereby effectively mitigating the heterogeneity characteristic of service provision. As a result, respondents also concurred that improved policies, systems and procedures provided them with improved means of controlling what was offered and how. These systems and procedures included detailed service blueprints which governed both backstage as well as frontstage operations, and which served to ensure greater consistency in what needs to be managed and how.

In terms of frontstage service provision and customer contact, respondents agreed that service blueprints have a direct bearing on how front-line staff are prepared for their respective roles, and how customer service is provided. In terms of backstage customer support respondents also agreed that service blueprints are beneficial in mapping out service delivery processes and in determining what needs to be put in place in order to sustain these consistently.

In some cases, respondents in their study explained that, from their particular perspective, the accreditation process was somewhat redundant because of the rigorous demands of their own corporate systems and standards. This meant that the systems, policies and procedures necessary to secure accreditation were, in their case, already in place. At the same time, however, they acknowledged that the process of applying for accreditation provided them with an opportunity to review and confirm the appropriateness of what they have in place, and generally equipped service providers to put in place systems, policies and procedures necessary to ensure a consistent standard of service provision.
Discussion

Research to date has shown convincingly that service providers within the commercial accommodation sector are firmly of the view that service blueprinting enables them to establish and maintain consistent service standards. As a corollary, respondents also agreed that these standards helped them to maintain their respective level of service quality, with the result that customer satisfaction was thus better ensured. Backstage this included more detailed and more thoroughly documented policies and operational guidelines which served to ensure greater consistency in what needed to be regularly managed. Frontstage, policies and procedures relating to the recruitment, induction, preparation and ongoing professional development of staff were thought to have a direct beneficial bearing on the standard of customer service provided, and how front-line staff are prepared for their respective roles. This included greeting and communication procedures, proactive customer responsiveness and assistance, and the manner in which customer queries, special requests or complaints are handled and resolved. Blueprinting was deemed by most respondents to be a tool highly useful to mapping out the process of service provision and, thereby, to managing this process. This suggests to us that blueprinting may also be considered as a tool useful to the end of helping to ensure not only customer satisfaction but, also, the perceived wellbeing of customers served by providing a means by which quality standards may be consistently maintained. As a result, a pleasurable service experience is created, customer satisfaction is ensured, and customer wellbeing is enhanced.

Securing independent professional accreditation and certification means putting in place detailed and thoroughly documented policies and procedures, operational plans, systems and processes that serve to demonstrate how a wide range of service standards will be reliably managed and maintained. Service blueprints provide but one example of a means useful to mapping out the process of service delivery and, thereby, formulating and maintaining service standards. Comprehensive managerial controls must also be put in place to ensure that operations are consistently and reliably maintained to ensure high customer satisfaction. As a consequence, the service delivery infrastructure established can be relied upon to support and enable a reliably consistent standard of service provision. Therefore, as a result, the service provider has reasonable cause to be confident that the systems and processes put in place to deliver this standard can be relied upon to perform as intended, with the aim of enhanced customer satisfaction and wellbeing.

A customer’s assessment of the quality offered by a service provider who has successfully acquired independent professional accreditation will be made with reference to what they experience, and interactions with staff. The customer, however, may have no understanding of the internal systems, processes and controls that serve to create and sustain what the customer experiences and the quality of that experience. Yet it is these same systems, processes and controls, their design and management, which determine intrinsically the quality of what is offered and provided. The documentation necessary to implement and maintain the quality management of these systems and processes, and to gain accreditation, provides a template, as it were, for service provision consistent adherence to which determines the quality of what is offered and how. Thus, the process of gaining and maintaining accreditation necessitates defining and establishing quality management criteria requisite to this end, and then reviewing or putting in place internal systems, processes and controls sufficient to enabling these criteria to be consistently fulfilled. These same systems, processes and controls therefore establish, underpin and sustain the intrinsic quality of what is provided and how, and thereby help to ensure the satisfaction and wellbeing of customers served.

The benefits afforded by external accreditation may be considered from at least two perspectives: the service provider and the customer. The service provider benefits primarily because independent and rigorous accreditation and certification implies approval of systems and processes necessary and sufficient to maintaining consistency in what is delivered and how. This includes the creation of service blueprints which serve to map out service provision or delivery processes. These, in turn, specify how service delivery standards will be reliably managed and maintained. In this way an accredited service provider can also be confident that quality standards put in place, supported and enabled, reflect what is expected or anticipated by the customer. Furthermore, comprehensive managerial controls must also be put in place to ensure that what is operationalized can be, and is, consistently and reliably maintained to the end of ensuring customer satisfaction and wellbeing. As a consequence, a comprehensive service delivery infrastructure is established.
that can be relied upon to support and enable a reliably consistent standard of service provision which, in turn, serves to ensure customer satisfaction and wellbeing.

Benefits to the customer reside principally in the fact that what is purposefully designed and put in place by a service provider to underpin what is offered, serves to ground the quality of what is ultimately experienced by the customer. This results in reliable quality assurance (Akerlof, 1970; Mishra, 2006), demonstrable price–value signaling (Rao, 1993; Rao and Monroe, 1989 and 1996), diminished information costs and risk (Chatterjee, Kang, and Mishra, 2004; Fearne, Hornibrook, and Dedman, 2001; Grossman, 1981; Mishra, 2006; Png and Reitman, 1995), and grounds for confidence and trust in the service provider (Doney and Cannon, 1997; Mishra, 2006). As well, customer satisfaction and perceived wellbeing are more likely ensured.

Consistent with premises of QOL marketing we therefore believe that service blueprints represent a tool useful to ensuring that the process of service provision is not only of a consistent standard but, also, is beneficial to the customer. In this way service blueprints, if consistently followed and periodically reviewed, may be said to serve to enhance the wellbeing of customers served. This proposition, however, warrants further investigation and empirical substantiation. In other words, our intention is to investigate what role service blueprinting may have in enhancing customer wellbeing within the service sector. This is work we now propose to undertake, and to this end we have formulated the following research propositions.

**Research Proposition 1:** Service blueprinting can be shown to influence beneficially the quality of services provided and how they are provided.

**Research Proposition 2:** Service blueprinting can be shown to influence beneficially the extent to which customers feel satisfied with what they have experienced.

**Research Proposition 3:** Service blueprinting can be shown to influence beneficially the sense of wellbeing of customers perceived by them in the course of service provision.

**Research Proposition 4:** The effects of service blueprinting can be shown to influence the extent to which a customer will be likely to return to the service provider.

The justification for each of these propositions lies in the following. First, research already undertaken suggests strongly that service blueprinting can be used to benefit the quality of service provision. Therefore we believe it is reasonable to expect that service blueprinting will be found to be similarly beneficial to other service providers in other sectors. Second, because of what has been found elsewhere, we believe that service blueprinting can be shown to influence beneficially the extent to which customers will feel satisfied with their experience in other service sectors. As a result, we postulate that this will influence the customer’s sense of wellbeing as a consequence of how they have been treated and, as a consequence, their intentions to return to a service provider. We believe that further substantiation for these propositions lies in the fact that perceptions of service quality, customer satisfaction, behavioral intentions and quality-of-life perceptions have already been shown by others to be inter-related (Dagger and Sweeney, 2006).

We acknowledge that what we have argued here remains open to substantiation through research. We also acknowledge some of the challenges presented by the research agenda we propose. For example, some service sectors, such as personal health and medical care, would appear to lend themselves more to substantiation of what we have argued here than, for example, entertainment and hospitality. This notwithstanding, we believe that service blueprinting can be shown to benefit the design and management of quality standards which, in turn, will serve to create pleasurable, satisfying and memorable service experiences for customers served. As a consequence, we anticipate that an outcome of these will be an enhanced sense of customer wellbeing. We therefore trust that our research propositions are clear enough to provide guidance as to a way forward.
References


Green Marketing in Croatia – Research of Experience and Effects on the Establishment of Environmentally and Socially Responsible Business

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Environmental care and preservation of environment have become very frequent topics and discussions of our everyday life. It is the fact that drinking water is increasingly less available, that 20 – 30 % of plants and animals will become extinct if we continue at this pace of temperature growth; that we are about to witness an increased risk of food shortage – famine; that there will be an increased risk of contagious diseases, all leading up to the most popular issues of our days - ecology, environment, recycling, both for the citizens and within a wider social and economic community. Furthermore, these issues result in the habit of buying a whole line of products, particularly if they boast attractive design and interesting advertising message or else of they are advertised by a celebrity, all aimed at following the world trend – being ecologically aware – living with nature. The subject of this research is the description and understanding of the model of green marketing through the prism of implementation and practical experiences in the Republic of Croatia. The objective of the research is the observation of trends and directions of development of socially responsible business in Croatian companies, their focus on ecological issues and all possible actions undertaken with that regard whose totality affects the entire marketing mix. For this reason, we have prepared a questionnaire for the needs of this paper, which was used in the primary collection of data on a structured sample by e-mail or by regular mail. All data have been presented in this paper and used for drawing certain conclusions about the implementation and practice of green marketing in the Republic of Croatia.

Introductory Considerations

Consequences of degradation of environment, harmful effects on human health, endangerment and extinction of plant and animal species, uncontrolled use of natural resources, development of industry, mechanization, traffic, urbanization, negligence and insufficient care of people and companies spurred developed countries back in the 1960s to start monitoring pollution and implementing concrete measures for environmental protection, which resulted in the introduction of ecological standards, adoption of international conventions about environmental protection, implementation of preventive protective measures, regulation of use of natural resources and definition of financial measures used in the regulation of polluters’ behaviour. In fact, the concept of environmental protection was very int back in the 1970s. Unfortunately, in the late 1980s and early 1990s, the concept was forgotten. This particularly refers to countries of the former Eastern Block and to transitional countries, including Croatia. Considering the fact that Croatia suffered war as well, it is understandable that environmental care and social superstructure were not of primary concern in such extreme circumstances. In the late 1990s, a decade ago, a new “green resistance” was born throughout the globe and in Croatia as well against polluters and against countries that use world resources for the benefit of their own economy and thus cause global pollution.

Nevertheless, all these years marked by substantial and positive steps, particularly in terms of passing positive regulations in the field of environmental protection and in terms of understanding ecological problems, have not produced satisfactory results. World forests are still relentlessly destroyed, rivers are polluted, air is polluted, and millions of people lose their homes as a consequence of global warming. The United States and China are in the forefront of the process. We may well ask ourselves what we can do about that. One of the alternatives of changing the behaviour and influencing the public about changing our understanding of seriousness of problems of ecology and environmental protection is certainly everyday use of green marketing principle.
Globalisation resulted in disappearance of social responsibility. However, due to huge ecological catastrophes and problems such as global warming, today's consumers are becoming increasingly more aware when it comes to preservation of nature, so that even companies are trying to adjust their behaviour. With implementation of various measures of green marketing in production, packaging and other company activities, producers inform their consumers that they share their concerns, which considerably boosts their own credibility and their positive image.

By the same token, in this socially responsible and socially aware process marked by day-to-day growth, companies are considerably motivated by the very consumers who show their willingness to pay a higher price for green products. Actually, it is incredible how things can change by using merely three letters. Most consumers have perhaps never even heard about the International Organization for Standardization, but everybody is familiar with ISO standards. When a company uses the ISO mark, particularly ISO 14001, in its advertising campaigns, consumers believe that everything is done in conformity with standards, which in turn wins their trust.

At the end of the year 2004, more than 670 thousand ISO 9001:2000 certificates were issued in 156 countries. Nowadays, they serve as some kind of company passport, i.e. a minimum a company has to show for the customers to even consider the option of buying its products (Božanić 2009). In 1997, only one company in the Republic of Croatia was certified under the norm ISO 14001. By the end of 2004, the number reached 121 companies. Today's number of certified companies equals 322 (Croatian web pages for quality and ISO standards 2009). Growth in the number of certified companies is first and foremost a consequence of changes in the perception of environmental efficiency as a precondition of entering more demanding markets (Environmental Protection Agency 2007). However, it is not all about acquiring ISO standards. ISO 14001 and similar standards are only a part of strategy of making business green. Therefore, along with acquiring internationally recognized standards in the field of environmental protection and sustainable development, we also need to acquire the following basic characteristics of “green business” that will produce green products: replacement of energy sources and raw materials with environmentally friendly solutions, development of production with less energy waste, reduction in the use of materials and raw materials and development of non-waste technology (Aganović and Topalović 2009).

All things considered, when discussing environmental protection, we should also consider the fact underlined by Anja Schaefer (Schaefer 2009), the eternal question and challenges that all “green” marketers have to face - how many consumers can actually recognize a “green” product or “green” packaging”, how many consumers genuinely care about their environment and seriously consider environmental problems and similar. By the same token, we do not have a proper standard for defining how “green” a product should be to be ecologically acceptable. Answers to these questions and these problems should be sought in permanent education, study and improvement of knowledge and profession in the area of green marketing.

**Term and Definition of Green Marketing and Socially Responsible Business and Reasons for Implementation of Green Marketing**

By definition, the term “green business” is used in entrepreneurship, trades and crafts, and in production (industry), following from the principle of sustainable development. Principles of green business are primarily related to basic infrastructure of an organization and its basic competences. From the standpoint of production technology, green business or companies considered environmentally minded should pay attention to development of production with less waste of energy and less total consumption of own energy. They should also strive towards reduction of total waste of materials and raw materials in production of the same quantity of products. Furthermore, they should try to develop and encourage their own internal non-waste technological processes with maximum waste reuse, reuse of useful components in the technological process and similar. Additionally, companies that consider themselves “green” undoubtedly have to mind about replacing energy sources and raw materials with some other alternative sources of energy. Together with everything we have already stated, reuse of equipment or some of its parts for other purposes or in some other place also contributes to both global and local sustainable development.
Green marketing provides important opportunities for Croatian industry and Croatian companies in general. Development of creativity and vision and choice of total environmental approach are preconditions for using these opportunities. Today's products may significantly contribute to higher quality of life for all of us. On the other hand, however, their harmful effect occurring as a result of process of production on nature has to be neutralized, foreseen, and removed through the system of green marketing if we all want to move towards something we call global sustainability.

Nevertheless, a great part of our community is still unaware of problems we leaving to future generations and of the fact that our everyday decisions such as leaving the water running while brushing our teeth have serious consequences. This explains why the issue of green products is first of all only a trend in our close and wide environment. Green revolution in economy first appeared as a trend, but it has turned into necessity, indispensable need. It is no longer a secret that “making businesses green” is a demand turned into imperative both for market domination in Europe and worldwide and for market survival as well. Unlike world and European experiences, green marketing was first seriously discussed in Croatia only a decade ago.

Objectives of green marketing are at the core of planning process of each socially responsible company. They describe the direction and basic priorities any socially and environmentally responsible company aims at. Strategic plan of green marketing comprises a whole market performance strategy, linking its customers, organizations and suppliers into a new socially responsible chain. Packaging and products made of recycled and natural as opposed to synthetic materials do not suffice for successful green marketing. Companies have to constantly inform all their customers about characteristics of their products and their effect on our environment, so that customers may freely evaluate and decide whether a given product is truly “green”. Customers are expected to have absolute trust in such products, and everything is done with that objective. The factor of mutual trust is crucial in green marketing. Successful development of green products and green production, besides everything else we have already stated, certainly also requires a high level of communication and integration, good and reliable information about customers, support of company leadership and total marketing mix, product, prices, distribution and promotion in conformity with ecological and socially responsible standards.

Such kind of green business has to be encouraged at all levels - local, regional, and state, through development of economically efficient and environmentally more acceptable business within the existing and planned industrial programmes. Moreover, it is possible and necessary to encourage the development of numerous small and medium entrepreneurs and craftsmen involved in processing waste materials and waste energy of large companies who thus create business results and revenue and at the same time increase cost efficiency of large systems who in turn purchase a large part of waste.

According to Levinson (Levinson 2008), a study showed that 83 % of customers claim that they have chosen a different brand or different habits exclusively based on attitudes to environmental protection, and 80 % of them stated the importance of environmental reputation of a company. The same source illustrates that customers stated their readiness to pay more for green products. Environmental concern is particularly characteristic of customers aged 18-29, because they grew up surrounded by numerous ecological problems (Božanić 2009). In his work, Coddington (Coddington 1993) states the number of approximately 10-25 % of true green customers in the United States, out of which 10-15 % are particularly dedicated “green” activists. A vast majority, around 50 %, are customers who care about the environment and understand environmental issues, but very rarely turn their beliefs into purchasing “green”. Finally, there are the remaining 20-30 % of customers who are not interested in environmental and pollution issues. Research of TNS Global carried out in 17 countries showed that 24 % of respondents worldwide think that green marketing has considerable or large effects on their buying habits (Europski potrošači ne vjeruju zelenom marketingu 2009). In other words, these data witness a completely new and creative marketing platform with double benefits for everybody. On the one hand, it promotes environmental protection and fight against large polluters, namely socially responsible behaviour. On the other hand, it attracts attention of potential customers and creates their loyalty to “green” products/services with the objective of making profit, improving competitiveness and realization of fundamental company objectives. In this sense, green marketing has to be seen as a series of various activities that contribute to protection and preservation of
environment, such as targeted ecological modification of products, changes of process of production due to environmental protection, change of packaging of products and modifications of public relations. Regardless of the type of activity carried out by green marketing, it always underlines ecological components of products and companies.

Green marketing is not easily definable. Numerous authors define it in a number of ways. However, the basic idea of green marketing is carrying out all regular marketing activities that facilitate and enable the exchange of products and services without harmful effects on the environment or activities that reduce one's own effects on the environment. The primary objective of green marketing is satisfying company objectives and company customers with simultaneous minimizing of effects on the environment.

Green marketing has numerous synonyms such as "marketing environment", "eco marketing", or "ecological marketing", and most customers associate it with terms “biodegradable”, “phosphate free”, "environmentally friendly" and similar, not knowing that it actually comprises a wider area that mere advertising of "green" products. Green marketing is undoubtedly a marketing concept that underlines the necessity of considering the importance of natural environment and shaping all marketing activities in conformity with marked necessity. Objectives of green marketing indisputably have to be a constituent part of the strategic plan of the company and to follow business activities in all their segments.

The American Marketing Association (AMA) defines green marketing in the following way: "Green marketing is marketing of products that are presumed to be environmentally safe." (Green Marketing 2009). Green marketing can additionally be defined as "marketing that includes both the development and the marketing of products designed with minimal negative effects on the environment with the objective of improving its qualities" (Bennett 1995 p. 104) Another definition states, "Green marketing includes all effects of organizations in carrying out, promoting, packaging, and selling products in a manner that expresses the concern for issues of environmental protection" (Bennett 1995 p. 104). Green marketing may also be defined as "comprehensive management process of recognizing, forecasting and fulfilling the needs of customers and society in a profitable and sustainable manner" (McDonagh and Prothero 1997 p.389). One of the oldest definitions of green marketing states that it is a group of activities shaped in order to facilitate each exchange intended for the fulfilment of people's needs or desires, so that the fulfilment of these needs and desires causes minimal effects on the natural environment (Dujak and Ham 2009).

The above definitions of green marketing clearly indicate that regardless of their authors and sources they all underline ecologically acceptable behaviour in the producer-customer domain. Green marketing unquestioningly comprises:

a) Green products-production of ecologically acceptable products  
b) Green packaging  
d) Green prices –despite the fact that customers are sometimes willing to pay more for ecologically acceptable products, ecological features should not be an excuse to increase prices of products  
e) Green communication –deceptions of customers are unpermitted in terms of advertising non-existent “green” features.

Discussing socially responsible behaviour, we have to mention that in this day and age it is not sufficient for companies to merely state they care about the environment within their corporate strategy. Things have changed and customers express their interest, want to learn more about environmentally related issues and they want to act responsibly. Companies can no longer deceive them with stories about socially responsible behaviour unless they truly implement it. Deceptions and false green products may cause irreparable harm both for their reputation and image and for the overall turnover caused by loss of part of customers.

A growing number of today's marketing experts counsel companies not to use the term socially responsible behaviour (SRB) or ecologically acceptable product in their advertising campaigns unless they implement measures related to environmental protection primarily within their own company. Adidas
provides a positive example—they started implementing SRB within their company at all levels without using any of it in their communication with customers. Ford also launched green marketing relatively early and they still claim that all efforts related to environmental protection should not be seen in light of public relations, but that they should be implemented because they make sense and because they are justified. They say at Ford that the public is twice as likely to discredit them for not being “green” than to award them for being “green”. The ThinkPad x300 computer is advertised by the producer as using as much as 25 % less energy, another good example of underlining “green” advantages to potential buyers.

**Differences Between Classical Marketing Approach and Green Approach**

We have already pointed out that the rhythm of changes, global ecological problems, global business, growing dependence on networking and mutual exchange of various organizations, without obvious and fixed borders, sets new challenges before marketing both professionally and scientifically. For this reason, classical marketing, defined as "social and management process whereby, through creation, offer and exchange of products of value with others, individuals and groups get what they need or what they want" (Kotler 1994 p. 4), can no longer meet growing market needs of "green" customers. Classical marketing is based on discovering, developing, and sale of products and services whose price, quality, and characteristics will best fulfill customer needs without taking into consideration a wider social sensitivity (Tomašević Lišanin and Palić 2004). As opposed to classical marketing, green marketing has much more complex objectives that cannot be realized using classical marketing strategies (Marušić 2003): 1. Developing a product that will simultaneously satisfy needs and desires of customers in terms of quality, price, efficiency, with minimum impact on the environment. 2. Projecting high quality image with ecological sensitivity of the product and customer. The implementation of green marketing changes the relationship between the company and the customer. Customers increasingly decide on "green" lifestyle, with respect and in appreciation of the environment, they value not only material aspects of life, but also those spiritual, they are concerned about circumstances in which they live and similar. To satisfy new demands of customers, companies develop "green" products that offer both functional and psychological pleasure due to the fact that their use will not be harmful for the environment.

**Figure 1. New 'Green' Marketing Approach**

<table>
<thead>
<tr>
<th></th>
<th>Classical marketing</th>
<th>Green marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>Customers with their lifestyle</td>
<td>Human beings with their lives</td>
</tr>
<tr>
<td>Products</td>
<td>&quot;From the cradle to the grave&quot; One size fits all products</td>
<td>&quot;From the cradle to the cradle&quot; Flexible Services</td>
</tr>
<tr>
<td>Marketing concept</td>
<td>Sales orientation Final values</td>
<td>Educational Values</td>
</tr>
<tr>
<td>Company</td>
<td>Reactive Independent Competitive By department Short-term orientation Profit maximizing</td>
<td>Proactive Interdependent Cooperative Holistic Long-term orientation Double final target</td>
</tr>
</tbody>
</table>


In short, basic differences between classical and green approach have to be sought in the proactive opinion of "green" companies, one of the sources of its competitive advantage. The essence of proactive “green” approach lies in continuous learning, specialization, research, introduction of new technologies, use of new alternative materials, discovering and fulfilling still undiscovered desires and needs of customers at the same time complying with ecological standards. This is where we have to look for basic differences between green and classical.
Strategies of green marketing

Ecological approach to business activities will produce long-term benefits for the company if green marketing within the company develops into a complex, integrated, comprehensive, strategic and tactical process of minimizing negative effects of the company and its exchange with the environment. Simultaneous fulfillment of social obligations and business objectives may be difficult or almost impossible for a company with no developed appropriate strategy.

In developing a successful green strategy, the company must consider the following questions (Ottman 2002):

1. How to teach consumers to responsibly use, spend and dispose our products?
2. How to make the company green?
3. Who can collaborate and do business with us?
4. How to develop a new generation of products?
5. How can we contribute to regeneration of environment?

Authors Aganović-Topalović (Aganović and Topalović 2002) claim that there are five key factors for green marketing strategy: clarity of objectives, collaboration with third parties such as governmental organizations, ecological and similar associations and other “green” non-profit organizations, communication, motivation for the customer to buy “green products” convinced of their advantages and of the fact that the whole company is “green.”

In Polonsky’s view, the following is needed successful green marketing (Polonsky 2001 p. 24):

1. **Successful segmentation of the market and focus on selected market segment.** Today’s companies can use a much larger quantity of information about psychological, demographic and sociological characteristics of consumers, their needs, desires and preferences. Numerous ”green” companies use the Internet for better and more efficient contacts with their target segment. For example, Ecomall [www.ecomall.com/biz](http://www.ecomall.com/biz) advertise a wide range of ”green” companies.

2. **Developing a new generation of ”green” products.** Inadequate production process and bad design of products can be very harmful for the environment, and this is why companies have to consider possible harmful effects on the environment and minimize them at the very beginning of New Product Development (NPD).

3. **”Green” positioning.** Companies that want to position themselves in the market as ”green” have to comply with accepted ecological principles from the very beginning. This means that all their activities have to reflect their ”green” image. ”Green” positioning requires strategic, not only tactical approach.

4. **Deciding about ”green” prices.** Introduction of ”green” products may sometimes be expensive due to expenses of introducing a new technology, new manner of production, use of alternative raw materials and similar. Precisely due to high costs of production, ”green” products may be more expensive. In deciding whether products shall cost the same, more, or less than ”brown” competitors, the company has to take into consideration sensitivity and readiness of customers to pay the premium for a ”green” product.

5. **Applying ”green” logistics.** The application of ecological values in the process of distribution may result in reduction of business expenses and environmental impacts. The trend of reduction of packaging and wrapping has immediate effect on reduction of expenses of distribution. Unfavourable effects of distribution on the environment may be reduced by developing an integrated system of transportation, using the Internet and other innovations in the field of distribution. The greatest progress has been realized in the application of
the “Reverse Logistics” system, through which customers return empty packaging and used products to the company.

6. Changing the attitude to waste. Waste does not necessarily have to be a negative consequence of the process of production, it may be used as input in further production, but it requires implementation of changes within the company. A new understanding of waste results in the creation of a new market of recycled products where waste producers act as purchasers of their own processed and recycled waste. Some American wineries use services of companies specialized in collecting and processing post-production waste that they buy after processing and use it as fertilizers.

7. Applying “green” promotion. Success of “green” promotion depends on proper choice of information and means of communication. Communication has to comprise only complete, correct, and valuable information based on actually undertaken ecological activities of the company. Dissemination of superficial or incorrect information will result in creation of negative image.

8. Creating “green” partnerships. Sometimes the company may lack fundamental knowledge and experience in applying green marketing. Such lack may be resolved by creating "green" associations with companies that already apply green marketing. "Green” partnerships are the source of necessary knowledge and information for the development and implementation of appropriate strategies and tactics of green marketing. Disadvantages of "green" associations are contrasting interests and objectives of partners, which may reduce company benefits, harm its image and its ability to realize its long-term objectives.

Green Marketing Mix

If we define green marketing as a particular form of development, pricing, promotion, and distribution of products that do not harm the environment, then companies that apply "green" marketing philosophy are expected to take into consideration ecological aspects of each element of marketing mix before they develop and place products in the market.

a) Green product – a product is “green” if it fulfils customer needs, if it responsibly uses energy and resources, and if it is socially desirable due to the fact that neither the product nor the company producing it have endangered the habitat, flora and fauna, people and countries, and whose use and disposal do not harm human health and environment. In developing "green” products, it is necessary to consider influences of the product on the environment (its use and disposal) and influences of production process (used raw materials, materials, and sources of energy, produced waste and similar). Eco innovations or new "green” products try to fulfil customer needs in a new and exciting way, and to promote social values and ecological feasibility. New "green” products are increasingly simpler, with smaller packaging and reduced use of materials, they try to use the force of nature and solar energy and their life cycle does not end with their disposal—after use, they are used as raw materials in production of new items.

b) Green price – transformation into "green” company that tries to minimize its harmful effects on the environment may be very expensive. In his book, Ottman (Ottman 1997) draws attention to the fact that numerous consumers are actually not ready to pay more for the product declared green. For this reason, ecologically more acceptable products must have competitive prices or particular competitive advantages to succeed in the market. Development of new renewable sources of materials and raw materials, conformity with legal regulations, replacement of old, dirty technology with new, green, and other expenses are related to transformation of company and they produce an increase of costs. This is why companies have to adjust all their expenses, expenses of application of new ecological standards and development of green products to all market conditions. They should also try to compensate higher prices with improved quality and stronger emphasis on “green” in their promotional campaign.

c) Green distribution – physical distribution is one of the first functions whose modification may minimize unwanted effect on the environment. Among all elements of distribution, transportation is the first element whose application may contribute to environmental protection in a relatively cheap way. Numerous
transportation companies have already made their transportation “fleets” green aimed at reducing their negative effects. Reduction of dimensions of products, packaging and wrapping enables a more rational use of space and transport. By using ecologically more responsible logistics, companies are trying to reduce effects of physical movement of products from producers to consumers. Application of “reverse logistics” system is a revolutionary approach to distribution of products. "Reverse logistics" is the process whereby consumers return empty packaging, wrapping and used products to the producer (Note: since 2008, obligation of all companies with ISO 9001 standard). Application of “reverse logistics” does not necessarily have to imply higher costs for the company, it can even be a source of saving. The company may use returned used products and packaging as inputs for the production of new products. Furthermore, green distribution also encompasses planning construction and location of distribution centres in areas in harmony with nature and the environment, the ones whose procedure of distribution and manipulation will not cause pollution.

d) Green promotion - green promotion comprises all forms of marketing communication, namely advertising, publicity, sales improvement, personal sales, and public relations. The importance of "green" promotion is a result of its ability to present “green” products in the market, to provide additional information, develop consumer tendency to purchase certain brands and to contribute to the creation of a positive perception of a "green" company and to underline the importance of ecological problems. The choice of objectives and tasks of "green" promotion will by all means depend on the manner of promotion, plan of promotional activities, choice and plan of the media, and promotional system as a whole (Maderić 1987).

Beside the classical 4P of marketing mix, other 3 P elements may also be considered in the light of green marketing- Process, People, and Physical evidence (Usage of extended marketing mix 2009). In green marketing, “people” refers to all activities and services related to green products. The term “people” also implies knowledge, experience of educated employees with direct influence on the structure and the quality of products, whose ecological awareness contributes to direct reduction of pollution. “Process” comprises all various procedures and mechanisms and it actually represents a total flow of all activities related to production of green products and services. “Physical evidence” is a more implicit factor, present in green marketing through characteristics and abilities of the environment in which green products or services are produced, and it comprises all tangible goods and known experiences of customers who facilitate production and offer of green products and services.

Results of research of representation of “green” companies in the Republic of Croatia

For the needs of the present paper, we have surveyed Croatian companies using a questionnaire distributed to randomly selected addresses of companies by e-mail, by fax, and by regular mail. The survey was launched on 15 January 2009, and the procedure of gathering responses ended on 01 March 2009. We have sent a total of 750 questionnaires to addresses of companies throughout Croatia, in equal proportions in all regions. Unfortunately, at the end of the entire procedure of collecting responses and after numerous repeated calls, we have managed to collect only 151 properly completed questionnaires. Based on their business activity, 54 % of production companies participated in the survey together with 46 % of service companies. Of all companies-respondents, 58 % employed up to 50 persons, 23 % from 50 to 250 persons, and 19 % of surveyed companies employed over 250 persons at the time of research. The complete questionnaire is attached as annex to this study.

To the first question (Can you estimate the negative impact of your business or your products and services on the environment?), respondents responded as follows: 65 % of surveyed companies maintain that their business activities have no or little negative impact on the environment, and 29 % of them claim that their company has negative impacts on the environment ranging from some to huge.

Table 1. Results of Question Number 1 from the Survey

<table>
<thead>
<tr>
<th>Can you estimate the negative impact of your business or your products and services on the environment?</th>
<th>N</th>
<th>as percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Table 2. Results of Question Number 2 from the Survey

<table>
<thead>
<tr>
<th>Does any of your products or services have a special sign guaranteeing ecological acceptability</th>
<th>N</th>
<th>as percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>43</td>
<td>28.48</td>
</tr>
<tr>
<td>No</td>
<td>100</td>
<td>66.23</td>
</tr>
<tr>
<td>I do not know</td>
<td>8</td>
<td>5.30</td>
</tr>
<tr>
<td>Total</td>
<td>151</td>
<td>100.00</td>
</tr>
</tbody>
</table>


Most surveyed companies, 66.23 %, stated that their product or service does not have any particular sign or mark that guarantees their ecological acceptability. However, as many as 28 % of them recognize the importance of following ecological trends and the importance of caring for the environment, and they mark their products or services with recognizable ecological trade mark.

The third question referred to possession of quality and environmental protection standard ISO 14001. Among surveyed companies, 75.50 % still have not adopted this business standard, and 20 % of them are already certified. Out of 118 (75.50 % of total sample) companies that do not have the standard, 11.86 % are planning to adopt the standard within one-year period, and 15 % within the two-year period, and 7.65 % are planning to do so over the following three years.

The fourth question related to the issue of promoting recycling and return of own packaging and suppliers' packaging as one of key elements of green marketing mix.

### Table 3. Results of Question Number 4 from the Survey

<table>
<thead>
<tr>
<th>Does your company promote recycling and return of your packaging as well as the supplier's packaging?</th>
<th>N</th>
<th>as percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I do not know</td>
<td>10</td>
<td>6.62</td>
</tr>
<tr>
<td>Yes</td>
<td>83</td>
<td>54.97</td>
</tr>
<tr>
<td>No</td>
<td>58</td>
<td>38.41</td>
</tr>
<tr>
<td>Total</td>
<td>151</td>
<td>100.00</td>
</tr>
</tbody>
</table>


The results relating to promotion of recycling and return of own packaging in Croatia are quite good, considering that as many as 83 % of surveyed companies use this segment in their promotion and in marketing mix.
Along with the above stated questions, the survey also comprised and focused on general “green” measures actually implemented by companies that thus prove their ecological choice. The following table presents the results:

**Table 4. Results of Question Number 5 from the Survey**

<table>
<thead>
<tr>
<th>Do you implement some of the following passive measures of environmental protection within your company</th>
<th>N</th>
<th>as percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Intense and organized selection of all types of waste</td>
<td>90</td>
<td>30.82</td>
</tr>
<tr>
<td>b) Separate collection of used paper for further use in all offices</td>
<td>71</td>
<td>24.32</td>
</tr>
<tr>
<td>c) You only order environmentally friendly products or services</td>
<td>23</td>
<td>7.88</td>
</tr>
<tr>
<td>d) Does your company intensely carry out at least one of energetic efficiency and electric energy saving programmes (energy saving bulbs, automatic lighting, control of use of electric energy, installation of energy saving devices and appliances and similar)</td>
<td>74</td>
<td>25.34</td>
</tr>
<tr>
<td>e) Do you yearly and actively participate in the promotion of important days related to environmental protection such as Planet Earth Day, Water Protection Day and similar</td>
<td>29</td>
<td>9.93</td>
</tr>
<tr>
<td>h) I do not know</td>
<td>5</td>
<td>1.71</td>
</tr>
<tr>
<td>Total (possibility of multiple answers)</td>
<td>292</td>
<td>100.00</td>
</tr>
</tbody>
</table>


The largest number of companies intensely selects their own waste and the waste of their suppliers on an organized basis, and implements measures for collection of paper in their offices and intensely implements one of energy efficiency programmes.

Among surveyed companies, of 151 company, 54% responded negatively to the 6th question (Do you think that environmental protection, additional regulations regarding environmental protection, as well as all additional direct and indirect duties related to environmental protection additionally increase business expenses and reduce your overall competitiveness?), while 34 % of surveyed companies maintain that additional mandatory investments in environmental protection and other regulations in that field create additional (higher) costs. 12.58 % of surveyed companies were not able to provide and answer to this question. Results are positive both for Croatian companies and for the state, insofar as most companies maintain that additional investments in environmental protection do not present extra financial burdens.

The following question refers to evaluation of development of green marketing mix in the context of green products. The results and the text of the question are presented in the Table 5. Results shown in the above table indicate that the majority of 46 % surveyed companies in Croatia shares the opinion that introduction of ecological products creates new competitive advantages. A positive step in this area is the fact that Croatian companies have growing understanding of advantages of displaying and development of ecologically more acceptable products or services.
Table 5. Results of Question Number 7 from the Survey

<table>
<thead>
<tr>
<th>Response</th>
<th>N</th>
<th>as percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I do not know</td>
<td>11</td>
<td>7.28</td>
</tr>
<tr>
<td>Poorly (1)</td>
<td>54</td>
<td>35.76</td>
</tr>
<tr>
<td>Satisfactorily (2)</td>
<td>16</td>
<td>10.60</td>
</tr>
<tr>
<td>Averagely (3)</td>
<td>35</td>
<td>23.18</td>
</tr>
<tr>
<td>Considerably (4)</td>
<td>22</td>
<td>14.57</td>
</tr>
<tr>
<td>Quite considerably (5)</td>
<td>13</td>
<td>8.61</td>
</tr>
<tr>
<td>Total:</td>
<td>151</td>
<td>100.00</td>
</tr>
</tbody>
</table>


The following table presents tendencies of Croatian companies with reference to improvement of processes of production aimed at making them ecologically more acceptable. Results of Table 6 reveal particularly positive tendencies among Croatian companies. In fact, as many as 50 % of them have development plan of improvement of all business processes in their business plans and strategies for the upcoming 3-year period with the objective of making the company ecologically more acceptable, later to be used in the promotion and presentation of the company in the market and in the improvement and creation of competitive advantages. Lower expenses for ecology and better protection should provide overall relief for companies in terms of large pollution fees, which would reduce their costs and increase their competitiveness.

Table 6. Results of Question Number 8 from the survey

<table>
<thead>
<tr>
<th>Response</th>
<th>N</th>
<th>as percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>8</td>
<td>5.30</td>
</tr>
<tr>
<td>Yes</td>
<td>75</td>
<td>49.67</td>
</tr>
<tr>
<td>No</td>
<td>45</td>
<td>29.80</td>
</tr>
<tr>
<td>I do not know</td>
<td>23</td>
<td>15.23</td>
</tr>
<tr>
<td>Total:</td>
<td>151</td>
<td>100.00</td>
</tr>
</tbody>
</table>


Relation of Croatian companies, their business processes, and communication with the community and estimated total contribution to environmental protection are presented in Table 7. It is true that most surveyed companies underline their “protective green” (ecological) orientation in their overall business activities, particularly in their advertising methods (propaganda, PR, publicity, personal sales…). 50 % of all companies does it occasionally (sometimes), and as many as 19 % of surveyed companies does it always. In other words, approximately 20 % of surveyed companies constantly promote and stress their green orientation and ecological acceptability of their products to attract customers and to position themselves in the market competitive in the field of ecology.

Table 7. Results of Question Number 9 from the Survey

<table>
<thead>
<tr>
<th>Response</th>
<th>N</th>
<th>as percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Please try to evaluate your company, your business processes, your relation to environmental protection or your entire relation and contribution to environmental protection in the near and wide community?</td>
<td>N</td>
<td>as percentage (%)</td>
</tr>
</tbody>
</table>
**Table 8. Results of question number 11 from the survey**

<table>
<thead>
<tr>
<th>Are you ready to integrate ecologically acceptable products into your products or services regardless of the fact that they are more expensive than competitive and non-ecological ones?</th>
<th>N</th>
<th>as percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I do not know</td>
<td>32</td>
<td>21.19</td>
</tr>
<tr>
<td>Yes</td>
<td>99</td>
<td>65.56</td>
</tr>
<tr>
<td>No</td>
<td>20</td>
<td>13.25</td>
</tr>
<tr>
<td>Total:</td>
<td>151</td>
<td>100.00</td>
</tr>
</tbody>
</table>


Finally, we have asked all respondents to try to evaluate lower limits of acceptability of higher prices for ecologically more acceptable products if they had to choose them and prefer them to (non-ecological) cheaper competitors’ products. Up to 5% increase of base price would be accepted by 36% of companies, up to 10% increase would be accepted by 28% of companies, up to 15% increase would be accepted by only 8.61% of companies, while above 15% increase would be accepted by the smallest number of surveyed companies - 6.62%.

**Final considerations**

The problem of environmental protection, waste management, and growing pollution is omnipresent in contemporary society. The resolution of this complex problem requires strategic thinking at the level of state, region, and wider. For Croatia as a country with predominantly small companies with scarce resources and relatively underdeveloped market, it would be very important to launch a significant initiative aimed at more responsible behaviour of local companies in terms of environmental protection at the institutional level and at the level of positive legislative, tax benefits and similar modalities and to stimulate the development of ecologically acceptable products that could become one of agents of future export potential of our country.

Implementation of green marketing requires proactive approach to customers, stakeholders and employers. Economic subjects that implement green marketing care and express their concern for environmental problems. In recent, increasingly more difficult global conditions of business activities in the market, prices, quality and deadlines of delivery are no longer sufficient. Care for the environment and sustainable development, the so-called “green behaviour”, will act as more important factors thanks to which some customers will choose products marked and recognized as ecological. Companies that will implement green marketing, companies that already implement the 3R concept (the “Reduce, Reuse and Recycle” concept) will certainly be more competitive in the market and reap higher profits.

Our research indicates that a majority of Croatian companies acknowledges their partial or great negative impact on the environment (66%). Most Croatian products do not bear special marks guaranteeing their ecological acceptability (66.23%). By the same token, the research indicates that as many as 20% of companies in the Republic of Croatia possess recognized ISO 14001 certificate guaranteeing certain
procedures related to environmental protection, and among those companies that still do not have it, 35% are going to work on its adoption in the following period not longer than 5 years. In 55% of cases, Croatian companies promote and stimulate the return of their own packaging and suppliers' packaging. The largest part of Croatian companies individually selects waste at their plants and has various energy efficiency programmes. 46% of Croatian companies maintain that additional investments in development of ecological products (green marketing mix) would strengthen their competitive position in the market, and they also maintain in 55% of all cases that stronger regulations in the domain of environmental protection and greater insistence on environmental protection would not reflect on their expenses. 50% of surveyed companies will be improving their business processes with the objective of reducing pollution in the following three years. 68% of Croatian companies stress their green component and environmental protection in their promotional activities, and they try to persuade customers that their production and their products pollute less than the competitors' ones. 65% of Croatian companies are ready to install more expensive and ecologically more acceptable components in their products.

The results we have presented in this study lead to the conclusion that in terms of green marketing, sensitivity to ecological products, and promotion of green component, Croatian companies do not fall behind competitive western countries in terms of their considerations and their practices.

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Sustainable Market Orientation - A New Approach to Managing Marketing Strategy

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Market orientation has been a foundation of corporate marketing strategy since the middle of last century. There is a need for a broader conceptualisation of market orientation and a new corporate marketing model is proposed: Sustainable Market Orientation (SMO). Taking a macromarketing perspective, the new conceptualisation of SMO emphasises utilisation of three key sustainable development objectives in corporate marketing strategy: economic, social and ecological sustainability. Conceptual models of corporate SMO and SMO assessment are presented supported by macromarketing corporate strategy and sustainability management literature.

Introduction

Market orientation (MO) has been a core philosophy underpinning corporate marketing management since the middle of last century (Alderson and Cox 1948; Drucker 1954; Gebhardt et al. 2006; Gronroos 1989; Hunt and Lambe 2000b; Jaworski and Kohli 1993; McKitterick 1957; Narver and Slater 1990). The MO approach to corporate management has been refined and endorsed by international academic research (Deng and Dart 1994; Homburg and Pflesser 2000; Lado et al. 1998; Morgan and Strong 1998; Pulendran et al. 2000; van Egeren and O’Connor 1998). Despite this, there is evidence that MO has substantial conceptual shortcomings warranting a review of ways it may be expanded and reconceptualised.

At the outset Market Orientation should be defined. A strategic perspective has been selected from Morgan and Strong who state that corporate market orientation is a mode of corporate management founded on “an appreciation that understanding present and potential customer needs is fundamental to providing superior customer value; encouraging the systematic gathering and sharing of market information regarding present and potential customers, competitors as well as other related constituencies and instilled the sine qua non of an integrated organisation-wide priority to respond to changing customer needs and competitor activities in order to exploit opportunities and circumvent threats” (1998) p1052. However, MO’s concentration on micro-economic and functional management is not easily aligned with increasing stakeholder expectations of corporate social responsibility (Freeman 1984; Maignan and Ferrell 2004; Wheeler et al. 2003); calls for environmental responsibility and environmental efficiency in marketing and strategic management (Daub and Ergenzinger 2005; Hart 1995; Russo 2003; Russo and Fouts 1997; Shrivastava 1995); and adoption of a macromarketing perspective of corporate marketing (Hunt 1981; Kilbourne et al. 1997; van Dam and Apeldoorn 1996) that places corporate marketing in a wider economic, social, political and environmental context. A review of academic literature in these domains supports an extension of MO and development of a new and more comprehensive management model. The need for this broader view is reinforced by a series of globally significant market driven events with adverse economic, social and ecological impacts. Examples of unsustainable short term, corporate market based strategies range from: exploitation of indigenous forests in the Amazon Basin and South East Asia; to depletion of the North Atlantic cod fishing resources; socially negligent production management at the Union Carbide chemical plant in Bhopal, India; marketing of unsafe Ford Pinto cars, Firestone tyres, and pharmaceutical products, such as Vioxx and Thalidomide; and more recently, the inadequacies of corporate and political governance exposed by the collapse of major companies such as Enron, and banks in the 2008-2009 global financial crisis. Common themes are: deficiencies in corporate governance, social and environmental strategies, and a focus on maximising short term revenue and profitability either sanctioned or passively accepted by corporate management and government. These call into question the adequacy of the MO concept, demonstrating the need for corporations to adjust market driven strategies to mitigate adverse
economic, social and ecological impacts. Although dominant economic drivers call for maximising profit and shareholder returns through efficient corporate management of resources and competitive marketing to serve customer needs, there is a need for further development of the MO paradigm to bring greater alignment of long term commercial performance with social and environmental responsibility. A promising avenue for the reformulation of the MO model lies in a synthesis of market orientation, macromarketing and sustainable development management concepts which allows for a reconceptualising of market orientation as sustainable market orientation (SMO). By adopting an SMO, corporate management will move beyond a conventional concentration on micro-economic and functional management prescribed by MO to a higher level of integration of marketing strategy with social, environmental and financial components.

SMO is conceptualised as having four components: objectives, strategies, processes and benefits, and may be defined in the following terms:

SMO comprises the institutional marketing management where the firm utilises sustainable management principles to:

- Anticipate and meet customer needs
- Ensure corporate strategies have compatibility with recognised ecological, social and economic value systems
- Balance economic, social, ecological and legal factors in setting corporate objectives
- Provide positive, long run outcomes in economic, social and environmental terms that are acceptable for primary and key secondary stakeholders.

The model of corporate SMO (Figure 1) provides for a markedly broader approach to corporate management than the widely accepted model of market orientation (MO) (Figure 2). SMO combines the principles of market orientation (Narver and Slater 1990) with macromarketing, systems management approach (Homburg and Pflesser 2000; van Dam and Apeldoorn 1996); a stakeholder approach to integrating corporate social responsibility and marketing (Maignan et al. 2005); and utilisation of the sustainability management concept proposed in the report of United Nations World Commission on Environment and Development (Brundtland Commission) to balance corporate management of economic, social and environmental governance (WCED 1987).

It follows that SMO will require a different set of management processes to deal with: setting corporate marketing objectives, resource management (including stakeholder relationship management), strategic planning, marketing mix and promotion management, efficient and competitive delivery, and long run marketing performance management. All of these should satisfy accepted criteria for a balanced and equitable management of key stakeholder expectations - economic, social and environmental (Clulow 2005; Daub and Ergenzinger 2005; Elkington 1994; Fuller 1999; Sheth and Parvatiyar 1995; Shireman 1999; van Dam and Apeldoorn 1996; WCED 1987).

This paper develops the concept of SMO by explaining the intellectual heritage behind the new conceptualisation, drawing on four significant streams of academic literature: institutional and marketing management, market orientation, macromarketing and sustainability literature. It concludes suggesting avenues of research to progress definition and evaluation of SMO.

Antecedents to Sustainable Market Orientation

In developing a conceptualisation of SMO, four streams of supporting literature have been identified; institutional or corporate management, market orientation, sustainability and macromarketing. These provide signposts for a more comprehensive and long term approach to corporate marketing management. Key concepts in these streams will now be highlighted to underpin the conceptualisation of SMO. Macromarketing literature will be used to show the need for a systems approach to placing corporate marketing activity in a macro social and environmental context. The second area will be market orientation identifying its limitations and the need to enlarge on the concept. The third focus will be on institutional
management literature supporting the marketing concept; and fourthly sustainability authorities will be selected to emphasise the value of integrating economic corporate performance with social and environmental management for more consistent long term corporate performance.

The most comprehensive stream of literature that supports conceptualisation of SMO is macromarketing. Since the 1980s, macromarketing scholars have expounded the need for a broader conceptualisation of market orientation. Instead of micro management within the boundaries of marketing organisations, macromarketers have argued that marketing is a multidimensional activity comprising direct and indirect, social and economic exchange networks (Dixon 1984; Hunt 1981; Layton 2007). The need for corporate management to meld societal expectations of corporate accountability and marketing orientation is found Shelby Hunt’s definition of macromarketing as a system based process that calls for the examination of; “the impact and consequence of marketing systems on society and … the impact and consequence of society on marketing system” (1981) p 8. A further refinement was the conceptualisation of marketing as a social exchange system and a subsystem of society’s adaptation to its material environment (Dixon 1984).

Seeking to operationalise the macromarketing concept, Roger Layton posited that organisational success was more likely to occur through the effective management of networked exchange systems and relationships built around economic, social and cultural links (2007) to effectively evaluate and manage factors including ownership, finance, risk, communications, economic, social, cultural, and physical considerations (Fisk 1967). Macromarketing literature is valuable in distinguishing market orientation from sustainable market orientation by advocating corporate marketing strategies that combine economic benefits and positive social and environmental impacts, to promote responsible long term consumption (Dolan 2002; Kilbourne et al. 1997), and to align corporate marketing activity with social and environmental norms (Varman and Costa 2008). In the social arena, macromarketing literature also supports improved and sustainable strategies to protect consumers, communities in general and the natural environment, if necessary through government market intervention (Andrews 1998; Galbraith 1967; Redmond ; Shrivastava et al. 1988; van Dam and Apeldoorn 1996). Thus macromarketing literature sees corporate marketing in a context bounded not only by economic, but also by more extensive social, political and environmental obligations to key stakeholder groups (Hunt 1981; Layton 2007). A review of this literature stream shows a dearth of empirical research in operationalising macromarketing concepts and supports the conceptualisation of SMO.

Secondly, investigation of market orientation literature demonstrates that since 1990, there has been general agreement on the key components of market orientation ( Figure 2 ): market intelligence gathering,
the synthesis of market information to develop and implement competitive marketing strategies, with the objective of profit maximisation for shareholders (Deshpande and Farley 1998; Greenley et al. 2005; Kohli and Jaworski 1990; Narver and Slater 1990). Continuing improvement in market oriented performance should be encouraged through organisational learning designed to improve sustainable marketing orientation practices (Baker and Sinkula 1999; Farrell and Oczkowski 2002). In temporal terms, literature recommends that assessment of MO should focus on the firm’s capabilities to: generate long run profitability, maintain or increase customer numbers, improve firm competitiveness, expand market share for its products or services, ensure organisational responsiveness in providing customer value and satisfaction, and meet strategic

Figure 2.

corporate targets (Dawes 2000; Homburg and Pflessser 2000; Kohli and Jaworski 1990; Kohli et al. 1993; Narver and Slater 1990). Newer MO research has also recognised a need to for extended corporate management to address the interests of social and political stakeholders (Greenley et al. 2005; Pelham 1999); building profitable corporate social and business relationships (Helfert et al. 2002); and ensuring that corporate marketers simultaneously and responsibly address ecological concerns (Sheth and Parvatiyar 1995; Stone and Wakefield 2000), but these considerations have yet to be integrated in a revision of MO. Significantly there is little empirical research that explores the long term systemic integration of marketing strategy and market orientation with sustainable corporate management.

It is now proposed to explore support for revision of the MO concept in the third literature area, of corporate management and marketing. The primary engine for economic performance has long been regarded as corporate marketing (Alderson and Cox 1948; Arndt 1978; Drucker 1954; Keith 1960). Indeed, the marketing concept may be regarded as a function that generates and sustains corporate competitiveness and profitability (Hunt and Morgan 1995; Hunt and Lambe 2000a). The origins and historic development of modern corporation extend back over 250 years (Fullerton 1988) and today the marketing concept has been as: “the foundation of the methodology and organisation of marketing, it is also the raison d’être in the western world” (1978). Alderson saw the marketing function as: part of a “dynamic process of matching goods and needs in organising institutions and processes”(1964). Although the marketing concept has increased in sophistication and general popularity, market orientation has a systemic weakness; its micro economic focus on customer service and the integration of corporate marketing activities with comparatively little recognition of corporate obligations to meet expectations of responsible performance Harbour.
government and society. This wider responsibility was also conceptualised by Alderson with his associate Reavis Cox who observed that effective corporate marketing called for an understanding of the firm’s relationships in society at large and that the marketing process “can be advanced by closer examination of institutional economics and their relationships to market fluctuations and long run macro economic performance, and their influence on organisational preservation.” They added that corporate economic strategy should be integrated with an understanding “of patterns of between social entities and marketing organisations and how transactions are negotiated and carried into effect” (1948).

Other corporate management and marketing literature has endorsed a more holistic approach to corporate marketing in which viability, competitiveness and profit are complemented by strategies, characterised by long term societal and stakeholder social responsibility (Abratt and Sacks 1988; Barksdale and Darden 1972; Hensel and Dubinski 1986; Robin and Reidenbach 1987; Warhurst 2001). From an economic perspective, Day and Wensley criticised the narrow foundation for the marketing concept because it: “relies on inappropriate neoclassical economic premises and should be grounded in a more constituency-based theory of the firm” (1983). Strategists and social theorists agreed, emphasising the significance of external factors in determining the strategies and management of organisations (Pfeffer and Salancik 1978; Porter 1979). Others argued that social and environmental factors as well as economic factors should be reflected in corporate strategy (Elliott 1990; Hart 1995; Hunt 1981; Porter and Kramer 2006). As institutional managers focussed on driving efficiency and profit through organisational coordination, there was evidence of a corporate awareness that economic objectives should be tempered by planned corporate activity to meet social and political needs. Bell and Emory observed of a breakdown in government and public confidence in corporate marketing management with the rise of consumerism (1971). Stakeholder literature has stressed the long term benefits that accrue from building closer relationships between the firm and key environmental players. It is therefore proposed that application of SMO model of corporate marketing management will be progressed by maintaining and enhancing the value of stakeholder relationships (Grimble 1998; Layton 2007; Wheeler et al. 2003), creation of sustainable value for key corporate stakeholders (Figge and Hahn 2004; van Marrewik and Werre 2003); developing a long term reputation as a socially responsible corporation (Mahon and Wartick 2003; Robin and Reidenbach 1987); eliminating socially or environmentally damaging corporate activity (Dean and McMullen 2007); and improving long run corporate and competitiveness (Gebhardt et al. 2006).

The fourth and final stream supporting the conceptualisation of SMO is furnished by sustainability management literature that extends the requirement for corporate marketing to be managed using more extensive criteria than meeting narrow environmental and ecological prescriptions. A sustainability management perspective demands corporate strategy with a reduced reliance on the economic performance and a strategic alignment dominated by the Dominant Social Paradigm (DSP) (Kilbourne et al. 2002). Instead, corporate economic strategy should be keyed to an Ecological Social Paradigm designed to progress socially equitable and responsible use of global resources and sustainable consumption (Bossel 2001; Dunlap 1983; Dunlap and Van Liere 1978; Gunderson and Holling 2002). In an attempt to balance economic growth and improving social standards with responsible ecological stewardship, The World Commission on Environment and Development, or Brundtland Commission, proposed the compromise management concept of current sustainable development management that meets current global economic, social and ecological needs that also provides for meeting the needs of future generations (Robinson 2004; WCED 1987). While there has been agreement on the need to incorporate sustainable ecological and social management with economic management in the political domain (UNO 1992; UNO 2002), this compromise for management of economic development has proven difficult to apply in the corporate domain. The Brundtland Commission has simulated extensive government, business and academic discussion over two decades about how the principles may best be applied and although they have indicated a need for more effective government and private sector cooperation, there has not been extensive corporate acceptance of the proposed balanced sustainability management (WCED 1987). It is notable that the conceptualisations of sustainable corporate management and sustainable marketing discussed in this paper have concentrated on the dealing with the ecological implications of marketing management. Passing reference is made to the Brundtland Commission but the implications of its recommendations have not been considered in depth by marketing academia. Extensive discussion on viable corporate sustainability management models (Garrod
and Chadwick 1996; Hart 1995; Jennings and Zandbergen 1995; Porter and van der Linde 1995; Shrivastava 1995); responsible environmental management and environmentally founded marketing (Menon and Menon 1997; Vredenberg and Westley 1999) and sustainability operational and reporting guidelines (Atkinson 2000; Hak et al. 2007; Reuvid 2006; SRG 2006; von Geibler et al. 2006) can be traced to the Brundtland recommendations two decades ago and continuing scientific research in sustainable management (Gunderson and Holling 2002). These developments provide further support reframing corporate MO as SMO.

Beyond the widely supported conceptualisation of market orientation, there has been some progress towards establishing a theoretical basis for sustainable marketing. Three models designed to achieve this goal have been identified; a ‘socio-ecological” model, an ecological lifecycle model and a macromarketing model.

The first is a conceptualisation of a “Socio Ecological” market orientation by Sheth and Parvatiyar (1995). They observed that ecological and social problems associated with a free market approach could be addressed by a corporate management framework operating within the bounds of a guided market, where corporate and society agree on a combination of economic, political and social and ecological norms. Sheth and Parvatiyar reasoned that: “Marketing’s claim that it serves societal needs by informing customers of the availability of goods and services to improve their quality of life can only be held tenable if its communication approach and techniques help in informing, educating and channelling needs of its current and potential customers towards ecologically benign products services and or activities” (1995) p 7. The second approach proposed that corporate management should totally reorient its marketing strategies; from the conceptualisation of products and services through to packaging, promotion and use and disposal. The new orientation would also require lifecycle ecological management of product and service management (Fuller 1999). A new set of management processes would be needed to achieve these objectives calling for more than the organisational intelligence generation and coordination prescribed in MO to meet customer and societal expectations competitively. Identified managerial components include: corporate anticipation, understanding and adaptation to societal and governmental pressures; adjusting to changes in market regulation; and ensuring corporate responsiveness to emerging norms governing environmental management. A third approach uses a macromarketing lens (van Dam and Apeldoorn 1996). This is characterised by criticism of corporate marketing that aims to achieve short term economic gain while ignoring long term ecological, social and
business costs associated with environmental deterioration. The proposed solution is sustainable marketing that contributes to achieving feasible trade-offs between business and environmental concerns. “Sustainable marketing is, among other things, an appeal to lengthen corporate time horizons and value continuity over profit. Most importantly, sustainable marketing is an appeal to accept the limitations of the marketing philosophy and acknowledge the necessity of regulatory constraints to the market mechanism. Within these constraints, marketing can prove its efficiency, but it can never effectively impose these constraints itself” (1996) p 53. A macromarketing perspective of sustainability therefore conforms with the sustainable marketing views of Sheth and Parvatiyar.

**Implementing Sustainable Market Orientation**

From the foregoing, it is proposed that increasing corporate commitment to a Sustainable Market Orientation, will generate a higher level of corporate confidence amongst key stakeholders stimulating in sustainable corporate performance - economically, socially and environmentally.

Corporate management aimed at achieving financial objectives is well covered in academic literature, but assessing a firm’s sustainable marketing orientation calls for development of a new set of measures. As noted above a sustainable market orientation calls for the corporate adoption of sustainability management principles. This involves achieving feasible tradeoffs between generating sustainable economic returns and satisfactorily addressing social and ecological factors in the firms operating environment. However there is continuing debate on and ideal form of self organisation for corporations (Bossel 2001; van Marrewijk and Hardjono 2003; van Marrewik and Werre 2003) and how to measure organisational performance in adopting sustainable development principles (Elkington 1994; Epstein and Roy 2001; Jahne and Nutzinger 2003; Parris and Kates 2003; Pearce and Atkinson 1998; SRG 2006). Accordingly, it is proposed that investigation of a firm’s commitment to SMO should incorporate assessment of:

- A firm’s internal market orientation capabilities (Kohli and Jaworski 1990; Slater and Narver 1994)
- Alignment of corporate marketing management in relation to recognised sustainability principles, including sustainable consumption (Epstein and Roy 2001; Kilbourne 2004; Schaefer and Crane 2005; SRG 2006)
- A systemic corporate capability for self organisation to enhance survival and security, performance effectiveness, adaptability, co-existence with other commercial and non commercial organisations and satisfying the needs of key actors (Bossel 2001; van Marrewijk and Hardjono 2003; van Marrewik and Werre 2003)
- Strategies that reinforce salience, credibility, legitimacy, and emotional ties with internal and external stakeholders ie: special interest groups, local communities, government, regulators, the media, in addition to the conventional attention given by MO scholars to employees, investors, customers, and business partners (de Chernatony et al. 2000; Harris and de Chernatony 2001; Maio 2003).

Measuring a firm’s brand equity amongst key external stakeholders will provide critical data on the firm’s financial, social and environmental status, for long term successfully management of a sustainable market orientation (Brodie 2002; Konar and Cohen 2001; Maio 2003; Myers 2003). Development of a matrix of corporate sustainability and brand related values will facilitate assessment of a firms current SMO status and provide indicators as to how a firm may improve its SMO related performance.

The SMO matrix presented in Figure 4 proposes that firms with a low degree of Sustainable Market Orientation are likely to be involved in highly competitive, low margin commodity marketing. Corporate focus on survival and profitability will limit commitment to SMO increasing the likelihood of government intervention to ensure that the interests of the wider community are protected. Conversely, the marketing of well branded products by firms that recognise and address significant stakeholder needs, indicates a commitment to SMO, even in a highly competitive marketplace. Indeed it is hypothesised that firms with a high degree of SMO will generate superior long term market performance because of their holistic approach to business management. Innovative firms are more likely to generate additional income and operating efficiencies that will absorb the costs of enhanced social and environmental management, and align
corporate marketing strategy to socially responsible consumption (Shaefer 2005). Corporate commitment to SMO reflecting an understanding of latent market and community expectations is also likely to increase government and community recognition of corporate responsibility and reduce calls for government regulation, (Andrews 1998; van Dam and Apeldoorn 1996). The matrix proposed in this paper (Figure 4) represents an advance on the ecologically based marketing model proposed by Sheth and Parvatiyar (Figure 3) because it reflects the developments in sustainable management and marketing theory and integrate the concepts of sustainability, stakeholder management and market orientation (1995).

![Figure 4.](image)

Although there is increasing consistency in the assessment of corporate sustainability, literature indicates a pressing need for empirical research to establish criteria that characterise a firm’s propensity for adopting a sustainable market orientation (Epstein and Roy 2001; Sheth and Parvatiyar 1995; SRG 2006; van Marrewijk and Hardjono 2003). Analysis of firm SMO utilising research-grounded criteria will provide management with requisite knowledge to adjust corporate marketing strategy to optimise commitment to critical economic, social and ecological objectives.

**Conclusion**

An extensive review market orientation literature has confirmed the evolution and growing sophistication of market orientation as a management concept. MO literature emphasises a corporate marketing management focus on *internal* corporate dynamics to achieve efficiency and profitability through marketing channel management. However other MO literature clearly indicates a need to expand on the core concept. Compounding the arguments for change, key macromarketing, institutional, and sustainability literature demonstrate that corporate performance is also reliant on the development of constructive, long term *external* social, ecological and economic interactions with entities that underpin and enhance positive long term corporate performance. This has highlighted the potential for an expanded conceptualisation of MO to include macromarketing and sustainability management constructs to redress this imbalance. This paper proposes the reconceptualisation of MO as SMO in a refinement of the concept first mooted by Sheth and Parvatiyar in 1995. Dual supports for the new conceptualisation are the more societal approach to corporate marketing endorsed by stakeholder and macromarketing literature and the application of sustainability principles proposed by the United Nations World Commission on Environment and
Development. It is posited that SMO has the potential to sustain and improve long term corporate marketing performance through an increased emphasis on social stakeholder relationship, ecological systems management and their integration with economic management. This new conceptualisation of SMO opens up attractive avenues for marketing research. Initially it is recommended that researchers should aim at confirming the constructs of SMO using a macromarketing lens, to distinguish it from the micro management constructs of MO. Relating corporate sustainability management with managing brand perceptions and performance will be important phase of this research. Secondly there is a need for research to determine the best metrics for measuring SMO. Subsequent research should investigate how corporate management may advantageously apply SMO principles to achieve improved long term organisational performance, the possible barriers that may arise in realising the conceptual benefits, and the impacts of a corporate SMO on stakeholder relationships. Further research also needs to be undertaken in individual industry sectors, across different industry groups, and in different national, economic, cultural and environmental contexts. Only after this next stage of evaluation will the potential of the SMO concept will be understood.

It is concluded that there are considerable political and social factors pushing development of a more socially and environmentally aware form of market orientation within the modern corporation. Although these have the potential to bestow significant long term benefits on both primary and secondary stakeholders especially the local communities, these trends are currently tempered by the overriding desire of primary stakeholders to maximise short term economic returns on investments. Increasing social, government, and corporate awareness of the significance of sustainability management over the past two decades is moderating this expectation. Evaluation of corporate support for SMO and how it may be measured are therefore important steps in promoting sustainable corporate management and sustainable market orientation.

References


When is the Environmental Imperative the Ethical Imperative? Measuring the Resonance of Ethical Bases of Sustainable Consumption

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There is a growing consensus among sustainability scholars that in order to stem the escalating climate crisis, changes in what, when, and how people consume are required (Hart 2007). The “Environmental Impact of Products” report of the European Commission’s Joint Research Centre (Tukker, et al. 2006) found that 70-80% of greenhouse gas emissions are the result of what consumers eat, where they live and how they move. Paul Stern (1992) argues out that all environmental problems are really consumption problems. As a consequence, it is impossible to have a conversation about changing environmental conditions without addressing how consumption behaviors should be altered. Put in a macromarketing context, the fate of climate change rests in the flows of the chosen provisioning system of society (Fisk 1967).

How can sustainable consumption patterns be facilitated? Thirty years of macromarketing research suggests that behavior cannot be changed without first understanding the antecedents and consequences of market activities (Mittelstaedt, Kilbourne and Mittelstaedt 2006). Motivating antecedents may be economic, social, or ethical. Of these, we know the least about the ethical motivations of market participants, particularly in the area of sustainable consumption. It is commonly understood that ethical principles such as utilitarianism and virtue ethics are core to how people behave in the marketplace and beyond (Lacziak and Murphy 2006). Because the link between individual behavior and aggregate consequence is weak, in terms of global climate change, greenhouse gas emissions, and other environmental issues, it is difficult to rely on reciprocal appeals to change consumption behavior; ethical reasoning is particularly important in this case. Given this, it is important for us to understand the extent to which ethical appeals resonate with consumers, if we hope to appeal to their ethical reasoning to change their behavior.

The purpose of this paper is to measure perceived agreement with six ethical arguments for sustainable marketing practice. The precautionary principle argues that when an activity raises the threat of harm to human health or the environment, precautionary measures should be taken, even if cause and effect relationships have not been fully established (Russ 2003). Balance follows from Aristotle’s ethic of the mean, that the economic, environmental and social interests should be balanced for the good of all three (Enderle and Tavis 1998). This is the underlying ethical assumption of the “triple bottom line” approaches to sustainable business practice. The Power-responsibility equilibrium is the notion that power and responsibility must be approximately equal for businesses to serve the interests of society (Murphy et al. 2005). Thus, the larger the corporation, the greater the responsibility they hold to address and remediate environmental concerns. Environment as stakeholder is the application of stakeholder theory to the environment (Murphy et al. 2005). The planetary ethic, the focus is not on whether organizational or individual actions are right or wrong, but whether they produce sustainable outcomes for the environment and humanity, in general (Laszlo 2003). This is a common perspective among industry, who often cite the environment as a value (e.g., Michelin, Staples). Finally, the stewardship principle is rooted in the religious conviction that humans have a responsibility to care for God’s creation (U.S. Council of Catholic Bishops 2001).

This paper reports on a study to measure the resonance of these six ethical constructs with a panel of U.S. consumers. Scales are developed to measure each construct, and measures are compared with measures of environmental intent (Roberts 1996) and conservation activities (DuPont 2008). Subjects are drawn from a national consumer panel in the United States, and the survey is administered electronically. We expect an initial subject pool of 300, and the refined scale items will be used in a broader survey of up to 1,500...
respondents. The survey will be conducted in March, 2009, and we hope to present results at the 2009 Macromarketing Conference.

Behavior of consumers is difficult to change, but is critical to the success of any sustainability effort. Consumers can be coerced by government regulation, or incentivized by economic measures, either pricing or tax policy. However, the most effective, enduring and long-lasting consumption changes are those that resonate with people’s core values. This study will identify the ethical principles most deeply held by consumers.

References


Teaching Macromarketing Graduate Courses During a Time of Economic Crisis

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This study reports on the proposal, development, and execution of two graduate business courses related to macromarketing at the University of Wyoming and the University of Colorado at Colorado Springs. Although each of the courses was an independent effort, both are similar enough, so the one at the University of Wyoming will be discussed from this point forward.

Marketing, Markets & Society which was inspired by the Macromarketing Society’s long-standing interest in creating macromarketing pedagogies (Radford and Hunt 2008). Initially patterned after Shapiro’s Marketing, Society and Controversies course and planned for on-line distribution (Shapiro 2008), the course was adapted to the needs of on-campus MBA students at the University of Wyoming during Spring semester 2009. Because of the need to offer hands-on experience to MBA student teams about market activity, the course included the Strategic Corporate Management web-based simulation offered by Marketplace Simulations [www.marketplace-simulation.com]. Because of the economic crisis which continued to unfold during late 2008 and through 2009, topics of discussion and debate in the class used high-profile current events (such as a proposed bailout for the automaker GM, or the ethicality of Wall Street paying out the same amount of bonuses in 2008 as in the banner year of 2004).

A crucial aspect of learning for the instructor of the course was observing student responses to the topics of the course which explored macromarketing themes, such as the boundaries of the markets, corporate social responsibility, and stakeholder analysis. Reflections on the value of the course to the students and the teacher, along with likely changes in future courses will be included in this study. Additionally, a discussion of how such a course calling MBA students to apply learning of macromarketing concepts fits into marketing education, in general, and into macromarketing education along with a doctoral seminar in macromarketing theory (Mittlestaedt 2008) will be discussed. The value of Kotler and Keller’s conceptualization of the Holistic Marketing Concept (Kotler and Keller 2006) as a bridge for introducing MBA students to macromarketing thinking concludes the presentation.

The complete course syllabus for the UW MBA course can be downloaded at www.uwyo.edu/mpeterson Select “courses”, then “Marketing, Markets & Society”, then “syllabus”. Selections of the syllabus are included in the Appendix in order to orient scholars and teachers to this latest effort in developing pedagogies for macromarketing. Additionally, the University of Colorado at Colorado Spring course taught by Tracy Gonzalez-Padron is included in the Appendix, as well.

References

Appendix

MBAM 5400: MARKETING, MARKETS & SOCIETY

Course Description:
This purpose of this course is to introduce students to deep thinking about the interplay between marketing, markets and society. Analysis and synthesis of issues related to marketing, markets and society will be pursued from the standpoint of stakeholders, such as consumers, firms, nonprofits, NGOs and governmental agencies. Developing a wide, long, and integrative viewpoint for forming plans and actions (wisdom) will be a principal objective of this course. Experiential learning in the Corporate Strategy Simulation will allow students to apply a wide, long and integrative viewpoint about firm marketing in a competitively intense context.

Course Goal:
Upon completion of this course, students should be able to apply critical thinking in developing insights regarding issues or controversies related to marketing, markets and society.

Books:

Harvard Business School (HBS) Cases and Readings
5. *Note on Writing Great Marketing Plans* #: KEL146 by Timothy Calkins 2006
11. *Microsoft’s Unlimited Potential (A)* #: 9-508-072 by V. Kasturi Rangan, Marie Bell 2008
12. *AppoTEC Kenya: Technologies to Fight Poverty and Create Wealth* #: 503007 by V. Kasturi Rangan 2002

SIMULATION: Corporate Strategic Management, by Marketplace Simulations.

COURSE OBJECTIVES
1. To understand the changes affecting 21st century marketing.
2. Take-away: From now on, you should begin your long-term thinking by taking a BIG (I mean REALLY BIG) view of things. Specifically, you will recognize how political-legal, economic, socio-cultural and technological factors influence marketing endeavors. You will see how such a broad lens brings entities previously not considered by business planners into view, such as environmentalists, social activists and NGOs, and the most poor consumers overseas. Such a broad approach characterizes a macromarketing orientation and would be valuable in developing sustainable marketing programs.
3. To understand the differences between micromarketing and macromarketing
4. Take-away: By the end of the first four weeks, you should understand how a macromarketing perspective contributes to more clarity in one’s peripheral vision for the strategic development of an organization, and thus allows for better prospects by enabling managers to perceive market opportunities.

5. To understand the possibilities, as well as the limits of markets
6. Take-away: You should recognize that as marketers, and as consumers, individuals are more likely to attain long-term success in their careers and lives, if they are aware of what markets can do and what they cannot do.

7. To enhance your skills in argumentation
8. Take-away: Your oral and writing communication skills (and likely your other communication skills) will improve by tailoring critical thinking that employs a CRECC approach (conclusion, reason, evidence) to your style of communication through memos, and unannounced in-class case write-ups.

Macromarketing Books (For life after your MBA program)

Here are some recommended readings for hip marketers of the 21st century like yourselves.

1. Hot, Flat and Crowded, by Thomas L. Friedman
5. Mid-Course Correction: Toward a Sustainable Enterprise: The Interface Model, Ray Anderson.

GRADE DETERMINATION: A 90% (A), 80% (B), 70% (C), etc. scale will be used.

<table>
<thead>
<tr>
<th>Case Discussions (8 of 9)</th>
<th>40 % If you miss class, you get a “0”.</th>
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<tbody>
<tr>
<td>Stakeholder Analysis of a GM bailout</td>
<td>5 %</td>
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<tr>
<td>Insights about CSR at 3 Fortune 500 firms</td>
<td>5 %</td>
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<tr>
<td>American Dream 3-pager</td>
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<tr>
<td>Overall class participation</td>
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<tr>
<td>Simulation (Business Plan 5%, Play 30%, Document &amp; Preso 5%)</td>
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<th>Day</th>
<th>Topic</th>
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<tbody>
<tr>
<td>1.Jan 12</td>
<td>M</td>
<td>Marketing, Markets &amp; Society</td>
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<td>Entrepreneurs</td>
<td>When social issues become strategic</td>
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<td>Technology</td>
<td>In-class: Beyond the Summit – video</td>
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<td>Hans Rosling</td>
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<td>Jan 19</td>
<td>M</td>
<td>MLK Jr. Day/Wyoming Equality Day</td>
<td>The Best Book on the Market</td>
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<td>Freakonomics 18 Sept, 2008 – Levitt</td>
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<td>Greenspan’s free-market ideology - Zuckerman</td>
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<td>Ethics: A Basic Framework</td>
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<td>2.Jan 26</td>
<td>M</td>
<td>The Role of the Market &amp; Ethics.</td>
<td>/ HBS case: Dharma Manulife</td>
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<td>/ The Best Book on the Market</td>
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<td>/ Ethics: A Basic Framework - HBS</td>
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<td></td>
<td>/ Stakeholder Analysis of a GM bailout* Simulation Team roster due</td>
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<tr>
<td>3. Feb 2</td>
<td>M</td>
<td>Marketing, Macromarketing &amp; CSR</td>
<td>/ Mktg.’s contributions -Wilkie &amp; Moore</td>
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</table>

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4. Feb 9  M  How Clear are the Boundaries for Biz?  /HBS case: Came in Kyrgyzstan
  What’s Wrong with Strategy? – Campbell A
  Driving through the Fog – Day & Schoemaker
  What is the Business of Business? – Davis
  An Interview with Daniel Yankelovich
  Increased Profits – Friedman
  /Debate: The Biz of Biz is Business

5. Feb 16  M  Collaboration in the Future of Markets  /HBS case: Threadless
  Competing thru Service – Lusch et al
  The Oh-So-Social Web – Bernoff & Li
  Connect & Develop – Huston & Sakkab
  In-class: BusinessWeek videos – Prahalad
  Marketing Plan seminar
  Writing Great Marketing Plans – HBS
  ZenG Business Plan

6. Feb 23  M  Reading Day for American Dream  SCM Qtr. 1 due Feb. 25th 11:00am

  /Is the American Dream good for society?
  Skype call with author Paul Stiles
  American Dream -Book Review due *
  Draft SCM Strategy Profile due *
  SCM Qtr. 2 due Mar. 4th 11:00am

8. Mar 9   M  Rethinking The Way Things Have Been Done
  / HBS case: Johnsonville Sausage - A
  Voices of America
  / How are marketing and diplomacy alike?
  SCM Qtr. 3 due Mar. 11th 11:00am

9. Mar 23  M  Globalization
  / HBS case: Grupo Bimbo
  In-class: Fighting Corruption video
  In-class: World is Flat video – Friedman
  / Flat World implications for you?

10. Mar 30  M  Strategic Corp. Mgt. simulation workshop SCM 2nd-year Business Plan due *

11. Apr 6  M  Capitalism at the Crossroads - Greening
  / HBS case: Cradle-to-Cradle Design
  Crossroads – Hart pp. xxxv-105
  CEOs on strategy & social issues – Bielak et al
  Second Life - Nordhaus and Shellenberger
  Six Products, Six Carbon Footprints – Ball
In-class: Computing your carbon footprint
In-class: G2C video - McDonough
SCM Qtr. 6 due Apr. 8th 11:00am

The Clean-Tech Opportunity
Green Goal of Carbon Neutrality - Ball
In-class: Mt. Sustainability video
–Anderson
SCM Qtr.7 due Apr. 15th 11:00am

13. Apr 20  M  Capitalism at the Crossroads - BOP  /HBS case: Microsoft Unlimited Potential
Crossroads – Hart pp. 107- 237
The Mirage of Marketing to the BOP – Karnani
/ Debate: Marketing to the BOP has merit
SCM Qtr.8 due Apr. 22nd 11:00am

Hans Rosling on Poverty Reduction
In-class video: Nothing More Powerful

15. May 6  W  Simulation team presentations  1:15pm – 3:15 pm

University of Colorado at Colorado Springs
College of Business and Administration
BUAD 560, Business, Society and Government
Spring 2009 Course Syllabus
Instructor: Prof. Tracy Gonzalez-Padron
Course meetings: Wednesday from 4:30-7:05 pm in Dwire 101
Office hours: Dwire 355C, Wednesdays 2-4pm, and by appointment.
E-mail: [tracy.gonzalezpadron@uccs.edu][tgonzale@uccs.edu]
Office phone: 719-255-3794

Course Materials
Thorne, Ferrell, and Ferrell, Business and Society: A Strategic Approach to Social Responsibility,
Turning Gears, Inc. simulation, instructions for enrolling to be provided. Cost $10/student.Supplemental
Reading found on e-companion,[http://www.uccs.edu/%7Eonline/login.html]

Course Description and Objectives
This course uses the concept of social responsibility to address the role of business in society. Social
responsibility is concerned with company values, responsibilities, actions, and outcomes that affect
employees, investors, business partners, communities, and other stakeholders. We explore issues including
workplace ethics, the natural environment, government regulation, information technology, diversity,
corporate governance, philanthropy, and volunteerism to better understand the relationship between business
and society. This course is highly practical and explores organizational best practices to improve social
responsibility. We will explore organizational successes and failures through in-depth case analysis. Students
will also complete a social responsibility audit of a company assigned in class. In addition, students will
complete several business and society role-play exercises. The class will be very interactive and meshed with
current organizational practice in developing successful social responsibility programs. Class time will be
heavily focused on discussion and participation.
Course Objectives
Upon completion of this course, students should gain the following:

- Greater awareness of business tools and principles with social dimensions, like socially responsible investment and social audit criteria
- Exposure to an array of models of the corporation, including corporate governance structures and models of the corporation vis-à-vis society at large
- An appreciation for the interconnected nature of business operations with government and community, and the skills to engage these external stakeholders in constructive dialogue
- Examine the tradeoffs among different business disciplines and among their differing social and environmental impacts
- Skills in communicating difficult messages and decisions, internally and externally
- Exposure to the ways in which public policy and engagement with governments can benefit companies
- Practical experience working through responsible business decision making when the available data is sparse
- Basic training in the concepts of ethics

Teamwork Component
There are several team projects in this class. You should assume certain conditions this semester regarding team performance and consideration. Each team member is expected to meet at the agreed-upon times or virtually, if this is a mutually compatible solution. There will be class time each week allocated to group meetings. Team members are to engage equally in all the behind-the-scenes elements of the case analysis, social responsibility audit, role-play exercises, and other projects, including research, outlining the approach, assessment, write-up and presentation. Students should let you know if they don’t meet these assumptions, sooner rather than later. Peer evaluations for the case analysis and social audit will be used for individually adjusting the assignment grade.

Class Projects and Assignments

1. Team Case Analysis Each team will complete a detailed case analysis (ten to fifteen pages, minimum, plus bibliography), and present its case assessment, analysis, and outside research to the class. Presentations will run from twenty-five to thirty minutes. To successfully analyze the case, team members must read the assigned case, gather more background information, and conduct research to update information on the company and situation. They may also wish to contact the organization or media sources directly for more information. Their assessment should evaluate what led to the problem/decision issue, how the company reacted, what should have been done to prevent the problem from occurring, and the company’s current success, and whether the company is on track today. Written reports are due on the day of the presentation.

   Presentation: twenty-five to thirty minutes (including class discussion)
   Paper: ten to fifteen pages (minimum) plus bibliography. Due: at start of class for scheduled case

2. Social Audit Each team will complete a social audit of a company of their choosing. Social responsibility audits are conducted by assessing effectively if a company is meeting its social responsibility and social goals (internally and externally). Team members should carefully follow the stages defined in Chapter 12 to complete this project, and use assessment tools found on the course website. Note these stages are defined from the perspective of a committee conducting a social audit within the organization. Therefore, team members may have to modify what can actually be accessed in some of the stages. These stages include 1) define the scope of the audit process (including areas important to the audit); 2) review organizational mission, policies, goals, and objectives; 3) examine the organization’s social priorities as they relate to stakeholders; 4) identify tools or methods the organization can employ to measure its achievement of social objectives; 5) collect or review relevant information in each area important to the audit (should include internal and external data—concerned stakeholders and publications); 6) summarize and analyze collected data, and compare internal information to stakeholder expectations; 7) explain how the results could be verified by an independent agent; and 8) discuss how the results could be used by an audit committee, top management, and relevant stakeholders.

   Presentation: twenty-five to thirty minutes
   Paper: fifteen to twenty pages (minimum) plus bibliography Due: April 29
3. **Business and Society Role-Play Exercises** Students will participate in role-play exercises in class. These exercises, also called behavioral simulations, deal with real-world issues such as crisis management, product liability, and information technology. During these simulations, groups will be formed and each member will assume a role within an organization and deal with an organizational dilemma from the perspective of that individual. Each group member will be given a different role within the organization (e.g., director of research and development, district sales manager, advertising director, etc.). The group will then collectively resolve a companywide business and society issue and make recommendations in the form of a short managerial report or other communication as specified in the exercise (one per group).

   Group Assignment: varies by scenario, could be a memo, presentation, strategic document

4. **WSJ Article Summary** Select (an) article(s) from a current (within two weeks) that relates to the topics in class. Cite the article(s) at the top of your assignment. Prepare a one-page, typed single-spaced integration of the current event and our course topics/materials. This paper is NOT an article summary. Assume I have read the article(s) and our class materials. I am eager to see how you integrate the materials and make sense of the big picture using some of the tools and topics we will discuss in class this semester. Post your summary to the Discussion Thread on the e-companion site. Once someone has posted an article, no other student may select that article. We will discuss articles in class. Be prepared to lead the discussion relating to your selected article.

   **Paper: one page article summary/posting on ecompanion. Due: no later than April 15.**

5. **Turning Gears, Inc Simulation** Each student will register for an online simulation that presents five scenarios of ethical dilemmas. The instructions will be provided in class. Upon completing the simulation, each student will submit answers to questions posted on e-companion.

   **Paper: simulation discussion questions. Due: March 18**

6. **Exam** The final exam will consist of short essay questions. The exam will focus heavily upon text content and application. A portion of the midterm will include current Wall Street Journal articles for analysis. Grades and feedback will be provided within a week—barring unusual circumstances. Students cannot miss the exam without first contacting the instructor and receiving an excused absence for the exam, indicating that some unusual circumstance has occurred that will prevent the student from taking the exam. If students do not receive the instructor’s advance okay, the missed exam will count as zero.

7. **Participation, Professionalism, and Attendance** As with most graduate courses, participation and attendance are critical to fully understanding concepts and applications. In this course we will rely heavily on discussions, small group activities, and role plays to motivate learning of key concepts. The quality of the class is therefore heavily dependent on the quality of the contributions of the individual students in the class. Student attendance alone is not sufficient to receive full credit in this category. Students must also come to class prepared to discuss the topics and cases, and participate in the events scheduled. This element accounts for 10 percent of students’ grade. Participation will be noted throughout the semester. If students miss a class period, they are responsible for finding out what was missed from a classmate. Do not contact the instructor for an update on what was missed or to “clear” the absence. For this reason, class participation will account for a portion of the final grade. In order to excel in this area you must:

   - **Attend class.** Although we live in a technologically and spiritually advanced age, it is still not possible to participate in this class without being physically present. If you believe you will miss more than two classes, you are strongly encouraged not to take this course. Attending class means arriving on time and staying until dismissed.
   - **Prepare for class.** This entails reading and understanding the assigned materials, and having a well-developed opinion for discussion. Assignments for each week are listed in the syllabus and are also available online. You are also expected to read all e-mails I send to the class and to check the ecompanion course page on a weekly basis for updates and additional materials.
   - **Contribute ideas.** Outstanding contributors will exhibit consistent, high-level involvement in class discussions demonstrated through asking questions (of me, of teams, and of other class members), answering questions, offering creative comments, adding new dimensions to the class discussions, and providing evidence of analytical depth, original thinking, and insight.

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- Express and defend your opinion succinctly. The class participation grade is not based on how much
time you spent talking; it is based on the quality of your responses to my general and cold-call questions.
Focus on getting a few important points across. Please, do not express an opinion without some
supporting evidence.
- Respond constructively to the opinions of fellow class members: It is impossible to learn only by
speaking. Listening to and understanding the positions of your peers is a crucial part of this course. I
will also rely on you to police each other: if you hear a statement you believe is not supportable or clear,
ask for support or clarification. The value of this course to you will depend mightily on your willingness
to take responsibility for the quality of the classroom discussion.

8. Community Events There will be opportunities to participate in community events or attend
professional presentations relating to topics of this course. I will announce these in class on and on the
course e-companion. Depending on the event, extra participation points may be provided.

**Course Evaluation and Grading**

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<tr>
<td>Team Case Analysis</td>
<td>200 points</td>
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<tr>
<td>Social Audit</td>
<td>250 points</td>
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<tr>
<td>Business and Society Role-Play Exercises</td>
<td>50 points</td>
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<tr>
<td>WSJ Article Summary and Presentation</td>
<td>100 points</td>
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<tr>
<td>Turning Gears, Inc. Simulation and Discussion</td>
<td>100 points</td>
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<tr>
<td>Participation, Professionalism, and Attendance</td>
<td>100 points</td>
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<td>TOTAL</td>
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**Grading Scale**

Regular assignment of grades will be followed (eg. 90-100 = A, 80-89 = B, 70-79 = C, 60-69 = D, 59 and
below = F.)

**Class Schedule**

(*Subject to change as announced in class or through e-mail communication.) 6 teams (3/4 each)
<table>
<thead>
<tr>
<th>Date</th>
<th>Chapter/Section</th>
<th>Supplemental Case Presentation</th>
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<tbody>
<tr>
<td>11-Feb</td>
<td>Social Responsibility Measurement &amp; Performance</td>
<td>Sustainable Business Assessment Input Due</td>
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<td>5</td>
<td>Business Ethics and Ethical Decision Making</td>
<td>Case 9 Presentation: The Coca-Cola Company Struggles with Ethical Crises</td>
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<td>25-Feb</td>
<td>Strategic Approaches to Improving Ethical Behavior</td>
<td>Case 10 Presentation: The Fall of Enron: A Stakeholder Failure</td>
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<td>4-Mar</td>
<td>Recent Issues</td>
<td>Case 11 Presentation: Verizon: The Legacy of WorldCom and MCI</td>
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<td>11-Mar</td>
<td>Government &amp; Regulatory Stakeholders</td>
<td>Supplemental Case Presentation: Countrywide Financial: The Subprime Meltdown</td>
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<td>18-Mar</td>
<td>The Environment as a Stakeholder</td>
<td>Turning Gears Simulation Discussion Due</td>
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<td>25-Mar</td>
<td>Spring BREAK</td>
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<td>1-Apr</td>
<td>Employee &amp; Supply Chain Stakeholders</td>
<td>Case 7 Presentation: Nike: From Sweatshops to Leadership in Employment Practices</td>
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<td>8-Apr</td>
<td>Consumer Stakeholders</td>
<td>Supplemental Case Presentation: Mattel</td>
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<td>15-Apr</td>
<td>Community Stakeholders</td>
<td>Supplemental Case Presentation: American Red Cross</td>
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<td>Final Exam</td>
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<td>Social Audit Presentations</td>
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Incorporating Mission-Driven Macromarketing Content Into Core Business Courses

Terri L. Rittenburg, University of Wyoming, USA

Concerns have been raised about the dearth of marketing and society courses in doctoral curricula, but the importance of macromarketing issues is greater than ever. The integration of macromarketing content into core business courses is one approach for addressing this need. Advantages include cost efficiencies, parallels between macromarketing topics and AACSB-driven curriculum, and student interest. An example is shared of an undergraduate course integrating significant macromarketing content.

Introduction

Macromarketers are concerned with marketing as a societal system. We focus on how the marketing system functions within societies and the system’s effects on stakeholders and the physical environment. In terms of marketing education, macromarketers insert this broad systems view into the marketing courses we teach. We emphasize societal implications and quality of life for various groups.

In thinking about marketing education from a macro viewpoint, a concern has been raised that, because of a dearth of marketing and society courses in doctoral curricula, future scholars will not be trained in these issues and will be ill prepared to teach future students about them (Wilkie and Moore 2006). The evolving American Marketing Association definition of marketing into a micro-focused, managerial definition provides a case in point (Wilkie and Moore 2006). As the field of marketing has become increasingly micro-oriented, and those with macro interests increasingly fragmented, the opportunities for students to be exposed to these issues in meaningful ways are deteriorating.

At the 2007 Macromarketing Seminar, Stan Shapiro presented a course outline for an entirely online, controversies-based macromarketing course (Shapiro 2008). His efforts to make macromarketing materials readily available to faculty provide a glimmer of hope against the tide of fragmentation that may make publication of a macromarketing text unviable.

On the bright side, however, colleges of business show a growing interest in sustainability. An increasing number of schools are creating curriculum in this area, and the AACSBI held its first conference on the subject in summer of 2008 (AACSBI International 2008).

While sustainability and macromarketing are not synonymous terms, from an educational standpoint, both areas have common goals: to engender an understanding among students of the broad, societal implications of business activities. Much of the focus of macromarketing is on making marketing (and market systems) sustainable by considering issues of consumer well-being and quality of life as affected by the marketing system (Ferreil and Ferrell 2008). Thus, those introducing sustainability into the classroom (Geiger-Oneto and Press 2008) can further the aims of macromarketing education although the courses are not labeled macromarketing.

Incorporating Mission-Driven Content

Injecting topics of importance to the discipline into courses is not a new idea. Because of the driving force of AACSBI International, many schools have been integrating ethical and global dimensions into their curriculum for years. The inclusion of sustainability in this repertoire can only be good for the field of macromarketing, for furthering its mission in grappling with the big issues of marketing and society.
While this author regularly incorporates macromarketing content into marketing courses, other opportunities may arise as well to bring macromarketing issues into other courses. Business ethics courses would provide a natural fit. Since macro issues are global in nature, international business courses also may lend themselves to some macromarketing content.

An example of one such course, *Global Business Issues*, is offered at the University of Wyoming. Originally designed as a study-abroad course, it is sometimes offered with travel and sometimes simply as an on-campus course. By its nature, this course allows flexibility for the instructor to focus in areas of interest. The course is an elective, but counts in the International Business Minor, and is one of the few upper-division courses in the minor that are offered on a regular basis.

In a recent offering the instructor, a self-designated macromarketing “true believer,” included substantial coverage of ethics topics and readings, including Wood et al.’s (2006) concept of Global Business Citizenship; globalization; marketing and development, with readings on fair trade and Prahalad’s (2006) book, *The Fortune at the Bottom of the Pyramid*. Ideas for readings were determined in part through advice of macromarketing colleagues. The content of the course certainly comprised a range of global business issues, as advertised, but was carefully crafted to incorporate a macromarketing viewpoint and essence. A full list of readings and assignments is included in the appendix.

Intertwining macromarketing into an existing course has several advantages:

- Under conditions of tightening university budgets and concerns over proliferation of courses, macromarketing concepts can be incorporated without the need to create new courses.

- Likewise, this approach is conducive to the concerns of students, parents, and administrators to keep undergraduate curriculum within a number of credit hours that can be achieved by a full-time student within four years. Incorporating new content within courses that already count in a student’s major or minor is more attractive than adding new course requirements.

- Due to the heavy micro orientation in marketing today and the fragmentation among marketers with macro interests (Wilkie and Moore 2006), colleagues at many schools may not value a full macromarketing course. Injecting some macromarketing content into existing courses provides a mechanism for exposing students to these ideas.

- Students interested in international business are a fertile potential market for macromarketing content.

- Since elements of global business and ethics are mandated in AACSB-accredited schools, courses integrating this content, if not stand-alone courses in these areas, will be offered. Thus, incorporating a macromarketing focus to some of these topics in mission-driven courses is a fairly simple thing to do and requires no additional resources.

Outcomes

While it is impossible to assess outcomes in the long term or generalize across the larger body of students, it can be stated that the students in this class responded quite favorably to the macromarketing content covered. With the exception of one student, who said in the course evaluation that there was too much material on ethics, the students were quite positive about the class. It fulfilled their desire to gain more knowledge about global business while meeting to dual objective of grounding them in some of the fundamental macromarketing areas of study. Incidentally, on an informal basis, when the instructor sees these students on campus, they still comment on how much they liked the class!
Conclusions

Would macromarketers prefer to teach stand-alone courses in macromarketing at undergraduate and graduate levels? Of course. As this case illustrates, however, macromarketing can be successfully integrated into mission-driven classes to complement micro topics. This approach provides a cost-effective method for exposing students to macromarketing concepts in courses they are already taking.

References

Prahalad, C. K. 2006. The fortune at the bottom of the pyramid. Pearson Education Inc.
Effects of Scale Economies, Location and Market Concentration on the Propensity of US Firms to Export

Man Zhang, University of Rhode Island, USA
John D. Mittelstaedt, Clemson University, USA

The purpose of this paper is to examine the effects of internal and external scale economies on the propensity of US manufacturing firms to export. This paper examines the effects of location and firm size on export propensity. In addition, this paper examines the relative effects of geographic and market share concentration on export propensity. Analysis of the export behavior of more than 48,000 manufacturing firms in the Southeastern United States indicates that urban firms are more likely to export than rural ones; large firms are more likely to export than small ones; firms in geographically concentrated industries are more likely to export than those in geographically disperse industries. Further, results indicate that when it comes to industry concentration, concentration of ownership is more important than geographic concentration. This has implications for managing the export process.

Introduction

Globalization has changed the playing field for manufacturers, in terms of their competitive frame, the potential consumers, and their strategic advantages. Today, firms must think beyond the boundaries of their own countries if they are to understand their competitive position; if a firm is not globally competitive, it is not competitive. Increasingly, firms and industries will divide between those that are engaged in the global marketplace, and those that are not.

This paper will focus on the role of scale economies, especially external scale economies, in whether and how firms engage the global economy through exporting. What factors affect the ability of firms to engage the global marketplace? Previous research has examined the effects of firm size, location and industrial concentration on the propensity of firms to export (Zhao and Zou 2002; Mittelstaedt, Ward and Nowlin 2007) and import (Mittelstaedt, Raymond and Ward 2006). Zhao and Zou’s (2002) study of export propensity among Chinese firms found a negative relationship between industrial concentration and export propensity (the greater the concentration, the lower the likelihood of exporting), which they attributed, in part, to the fact that highly concentrated industries tended to be state-owned. Conversely, Mittelstaedt, Ward and Nowlin (2007) found a positive relationship between industrial concentration and export propensity, reflecting the competitive nature of geographically concentrated industries in the United States.

While there is general agreement that industrial concentration affects the competitive position of firms, a careful reading of the research finds differing perspective on the meaning of “industrial concentration.” Some use the term in a geographic sense (Fujita, Krugman and Venables 1997; Mittelstaedt, Ward and Nowlin 2006; Mittelstaedt, Raymond and Ward 2006), while others use it in reference to market share (Glesjer Jaquemin and Petit 1982; Henderson et al, 1990). In the case of Zhao and Zou (2002), the industrial structure of China at the time of their analysis makes it difficult to separate the two effects. Little or no research exists to understand the effects of geographic concentration and ownership on the propensity of firms to export, especially in light of firm and community size.

The purpose of this paper is to explore the effects of market share concentration on the firms’ propensity to export, and to compare these effects with geographic concentration. This is done in the context of previously examined internal (firm size) and external (location) effects. Information on more than 48,000 manufacturing firms in the Southeastern United States were analyzed in terms of size, geographic location, and geographic and ownership concentration of their respective industries. Results indicate that all affect the propensity of U.S. manufacturing firms to export, but that these effects vary with firm size.
The format of this paper is as follows. First, it reviews the existing literature in marketing and related fields on export propensity. On the basis of theory and existing findings, a series of hypotheses are developed concerning the effects of size, location and industrial concentration on the propensity of firms to export. Data are analyzed using a methodological protocol to test the hypotheses. Results are presented and interpreted, and discussion follows.

Literature Review and Propositions

Inquiry into the causes and mechanisms of international trade has long been a question of interest to researchers. The neoclassical Heckscher-Ohlin model (H-O) states that countries specialize in the production and export of products in which they have a comparative cost advantage caused by relative abundance of a certain factor of production (Ohlin 1933). That is to say, a country with a relative plenty of labor should export labor-intensive goods, while a country with plenty of capital should export capital-intensive goods. The H-O model is based on assumptions of perfect competition, constant returns to scale, and costless availability of technology (Krugman and Obstfeld 2003). While a robust theory that stood the test of time, exceptions emerged that had to be explained. For example, Leontief (1953; 1956) found that the United States (a capital-abundant country) exported labor-intensive commodities and imported capital-intensive commodities, in contradiction to H-O expectations. Similarly, the H-O model does not explain well intra-industry trade – that, for example, the United State imports, as well as export, automobiles, cleaning supplies and wine.

In a Kuhnian sense, as anomalies accumulate, new theories appear on the horizon that explain observed inconsistencies, in addition to well-understood phenomena (Kuhn 1962). In the latter part of the 20th Century, New Trade Theory emerged (Krugman 1979; Fujita, Krugman and Venables 1997), relaxing assumptions of constant returns to scale and perfect competition, as about half of the trade in manufactured goods among industrialized nations is based on product differentiation and economies of scale (Houck 1992), arguing that advantages flow to larger firms over smaller ones, and to some regions over others. Let us examine the effects of scale and concentration on international marketing.

The Economies of Scale

Economies of scale arise when the cost per unit falls as output increases. There are two main types of economies of scale: internal and external. Internal economies of scale relate to the lower unit costs a single firm can obtain by increasing in size. External economies of scale occur when a firm benefits from lower unit costs as a result of the factors external to the firm, like the size of community in which they operate (urbanization), the geographic concentration of their industry (localization), or a similar concentration in ownership (market share concentration). (Berry, Conkling and Ray 1997). Let us examine each in order.

Urbanization Economies: Urban areas possess advantages for firms, external to their own means of production, from which they can derive increasing returns. When urbanization scale economies are present, a “circular causation” (Myrdal 1957) or “positive feedback” (Arthur 1990) develops: manufacturers concentrate where there is a large market and, in turn, markets develop where manufacturing is concentrated. This urbanization effect need not be specific to a particular industry. Indeed, these external scale economies result from breadth of production capacities, rather than depth within a specific industry (Berry, Conkling and Ray 1997).

All else being equal, urbanization is an external economy of scale that can reduce the cost of doing business. Urbanization reduces the cost of inputs, since the transportation costs of delivering inputs from firms in the same city are low. Urban areas attract well-educated workers, who believe that their chances of being continuously employed are higher than in rural areas, and where they can command higher wages for their efforts. Further, cities offer a wider range of business services (accounting, legal, consulting, etc.) than found in rural areas, and these services improve the likelihood that other businesses will survive and succeed.
As efficiency increases, firms are more likely to expand their markets and engage in export activities. Thus, we propose,

\[ P_1: \text{The more urban the location of a firm, the higher the likelihood that it will export.} \]

**Localization Economies:** The geographic concentration of firms within the same industry may produce economies of scale that include stable markets for specialized labor, supporting industries that supply unique services at rates lower than firms could provide for themselves, knowledge spillovers (Mittelstaedt, Ward and Nowlin 2006). All of these localization economies enhance competitiveness of firms and, at the same time, turn into advantages for the firms who try to undertake exporting strategies.

The importance of localization economies to exporting has been discussed by many literatures. Aitken, Hansen and Harrison (1997) find that localization economies are important in the export decision. Mittelstaedt, Ward and Nowlin (2006) find that those companies located in what territorial specializations dispose of a series of advantages that allow them to place themselves in a more competitive position in the new global circuits. As such, we propose:

\[ P_2: \text{The more geographically concentrated an industry, the higher the likelihood that a firm in that industry will export.} \]

**Market Concentration:** Urbanization and localization are different forms of geographic concentration. By contrast, market share concentration is a function of the number of firms and their respective shares of the total production in a market. As a tool for economic analysis, market share concentration is useful because it reflects the concentration of ownership and degree of competition in the market (Bain 1956). Domestic market competition is often cited as an important factor that has influence on the firms’ export decision (White 1974), although the expectations are conflicting.

On the one hand, some argue that industrial consolidation and firm size is a necessary prerequisite for global competitiveness (Adams and Brock 1987). Pitelis and Sugden (1991), for example, argues that in the early stages of growth, concentrated industries will experience steady growth in the domestic market share. However, over time it is only possible for the largest competitors to maintain or increase their market shares by expanding their competition to foreign markets. Pagoulatos and Sorensen (1976) find a positive relationship between four-firm concentration and both exports and imports.

Conversely, others contend that the lack of effective domestic competition in some industries has resulted in higher cost, lower efficiency. Glesjer Jaquemin and Petit (1982) argue that a high degree of domestic concentration could negatively affect the share of exports in total sales for two reasons: “First, it allows dominant firms to reap the possible economies of scale on the home market, the remaining competitive fringe being unable to reach the critical size required for exports. Second, insofar as concentration means monopoly power, dominant firms can exploit the negatively sloped domestic demand, and can avoid the possibility of exporting, as this would involve increasing the demand elasticity and becoming price takers by weakening the oligopolistic interdependence and facility of collusion.” Supporters of this perspective argue that firms could earn large shares and profits in export markets, as domestic market competition provides firms with pressures to improve and innovate (Clougherty and Zhang 2008). Porter (1990) argues that the drive to be competitive domestically may induce firms to export, hoping to gain a competitive advantage in their home market. Several researchers (Glesjer Jaquemin and Petit 1982; Henderson and Frank 1990) report that there is a negative relation between industry concentration and exports. As such, we have two competing propositions:

\[ P_{2a}: \text{Firms in industries of higher concentration of ownership have higher likelihood to export.} \]

and

\[ P_{2b}: \text{Firms in industries of lower concentration of ownership have higher likelihood to export.} \]
Only Zhao and Zou (2002) simultaneously measured effects of market share concentration and industrial geographic concentration on Chinese firms’ export propensity and intensity. However, the sample firms their study used were state-owned, making it impossible to distinguish ownership effects of market share concentration from geographic effects of industrial geographic concentration. The question of whether firm’s export propensity is more subject to market share concentration or to industrial geographic concentration remained unanswered. Given this, we ask the following question:

\[ Q_F: \text{Does market concentration have a greater or lesser influence on firm’s export decision than industrial geographic concentration?} \]

**External Scale Economies, Market Share Concentration, and Firm Size:** Large firms have the capacity to internalize many of the advantages of external scale economies such as specialized labor talent, access to markets and business services, while smaller firms do not (Mittelstaedt, Ward and Nowlin 2006). Smaller firms are compelled to trade off the diseconomies of urbanization such as higher rent cost and labor cost for external scale economies. Hence, it is reasonable to postulate that external scale economies have greater influence on smaller firms than on large firms in term of export propensity. As such, we propose:

\[ P_{5s}: \text{Urbanization scale economies are more important for smaller firms than for larger firms on firms’ export decision} \]

and

\[ P_{5b}: \text{Localization scale economies are more important for smaller firms than for larger firms on firms’ export decision.} \]

Many U.S. firms are looking at foreign markets due to increasingly intensified domestic market competition. Exporting is especially appropriate for manufacturers of industrial goods, and for smaller firms without the financial and managerial resources necessary for more extensive international operations (Cooper and Kleinschmidt 1985). Based on previous studies that report positive effects (e.g. White 1974; Pagoulatos and Sorensen 1976; Adams and Brock 1987) or negative effects (e.g. Glesjer Jaquemin and Petit 1982; Henderson and Frank 1990) of market share concentration on firms’ export propensity, we would like to look further into its effects on firms, across size, assuming that smaller firms are more subject to market share concentration due to their market follower position. As such, we propose:

\[ P_{5c}: \text{Market share concentration is more important for smaller firms than for larger firms on firms’ export decisions.} \]

**Testing the Propositions**

**Measurement of Research Variables**

To test the hypotheses related to firms’ decisions to export, we examined the export propensity of manufacturers, measured using the logistic regression models, because of the dichotomous nature of export decisions. The logistic probability function takes the following basic form:

\[ P = \frac{1}{1 + e^{-y}}, \text{where } P \text{ is the likelihood that a sample firm will export, and } y \text{ is a vector of factors hypothesized to affect the export decision. Two models are developed to estimate } y. \text{ The first model is expressed as follows:} \]

\[ y = \beta_0 + \beta_1 \text{urbanization} + \beta_2 \text{industrial geographic concentration} + \beta_3 \text{firm size} + \beta_4 \text{market share concentration} + \mu \]

where ‘urbanization’ is a measure of external economies of scale, by natural logarithm of the number of county population; “industrial geographic concentration” is a measure of external economies, by natural logarithm of HHIgeo; “firm size” is a measure of internal economies, by natural logarithm of number of
employees; and “market share concentration” is a measure of ownership concentration, by natural logarithm of HHI_m.

To test the relative influences of urbanization, industrial geographic concentration, and market share concentration on firms of different size, a second model is developed as below:

\[
\begin{align*}
    y_{\text{micro}} &= \beta_0 + \beta_1 \text{urbanization} + \beta_2 \text{industrial geographic concentration} + \beta_4 \text{market share concentration} + \mu \\
    y_{\text{small}} &= \beta_0 + \beta_1 \text{urbanization} + \beta_2 \text{industrial geographic concentration} + \beta_4 \text{market share concentration} + \mu \\
    y_{\text{medium}} &= \beta_0 + \beta_1 \text{urbanization} + \beta_2 \text{industrial geographic concentration} + \beta_4 \text{market share concentration} + \mu \\
    y_{\text{large}} &= \beta_0 + \beta_1 \text{urbanization} + \beta_2 \text{industrial geographic concentration} + \beta_4 \text{market share concentration} + \mu
\end{align*}
\]

**Data Set**

The data set covers 48,707 manufacturing firms in 14 major NAICS categories (textiles, apparel, furniture, printing, chemicals, rubber and plastics, leather, primary metal, fabricated metal, machinery, electronics, transportation, and measuring, analyzing and controlling equipment), from eight contiguous southern states (Louisiana, Alabama, Mississippi, Georgia, Tennessee, North Carolina, South Carolina, and Florida). Firm information, including number of employees, geographic location, six-digit NAICS manufacturing category and export status were drawn from Dunn and Bradstreet’s Harris Infosource Data Source (Dunn and Bradstreet, 2002). County populations, used as the measurement of urbanization, were drawn from US Census Bureau estimates (US Bureau of the Census, 2001).

Herfindahl-Hirschman index (HHI_m) scores from the US Bureau of the Census (2002a) were used to measure market share concentration. These measures are calculated concentration ratios for the largest fifty enterprises in each six-digit NAICS industry, according to their shipments (US Bureau of the Census 2002b). Similarly, we calculated were measured at the six-digit NAICS level for each firm a comparable Herfindahl-Hirschman index (HHI_geo) to measure the effects of industrial geographic concentration. Firm size was operationalized as the number of employees (Dunn and Bradstreet, 2002). Consistent with the recommendations of Wolff and Pett (2000) and Mittelstaedt, Harben and Ward (2003), firms were classified into four employment categories: fewer than 20 employees (“micro”), 20-99 employees (“small”), 100-499 employees (“medium”) and 500 or more employees (“large”).

Table 1 shows that of 48,707 firms, 8410 firms or 17.26%, were engaged in exporting. Specifically, 1794 or 6.75% of 26574 micro firms, 3393 or 22.71% of 14941 small firms, 2588 or 42.60% of 6075 medium firms, and 635 or 56.85% of 1117 large firms were engaged in exporting.

<table>
<thead>
<tr>
<th>Table 1. Exporting by Firm Size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Exporting, n=</td>
</tr>
<tr>
<td>% of Exporting</td>
</tr>
<tr>
<td>Non-exporting, n=</td>
</tr>
<tr>
<td>Total, n=</td>
</tr>
</tbody>
</table>

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Results

**Scale Economies and Market Share Concentration**

Table 2 reports the means and standard deviations of independent variables. The correlations among these variables are significant, as firm size and market concentration were moderately correlated and correlations of other variables are low. Tests of variance inflation indicate that these moderate correlations did not pose a problem.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Urbanization</td>
<td>5.5578</td>
<td>0.9728</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Industry Geographic Concentration</td>
<td>4.8699</td>
<td>1.6061</td>
<td>-</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Firm Size</td>
<td>235374</td>
<td>249657</td>
<td></td>
<td></td>
<td>0.03*</td>
<td>1.000</td>
</tr>
<tr>
<td>4. Market Share Concentration</td>
<td>63.839</td>
<td>201.300</td>
<td>0.021*</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: *p < 0.01; **p < 0.05; *m not significant

Table 3 reports the result of logistics regression of model 1 using the statistical procedures in SPSS (version 12). The model exhibits high explanatory powers. The model fit was significant at p<0.01 (Wald’s $\chi^2$=5720.395). The logistic model correctly classified 79.6% of sample firms into the export and non-export categories. The intercept is negative, indicating that the normal condition for firms is to not export. The effects of urbanization, industry geographic concentration, firm size, and market share concentration were all significant, and odds ratios were all greater than one, indicating positive effects on the propensity to export. The greatest of these effects is firm size, second greatest of these effects is market share concentration, and followed by effect of urbanization and industrial geographic concentration. These results indicate that the greater the urbanization of a firm’s location the greater the likelihood that they will export, the more geographic concentrated an industry the higher the likelihood that a firm will export, larger firms are more likely to export than smaller ones, and the higher concentration of ownership of an industry, the more likely

<table>
<thead>
<tr>
<th>Variable</th>
<th>$\beta$</th>
<th>Odds ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urbanization</td>
<td>0.0704*</td>
<td>1.073</td>
</tr>
<tr>
<td>Industry Geographic Concentration</td>
<td>0.0539*</td>
<td>1.055</td>
</tr>
<tr>
<td>Firm Size</td>
<td>0.6363*</td>
<td>1.890</td>
</tr>
<tr>
<td>Market Share Concentration</td>
<td>0.1696*</td>
<td>1.185</td>
</tr>
<tr>
<td>Intercept</td>
<td>-5.4476*</td>
<td></td>
</tr>
</tbody>
</table>

$n =$ 48,707
- 2LL 29704.007
Model fit (Wald’s $\chi^2$) 5720.395* % Exporting 17.3 % Predicted Correctly 79.6

Notes: *p < 0.01; **p < 0.05; *m not significant

*External scale economies, market share concentration and firm size*
that the firms export. Market concentration has greater influence on firm’s export decision than industrial geographic concentration. Table 4 reports the result of logistics regression of equation 2.

Table 4. Logistic Regression Results Predicting Likelihood of Exporting, by Firm Size: Model 2

<table>
<thead>
<tr>
<th>Variable</th>
<th>Micro firms</th>
<th>Small firms</th>
<th>Medium firms</th>
<th>Large firms</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>β</td>
<td>Odds ratio</td>
<td>β</td>
<td>Odds ratio</td>
</tr>
<tr>
<td>Urbanization</td>
<td>0.1339*</td>
<td>1.143</td>
<td>0.0252*</td>
<td>1.026</td>
</tr>
<tr>
<td>Industry Geographic</td>
<td>0.1761*</td>
<td>1.193</td>
<td>0.0721*</td>
<td>1.075</td>
</tr>
<tr>
<td>Concentration</td>
<td>-</td>
<td>-</td>
<td>0.0064*</td>
<td>0.994</td>
</tr>
<tr>
<td>Market Share Concentration</td>
<td>0.3125*</td>
<td>1.367</td>
<td>0.1978*</td>
<td>1.219</td>
</tr>
<tr>
<td>Intercept</td>
<td>-</td>
<td>-</td>
<td>-2.6692*</td>
<td>-0.2568</td>
</tr>
</tbody>
</table>

n =

- 2LL                     | 26574     | 14941     | 6075         | 1117      | 1072.23     | 0          |
| Model fit ( Wald’s χ²)   | 10140.2   | 12357.2   | 6643.16      | 1072.23   | 0           | 0          |
| % Exporting              | 6.8       | 22.7      | 42.6         | 56.8      |              |            |
| % Predicted Correctly    | 91.8      | 71.9      | 53.0         | 60.3      |              |            |

Notes: *p < 0.01; **p < 0.05; ns not significant

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<td>β</td>
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Notes: *p < 0.01; **p < 0.05; ns not significant
**Micro Firms:** The model exhibits high explanatory powers. The model fit was significant at p<0.01 (Wald’s $\chi^2=389.770$). The logistic model correctly classified 91.8% of sample firms into the export and non-export categories. The intercept is negative, indicating that the normal condition for micro firms is to not export. The effects of urbanization, industry geographic concentration, and market share concentration were all significant, and odds ratios were all greater than one, indicating positive effects on the propensity to export. The greatest of these effects is market share concentration, and followed by effect of industrial geographic concentration and urbanization. These results indicate that the greater the urbanization of a micro firm’s location the greater the likelihood that micro firms will export, the more geographic concentrated an industry the higher the likelihood that a micro firm will export, and the higher concentration of ownership of an industry, the more likely that the micro firms will export. Market concentration has greater influence on micro firm’s export decision than industrial geographic concentration.

**Small Firms:** The model exhibits high explanatory powers. The model fit was significant at p<0.01 (Wald’s $\chi^2=167.788$). The logistic model correctly classified 71.9% of sample firms into the export and non-export categories. The intercept is negative, indicating that the normal condition for small firms is to not export. The effects of industry geographic concentration, and market share concentration were all significant, and odds ratios were all greater than one, indicating positive effects on the propensity to export. The greatest of these effects is market share concentration, and followed by effect of industrial geographic concentration. The effect of urbanization was not significant.

These results indicate that the more geographic concentrated an industry the higher the likelihood that a small firm will export, and the higher concentration of ownership of an industry, the more likely that the small firms export. Market concentration has greater influence on small firm’s export decision than industrial geographic concentration.

**Medium and Large Firms:** In the case of medium firms and large firms, their model fit was not significant (medium Wald’s $\chi^2=0.347^{**}$; large Wald’s $\chi^2=6.818^{**}$). These results indicate that neither urbanization, industrial concentration, nor market share concentration affects whether or not medium and large firms are likely to export. On the one hand, it may be explained as firms have internalized the advantages of external scale economies, and either do not rely on export markets to maintain domestic competitiveness or do not make these decisions independently of their domestic strategy (Mittelstaedt, Ward and Nowlin 2006). On the other hand, these results are consistent with the findings of Cavusgil (1976; 1984), O’Roarke (1985), and Hirsch (1971) that size does influence export activity, but only for certain size ranges--it would appear that firm size matters only for smaller firms.

**Findings and Discussion**

In this study, we investigated the effects of scale economies and marketing share concentration on firms’ propensity to export. Based on the new economic geography, we proposed that urbanization, industrial geographic concentration, and firm size are positively correlated with the firms’ export propensity.

The results provide strong support that the likelihood of exporting increases as urbanization increases. However, the results only apply to micro firms, indicating that urban environment, featured by informational spillover, well-educated human capital, and good infrastructure, is very important for micro firms. For small, medium, and large firms, however, the advantages of urbanization economies appear disappear. These results show that medium and large firms are capable to internalize the urbanization economies or urbanization creates diseconomies of scale for firms of these sizes. For small firms that could not internalize the urbanization economies, the Internet might serve as a substitute for urban agglomeration.

The results provide strong support that the likelihood of exporting increases as geographic concentration of an industry increases. The results only apply to micro and small firms, not to medium and large firms. Again, these results show that medium and large firms are capable to internalize these external economies.
The results provide strong support that the likelihood of exporting increases as firm size increases. Such result was consistent with many literatures. Mittelstaedt, Ward and Nowlin (2006) contribute the higher likelihood of larger firms to export to the fact that large firms are better at identifying export opportunities, have more resources to devote to the export process, and are more successful in achieving advanced states of exporting than are their smaller counterparts.

As well, the results provide strong support that the likelihood of exporting increases as market share concentration of an industry increases; the likelihood of exporting is more subject to market share concentration than to industrial geographic concentration. The results only apply to micro and small firms, indicating that market share concentration is more important for smaller firms than for larger firms on firms’ export decisions.

Micro manufacturing firms considering export should locate in urban and highly industrial concentrated areas. Urbanization effects appear to be irrelevant for small firms, suggesting that Internet and information technology might enable small firms to become less dependant on external economies. As firms grow into medium and large size firms, larger firms are able to internalize external scale economies. For medium and large firms, neither urbanization, industrial geographic concentration, nor market share concentration has impact on their export decisions. The results also indicate that market share concentration has greater influence on firms’ export decisions than industrial geographic concentration, and market share concentration is more important for smaller firms than for larger firms on firms’ export decisions, suggesting that as small firms export to grow, the better strategy for them is to acquire or merger with other firms than to build their own plants.

Limitations and Future Research

A variety of limitations of this study also point out further research direction. First, the data of this research study were from Southeastern USA, it might not be representative of other geographic areas. Second, this study attempted to test the effects of scale economies and marketing share concentration on firms’ export decision and focused on only a few variables—urbanization, industrial geographic concentration, firm size, and marketing share concentration. It must be noticed that other variables such as international marketing skills, international innovativeness, might account for differences in firms’ export decision. Future study should look at other variables to reach more comprehensive results. Finally, this research study reveals that the effect of urbanization vary across firm sizes, particularly, small firms are not dependent on urbanization economies, inconsistent with result of previous study for the same area. The possible explanation is small firms might use Internet as a substitute for urban agglomeration. Our research should be regarded as exploratory study, as our data set is from Southeastern USA, not national wide. Further empirical research on small firm Internet usage and its influence on small firms’ export behavior could be future research direction.

References


Corporate Social Responsibility (CSR) may be viewed as a business strategy rather than a philanthropic concept. The increasing use of CSR as a corporate core strategy, in reaction to consumers’ growing sentiments, can influence aggregate consumption and consumers’ quality of life. As such, CSR would be of interest to the policy makers and may become subject to corporate governance and control mechanisms. CSR is largely unregulated. Reliance on corporations’ self-restraint and voluntary initiatives is inadequate to protect the society and avoid the disadvantages that may emerge from the potential deceptive practices in using a CSR strategy. This study investigates the evidence of economic benefits as incentives to corporations for using CSR. CSR is measured in terms of the firm’s relationships with primary stakeholders. A model is constructed to identify the primary stakeholders and to estimate the association between CSR, corporate reputation and business performance. Policy implications of CSR are discussed.

Introduction

Corporate Social Responsibility (CSR) has become popular in recent times judging from the large number of contributions to the field by scholars internationally (Perrini and Minoja, 2008). While CSR is not a new concept, the emphasis and heightened awareness of it, and interest in its relevance are new. The motivations for such a growing interest, arguably, are the recent corporate disasters resulting from unethical behavior of some large corporations. The global consequences of those unethical conducts were the loss of trust and confidence in business practices that society needs and expects from corporations serving the market.

Majority of the present studies in CSR is, predominantly, in the development of the theoretical framework for the concept and emphasis in the voluntary initiatives and self-restraint by corporations to demonstrate their responsibility to the society and assume accountability for it. The theories developed range from purely profit oriented approach on one extreme to moralistic and philanthropic approach on the other extreme. While there are disagreements and discussions on the merits of the purely profit motivated CSR practice, as being simplistic and out of touch with the wider responsibility of an organization, there is no argument on the moral approach as being the indispensable focus of CSR. The arguments are based on the notion that the conduct of business to serve the needs of a society should not be at the cost of damaging it and that corporations are held responsible and should be accountable to the society for their business practices.

The aim of this study is to address the application of CSR as a business strategy. It is argued that CSR strategy is adopted by corporations for tangible commercial benefits they expect to gain from it. It is argued that the economic responsibility of managers form the basis for consideration and characterization of their other responsibilities, i.e., legal, ethical, and discretionary responsibilities (Burton and Goldsby 2007). It intends to empirically demonstrate the association of a CSR strategy and business performance. However, while corporate environmental [green] concerns appear not to have taken a central position in the strategy making process in many firms and are still considered to be more reactive than proactive measures (Faulkner, Carlisle and Viney 2005), the growing sentiments of consumers toward the environment is being increasingly used by firms to influence consumers’ image of their corporation and products. Allowing for the link existing between individual consumers and their attitude and support for products, there is a macro-concern for understanding this process and for influencing aggregate consumption levels by addressing social policy protection against deceptive corporate actions (Schaefer and Crane 2005). It is argued that positioning CSR as an ethical and moral responsibility of business decision makers is misplaced and
misleading, as it violates the fundamental tenet of a business as a generator of wealth for its owners. Additionally, when moral and ethical oriented social responsibility is considered as a framework for a business decision, it suffers from the problem of self-regulation. Self-regulation approach relies on individual manager’s attitudes, upbringing, cultural background, religious orientation, and other unreliable bases for assigning such responsibility for a profit seeking business enterprise. Therefore, ethical motivations for a business decision may not be a reliable mechanism to ensure ethical behavior. The recent unethical behavior by managers in some major corporations, which resulted in a global turmoil in the manufacturing and financial sectors with devastating results and long-term consequences are evidences of untrustworthiness of self-regulation approach.

This study is organised to review the application of the CSR as a strategic core intangible dynamic resource that characterizes the corporation and mobilizes other resources in the firm in support of its implementation. Secondly it attempts to develop a model that may be useful in explaining the extent to which organizations benefit in using CSR strategy in expectation of the benefits they may gain from it. It will also discuss the implication of findings that adopting a CSR strategy using stakeholder centric approach may contribute to the improvement of firm’s reputation and business performance (Burton and Crosby 2007). Lastly, it will provide recommendations for regulatory policies required to protect the public.

The motivation for this study is to gain insights into business decision makers adopting CSR as a strategy of creating and maintaining a competitive advantage. This strategic orientation is considered in terms of (1) differentiation strategy and positioning, (2) the level of organizational commitments to CSR integration with all other organizational activities, (3) the initiatives being adopted, and the methods of its communication to the stakeholders, (4) monitoring the status of CSR achieved progressively, and (5) the corrective actions being taken to ensure its continued relevancy.

Background

While there are various definitions of the concept of corporate social responsibility, most definitions characterize CSR as the activities firms engage in that appear to advance a social agenda beyond that which is required by law (Siegel and Vitaliano, 2007) and that in essence the substance of CSR is the provision of public benefits (Baron, 2001). However, the fundamental mutual dependency of business and society is an economic one. This dependency serves the interests of both as related to the function of each (Windsor, 2001). The business activities provide the products the society requires and the society provides the value that the business needs in order to remain in operation. This mutually beneficial relationship is regulated by rules of engagement that identifies and governs the rights, responsibilities and accountabilities of both corporations and societies.

There is evidence to suggest that the society expects corporations to perform their function without any negative impact resulting from their operation to the society and the environment. It has been stated that there are limits to what societies and consumers are willing to pay for the privilege of the services that corporations provide for them (Werther and Chandler, 2006). Therefore, corporations would benefit from being seen not to damage the environment and not to violate the social values and expectations of their specific target market customers. Furthermore, in addition to the private interests of its shareholders an organization is required to fulfill the social requirements of everyone else involved in the organization, that is, its stakeholders (Donaldson and Preston, 1995).

This argument follows the suggestion that business organizations are not responsible to the whole society, but more specifically responsible to the segments of people (stakeholders) who are directly or indirectly affect or being affected by their actions. Various groups are included in this category and their sentiments need to be taken into consideration in forming and implementing business decisions. These stakeholder groups include (1) organizational (employees, customers, shareholders, suppliers), (2) community (local residents, special interest groups), (3) regulatory (municipalities, regulatory systems), (4) media operators, and (5) others (local residents) (Clarkson, 1995). The actions taken by an organization would involve some of these groups at some levels depending on the impact and the influence that they may
have and are able to exercise on the corporation. Organizations act in a socially responsible manner when they align their behavior with the norms and demands embraced by their main stakeholders.

The CSR as a strategy can be considered a managerial process (Ackerman, 1975). This process incorporates a systematic monitoring of environmental condition, attending to stakeholder demands and/or expectations, designing strategies and policies, and action programs. This process would take into consideration capabilities of the organization in relation to the external market dynamics. This progressive review allows for continuing corrective actions to be taken to achieve the desired objectives.

Furthermore, a CSR strategy can be considered as a core intangible dynamic resource within the resource-based view of the firm (RVB). It can provide a general framework for decisions regarding the design and adoption of other organizational resources that collectively characterize their marketing approach and direction.

Theoretical framework

The theoretical framework addresses the concepts that have a direct influence on CSR i.e., the resource based view of the firm, marketing, control and governance and the impact of key stakeholders. This is discussed in the following section.

The resource-based view of the firm suggests that for an organization to achieve its objectives, it needs to structure its internal capabilities to match the conditions of the external environment. The appropriate mix of productive resources may enable the firm to operate effectively within the specific target market of choice and for the specific type and magnitude of value (objectives) it is aiming to create. It needs to develop its unique and sustainable competitive advantage (Porter, 1980). This view of the firm suggests also that an organization can gain and sustain competitive advantage by developing valuable resources and capabilities that are relatively inelastic in supply (Ray, Barney and Muhanna, 2004). The key internal intangible resources and the external market conditions may be used as a framework within which to innovate and instigate the development of this unique strategy dimension. The distinctive combination of the resources can provide some assistance in identifying the potential of the organization to focus on and achieve its objectives (Barney, 2001). The theory suggests that the right mix of resources need to be developed, progressively assessed and managed for the specific category of business performance intended.

These resources will be identified as being valuable (providing the ability to conceive and implement strategies that improve the organization’s effectiveness and efficiency), rare (not possessed by competing firms), imperfectly imitable (relatively unique), and non-substitutable (no other equivalent valuable resources ‘mix’ available within the firm). The dynamic capability perspective of resources indicates that capabilities need to be evolved and recreated progressively to allow a firm to stand clear of competition (imitators) over time (Teece, Pisano and Shuen 1997; Eisenhardt and Martin 2000).

The dynamic capability perspective (Teece et al., 1997) calls for “the ability to integrate, build, and reconfigure internal and external competencies to address rapidly-changing environments” (p. 516). The dynamic resources can be used by a firm to instigate adjustments to its resource mix and thereby maintain sustainability of the firm’s competitive advantage.

With this strategy, through progressive and incremental innovation in the nature, extent, and direction of the intangible resources it may be possible to protect initiatives and create a combination and configuration of them in a way that maintains their relative sustainability over time. Ultimately, the capability configuration approach requires a firm to remain original and creative rather than being an imitator in achieving a sustainable dynamic competitive advantage.

There appears to be no single or specific number or combination of various resources that can be considered as the ideal resources mix. However, those that generate the direction and provide the framework
for corporate action may, through their core function, become fundamental resources in identifying and mobilising other operational resources, including tangible resources, into action.

The CSR adopted as a core marketing strategy, because of its core function, can be characterized as a key intangible resource. CSR can be pragmatically based and culturally supported, implanted in an organization through establishing a cultural value system that promote a progressive creation of a unique reputation for the organization in the minds of all categories of stakeholders. Incorporated into the strategic marketing planning process, CSR can represent the organization’s considered effort to understand its current capabilities and to anticipate the changes in the market dynamics over the plan period. It may, therefore, motivate the design of specific objectives that are assessed to be achievable, devise operational strategies, and provide a detailed course of action structured to assist with the achievement of those objectives (Chae and Hill 2000). It may, therefore, facilitate the long-term provision of superior value to the customer and the achievement of a sustainable competitive advantage in the market (McDonald 1996a, 1996b).

Marketing and CSR

The role of the marketing function is to participate in the planning and implementation of a CSR strategy and translate the social and environmental concerns into social and environmental marketing objectives (Anderson, 1994). The contribution of the marketing function with respect to CSR has been demonstrated in several initiatives such as cause-related marketing (Barone, Miyazaki, and Taylor, 2000) and environmental marketing (Menon and Menon, 1997). The motivations for these and other developments have been to engage consumers and motivate their participation and contribution through their consumption function. The adoption of this strategy changes the organizational systematic approach in addressing marketing opportunities and challenges and the relationships that need to be instigated and maintained overtime (Galan, 2006).

As this strategy (CSR) is important to assist with gaining and maintaining the trust and confidence of the specific stakeholders relevant to the corporation, the reaction to the social attitudes and concerns need to be incorporated into the strategic orientation of the corporation, designed and integrated into the overall marketing implementation programs.

Therefore, CSR can be considered also as an aspect of a market orientation strategy. The sentiments and expectations of the target market are gathered, evaluated and made available to all the key decision makers in the organization. This intelligence then is used to shape the organizational response mechanism to the target market as appropriate and timely reaction. At the same time, since strategic marketing objectives are, potentially, designed to support and facilitate the achievement of other key organizational objectives, it is expected that the consumption-based approach to CSR strategy will contribute to, and be associated with, non-marketing organizational performance as well as marketing performance indicators (Wilson and McDonald, 1994).

Control and Governance

The literature reflects society’s expectations from business decision-makers as related to the CSR behavior. One such expectation is based on the assumption that business decision-makers are able to exercise initiatives that may create costs without any corresponding benefits to the organization. This is unlikely to occur. On the contrary, it would be more reasonable and realistic to expect that while management should refrain from anti-social behavior it is far more constructive to ensure that these behaviors occur by regulating and policing those behaviors properly, like any other marketing action that impact on consumers.

The adoption of a CSR strategy by an organization needs to be looked at as a practical decision aimed to achieve the best practice used, based on the assessment of customers awareness of, and their demand for, socially responsible conduct from corporations (Kotler and Lee, 2004). These authors (Kotler and Lee, 2004) refer to a number of initiatives related to CSR taken by companies in adopting a CSR strategy including (1) cause promotions (increasing awareness and concern for social causes), (2) cause-
related marketing (corporate social marketing, supporting behavior change campaigns), (3) corporate philanthropy (making a direct contribution to a cause), (4) community volunteering (employees donating their time and talents), and (5) socially responsible practices (discretionary business practices and investments to support causes).

The expected benefits from these CSR activities incorporated into the business strategy may include (1) increased sales and market share, (2) strengthened brand positioning, (3) enhanced corporate image and clout, (4) increased ability to attract, motivate, and retain employees, (5) decreased operating costs, and (6) increased appeal to investors and financial analysts.

Key Stakeholders

The key stakeholders identified to be important in the operation of a company are listed and briefly explained below.

Regulatory stakeholders

A company is a legal entity. It is formed for a specific purpose and is allowed to operate within the legal framework of the jurisdiction it is incorporated. Therefore, all actions of the company with respect to the discharge of its function and its relationships and interaction with the internal and external resources are regulated. Companies seek to maintain a legally acceptable conduct to ensure continuity of business.

One of the key areas of legal concern in corporate conduct is in their communication strategies where the possibility and likelihood of deception is present. Recently, some companies have been using claims of being socially responsible through various activities related directly to their market offerings. This strategy may be a way of creating an image of being a good corporate citizen and to attract customers support for their products. The accuracy of these claims needs to be regulated to ensure consumers are not intentionally or unintentionally compromised.

Employees (Internal stakeholders)

Internal stakeholders are perhaps the most influential group in a business enterprise. They directly participate in the conduct of a business and their level of motivation and support is crucial in their enthusiastic participation for good results. Employees generally like to be working in a company that is ethical in their behavior towards employees and customers.

Community Stakeholders

The perception of the community in general of a company reflects its status and reputation. This perception is formed through the long term communication strategy by the company and it is maintained as viable if supported by corporate behavior.

Media Stakeholders

The relevant media operators are important stakeholders as they report the substantial incidents occurring within and related to a company. Their support can be gained through maintaining contacts with them and by providing newsworthy information to them. The media operators can be influential in shaping and/or modifying the image of a corporation.

Local residents Stakeholders

This stakeholder group is directly in the neighborhood of the company. They benefit from the company’s local initiatives and/or are disadvantaged by their activities. Local residents can voice their dissatisfaction through the local media, which in turn may be reflected in the larger community.
Unions Stakeholders

The unions are integrated into the company’s power structure. In some industries and for some companies unions can be a substantial support group and contribute to the positive relationship of management and employees. Their, potential, interruptive function if there are problems with management could also be problematic.

Research Propositions

From the above review of the literature surrounding CSR, and the relevant stakeholders influencing the conduct of a business, the following research questions emerge:

RQ1 Can CSR as a strategic focus be represented in a latent variable that is formed by a number of key internal and external stakeholders? This question will be examined by the magnitude of the variance of the variable representing its predictors.

RQ2 Is there an association between the levels of CSR achieved and organizational reputation? What is the likelihood of developing a positive reputation and promote customer loyalty by organizations that incorporate CSR as a marketing strategy? This question will be examined by the level of CSRs’ association with the measure of reputation in the model.

RQ3 Is there an association between the levels of organizational reputation and the performance indicators, market share and the overall profitability performance? This question will be examined by the magnitude of the estimate of the association of organizational reputation and the two measures of business performance.

In order to address the above research propositions, a model is being suggested that represents the contribution of various predictors of CSR construct that may assist in measuring its association with the business performance indicators used in the model.

Model Components

The model of CSR (Figure 1) is built on the aspect of simultaneous operation of the environmental factors. The constituent factors in the model are designed to represent a complementary structure. The model indicates that these factors, potentially, interact and create a synergistic outcome that determines the relative strength of the organization’s CSR.

Figure 1 Corporate Social Responsibility Model
The model incorporates the contributors to the measure of CSR. Those contributors include the key stakeholders directly relevant to an organization as discussed previously. Additionally, the corporate reputation is included in the model as a mediator between CSR and business performance indicators. This is intended to measure the association of corporate reputation with business performance indicators. The choice of the business performance indicators used in the model, market share and profit, is aimed to investigate if there is a difference in the magnitude and direction of association between corporate reputations construct with marketing and a non-marketing performance measure.

The key assumptions in the construction of this model are that:

- The reputation of a corporation is important in forming its status in the society that it intends to serve.
- The reputation of an organization influences its level of success in achieving its business performance objectives.
- The reputation of an organization reflects the sum total of all the relevant activities that collectively contribute to its image and position being perceived in the market.
- A CSR strategy may contribute to a positive corporate reputation.
- A CSR strategy can influence business performance through corporate reputation.
- CSR is a core intangible dynamic resource. When adopted as a business strategy, CSR, potentially, provides a framework for the selection and adoption of other tangible and intangible organizational resources (RBV).
- The CSR strategy is a dynamic capability. It motivates progressive and quick organizational learning; integration of the knowledge gained within the organization and facilitates the transformation and configuration of other strategic assets, including organizational response mechanism, accordingly. Therefore, CSR is an aspect of market orientation strategy and, potentially, motivates the emergence of a dynamic competitive advantage for the business (Eisenhardt and Martin, 2000).

Method

A mail survey was designed and conducted to investigate the research questions and test the model of CSR. The questionnaire for this study was developed using the literature on CSR and, stakeholder theory. The questionnaire items for corporate reputation and performance indicators were also taken from existing studies. The research instrument was modified through a two stage pre-test process. The first stage included review by 6 senior marketing executives to verify the relevance of the items included and recommend changes. The feedback from the first group was used to modify the instrument. The modified version of the instrument was re-tested and was confirmed as being suitable. All measurements were subjective assessments by the respondents, including the business performance measures (Wren 1997).

The sample frame was Dun & Bradstreet Australian business database. The sample selection was based on manufacturing organizations with minimum $10 million reported sales and minimum 100 full time employees. The sample size of 2932 records was randomly selected from the listing of companies in the database. The questionnaire was administered by Deakin Computer Assisted Research Facility (DCARF). One follow up reminder card was sent to the original mail out list. Complete anonymity was guaranteed as no traceable identification was requested on the research instrument. The returned useable questionnaires totalled 203, constituting a response rate of 7.7 percent (allowing for non-deliverables and RTSs). A comparison between the outgoing sample profile and the returned questionnaires indicated no significant non-response bias.

The data were analyzed using both descriptive measures and confirmatory factor analysis. All measurements were tested separately for internal consistency-reliability (Cronbach’s alpha) and predictive validity (Table 1). The correlation matrix supported the predictive validity of the factors contributing to CSR variable separately, as indicated by the strong and moderate correlations between key variables. All latent
variables in each model were tested for unidimensionality. The correlations between the components of each model were less than 0.60 (Table 1). All latent variables were calculated using single factor loadings representing the observed variables contributing to them (Deng and Dart 1994). The discriminant validity of the two models was confirmed by the lack of strong correlation between the components of the model.

Table 1. Correlation Between the Components of CSR Model and Descriptive Statistics

<table>
<thead>
<tr>
<th>Construct</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>Corporate Social Responsibility</td>
<td></td>
<td></td>
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<tr>
<td>Regulatory</td>
<td></td>
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</tr>
<tr>
<td>Employees</td>
<td>.47**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>.23**</td>
<td>-.04</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Media</td>
<td>.11</td>
<td>.07</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union</td>
<td>.11</td>
<td>.05</td>
<td>.32**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>5.71</td>
<td>6.01</td>
<td>3.18</td>
<td>3.59</td>
<td>3.60</td>
</tr>
<tr>
<td>SD</td>
<td>1.15</td>
<td>0.85</td>
<td>1.30</td>
<td>1.58</td>
<td>0.92</td>
</tr>
<tr>
<td>Cronbach’s Alfa</td>
<td>0.79</td>
<td>0.83</td>
<td>0.93</td>
<td>0.91</td>
<td>0.92</td>
</tr>
<tr>
<td>Composite reliability</td>
<td>0.80</td>
<td>0.86</td>
<td>0.85</td>
<td>0.91</td>
<td>0.92</td>
</tr>
<tr>
<td>AVE</td>
<td>51.24</td>
<td>57.33</td>
<td>59.51</td>
<td>72.70</td>
<td>75.21</td>
</tr>
</tbody>
</table>

** Significant at the .01

The performance indicators used in this study are selected to assess the direction of any change in performance rather than specific levels of performance. They include: (1) a measure that reflects predominantly the influence of marketing decisions, that is, change in market share, and (2) change in the profit of the organization, representing the results of the entire organization’s activities. This choice has been made to enable a comparison between a marketing and non-marketing performance indicator of the likely benefits of CSR. Therefore, the performance measures used in the study reflect effectiveness and adaptiveness (Homburg, Krohmer and Workman 1999).

Market share refers to the percentage of the overall volume of business in a specific target market that is controlled by a company. This definition holds for any market as defined by the respondent that the organization considers as its primary market for business activities. The market orientation score for that organization is also in relation to the operation in that market as defined by the respondent.

Results and Discussion

In order to examine research questions 1, 2, and 3, the estimates of the model of CSR (Figure 1) were used. The following results were obtained (Table 2):

Table 2. Estimates of Associations for CSR model

<table>
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<tr>
<th>Standardised estimate</th>
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<tbody>
<tr>
<td>Regulatory → CSR</td>
</tr>
<tr>
<td>Employees → CSR</td>
</tr>
<tr>
<td>Public → CSR</td>
</tr>
<tr>
<td>Media → CSR</td>
</tr>
<tr>
<td>Unions → CSR</td>
</tr>
<tr>
<td>CSR → Reputation</td>
</tr>
<tr>
<td>Reputation → Market share</td>
</tr>
<tr>
<td>Reputation → Profit</td>
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<tr>
<td>Market share → Profit</td>
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</tbody>
</table>
** Significant at the .01 level. * Significant at the .05 level. Model fit statistics: $\chi^2 = 19.70$ df = 21, p = .54, CMIN/df = .94, RMR = .04, GFI = .98, AGFI = .96, CFI = 1.00, TLI = 1.00, RMSEA = .00.

The latent variable CSR represents 72 percent of its variance. It is formed by the contribution of five stakeholder variables including regulatory stakeholders, employees (internal) stakeholders, public stakeholders comprising community in general and the local residents, the media and union stakeholders. Of these stakeholders, employees (.59*) and public (.63**) are significant contributors. The results also indicate that there is a positive and significant association (53**) between CSR and organizational reputation. That is the higher levels of CSR associate with higher levels of reputation. Additionally, the organizational reputation is positively associated with the market share measure (.32*) but it is not associated with the overall organizational profit indicator. However, the market share measure positively associates with the profit indicator (41**).

The above results suggest that an organization can develop a positive reputation through its relationships, primarily, with its employees and the public which in turn may influence its market share performance and through its improved market share increase its profit outcome.

There is no evidence of any contribution of other stakeholders into the measure of CSR. The reasons may be that (1) the regulatory stakeholders have no direct interest or control over what can be interpreted as CSR activities, (2) the media reflects the public’s sentiments and do not have any contribution to CSR directly (3) the unions are supporting the conditions of the employees and are not necessarily involved in the overall strategic reputation of an organization. It would, therefore, be the employees, general community and the local residents (public) that determine the functional reputation of an organization and render support or apply pressure to the organization to practice social responsibility. It may be suggested that for products that consumers have a choice they may shift their support to alternative suppliers and products if those corporations demonstrate social irresponsibility.

Implications

The implications of these findings for management is that adopting a CSR business strategy as a core intangible resource, potentially, assists with repositioning the business and provides strong public position and image for the company. It may be suggested that engaging in CSR activities and properly communicating those activities to the public and gaining the support of their employees, as a credible socially responsible employer, can contribute to their gain in market share and indirectly to better profits. However, it is imperative that the communication of CSR related messages be conducted with the social consequences as the basis for its development including trust and by being demonstrably accurate (Laczniak, G. and Murphy P. E. 2006). Like any other marketing strategy, the CSR strategy needs to be creatively structured to motivate the selection and development of other organizational resources and a mix of dynamic resources that would progressively support this strategy.

Adopting a CSR strategy may be costly. It requires the reformulation and restructuring of some products, the rearrangement of manufacturing facilities and processes, as well as the current business practices. The costs need to be compared to the benefits the organization receives in return. Managers need to be mindful that a CSR strategy can incur costs. Costs need to be considered in terms of both fixed and variable costs, since it requires the reformulation and restructuring of some products, the rearrangement of manufacturing facilities and processes and current business practices. This would be practical only if these costs can be weighed up against the benefits the organization would receive on return.

Public Policy Issue

The major concern that emerges from these findings is the absence of regulatory stakeholders having any influence on the CSR activities of firms as perceived by the respondents. Considering that, potentially, the aggregate demand can be affected by the collective CSR activities of companies, and that these activities are entirely at the discretion of the individual companies, the challenge would be to structure a framework for the standardization of CSR activities. The communication of environmentally related messages either intentionally or unintentionally could include claims that may be inaccurate and misleading. This
communication initiative, if successful, may result in promoting the aggregate consumption of wrongly positioned products (Kilbourne 2004). Therefore, it is important to regulate the claims of CSR activities to ensure public’s safety and protection against potential deceptive intentional and/or unintentional damages to the consuming public. Many firms these days include a section in their annual reports that details items classified as CSR activities. These activities need to be verified in terms of their relevance and accuracy. Additionally, the implementation of these activities needs to be regulated so far as public announcements and marketing communications are concerned. Considering that targeted CSR messages by commercially motivated firms (public education) promote public’s environmental knowledge in specific ways and persuade consumption, they need to be subject to rigorous policy constraints (Kilbourne 2008). This would contribute to more accurate public attitudes formation, which potentially may result in change of aggregate consumption.

The findings of this research will, potentially, provide the marketing researcher with additional insight into public policy responsibilities concerns that need to be instigated to render control of a growing area of business activity that may cause harm to the society. The results will also enable the researcher to focus on and further investigate and identify the simultaneous influences of the predictors of the CSR measure and their interactivity, relative importance and relevance to specific industries and various market environments.

CSR may be used as a strategic approach that can form the basis for a specifically designed and implemented organizational reputation, positioning, and public persona. It is being suggested here that the predictors of CSR are likely to be different in their types and the magnitude of influence, based on the company’s specific operating conditions. However, it is an expectation that these influencing factors may be generalised in relation to the country of operation, the dominant culture of the country, the industry characteristics and life cycle, and internal characteristics of the company. It is, therefore, important to investigate the specific predictors of CSR under various industry operating environments. The results can establish the applicability of the concept of CSR and its adaptability to specific environmental dynamics. The results will also enable the researcher to standardise the method and the extent of adaptation of the model of CSR and the constraints of its application.

It is being suggested that the adoption of a regulatory control of CSR is in keeping with the public sentiment about corporations’ responsibilities and accountabilities. It removes the unreliable self-restraint expectation and characterizes the violation of the law as a criminal behavior. The regulatory control provides public protection against malicious intent and deception by firms, removes ambiguity in contents, limitations imposed and accountability assigned to using CSR as a marketing tool.

References


Social Engineering and Social Marketing: Why is One ‘Good’ and the Other ‘Bad’?

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Social marketing is typically linked with desired social outcomes and is associated in the public mind with good citizenship. Social engineering is typically linked with desired totalitarian state outcomes and is associated in the public mind with oppression of the citizenry. Thus, social marketing is seen as a good thing and social engineering as a bad thing*. Much social engineering has been very detrimental to societies. This paper argues that social marketing is another tool of the social engineer, and that social engineering, through methods such as social marketing, is pervasive throughout all societies in more positive ways. Ramifications of this understanding for both society in general, and marketers in particular are offered. (*with apologies to Sellars and Yeatman, 1930)

Introduction

When social engineering is discussed in the literature it is frequently associated with negative behavioural and societal modification programs, such as the totalitarian social control of Soviet Russia, Nazi Germany, and Maoist China (McMahon, 2001). Social marketing, on the other hand, is vaguely associated with other marketing approaches, such as not-for-profit marketing, charitable marketing, cause-related marketing, public sector marketing, and government marketing, along with the more commercial linkages such as green marketing or charitable cause-co-branding where the corporate seeks to be identified as a good citizen. As such, social engineering is often perceived as a ‘bad thing’ while social marketing is often perceived as a ‘good thing’. We argue that in fact, social engineering and social marketing are connected, and that social marketing is a tool employed to achieve adherence to social engineering.

Definition of Social Engineering

Social engineering is defined in A Dictionary of Sociology (Scott and Marshall 2005) as;

“ Planned social change and social development; the idea that governments can shape and manage key features of society, in much the same way as the economy is managed, assuming that adequate information on spontaneous trends is available through social indicators and social trends reports.”

Society is defined here as: “A group of human beings sharing a self-sufficient system of action which is capable of existing longer than the lifespan of an individual” (Aberle, Cohen, Davis, Levy and Sutton 1948, p100). Another conception of social engineering that leads us towards a more usable definition is that social engineering is: “arranging and channelling environmental and social forces to create a high probability that effective social action will occur” (Alexander & Schmidt, 1996, p1). This implies that underlying structures directing behaviour not only facilitate but almost guarantee the sought behaviour occurring. Social engineering is the source of many of the most awful atrocities in the world, but is also used in day to day life. For instance, many of the ordinary functioning’s of society qualify as social engineering, from micro levels of rearing children and schooling, mezzo levels within the firm, and macro levels of state social policies. All western societies now use social engineering in their many policies which intervene in their society to bring about order, safety and health for their people (Alexander & Schmidt, 1996).

However, there are problems with these definitions, as to manage society is something quite different from the monetary theories or fiscal theories of managing economies. Generally scholars have tended to discuss the process of social engineering, as in Scott and Marshall’s definition, rather than define
exactly what social engineering is or any accompanying theories. Common aspects of process discussions lead us to the use of scientific findings in a practical way (Podgórecki 1966; Czapow and Podgórecki 1972; Podgórecki 1990), primarily through the application of empirically tested theories (Alexander and Schmidt 1996; Turner 2001; Podgórecki 1990), especially social science theories (Podgórecki 1990; Kubin and Podgórecki 1973). Findings are used to identify methods and create designs for social change (Czapow and Podgórecki 1972; Podgórecki 1990; Bullock, Stallybrass and Trombley 1988; Kojder 1996; Alexander and Schmidt 1996, Duff 2005) in the long term (Kojder 1996; Scott 1998; Duff 2005), and changes should be based on an accepted system of values (Czapow and Podgórecki 1972; Podgórecki 1990).

It is this last point that directs us to our working definition of social engineering. A government might attempt to alter one of four essentials of society: the membership, the behaviour, the laws/codes/norms, or the morals/values/beliefs, of the people governed (See Figure One). We believe that the morals/values/beliefs are governed by religious and scientific (including nature) agents; the laws/codes/norms, which must fit within the morals/values/beliefs system, are governed by the Government; the behaviour, which must fit within the laws/codes/norms, is governed by influencers including marketers and reference groups; and the membership is (assuming freedom of association) governed by the individuals. Government, therefore, is primarily concerned with interpreting the morals/values/beliefs of the people and codifying them through legislation so as to create boundaries within which behaviour should be aligned. As such, social engineering could be seen as the managing of behaviour through codification of morals/values/beliefs. Membership is the conscious choice to behave in a manner that adheres to the code, with the choice predetermined by a moral stance, value system, or set of beliefs. Figure 1 shows how this may be represented. The figure also suggests how social marketing may be incorporated, and we turn to social marketing next.

Figure 1. Essentials of Society and Influencers

SOCIETY

Morals, Values, Beliefs

Laws, Codes, Norms

Behaviour

Membership

Government through Social Engineering

Reference Group Influencers incl. Marketing & Social Marketing

Individual Choice (assuming freedom of choice)

Religious & Scientific Agents (incl. Nature)
We could think that people do not hold uniform sets of morals/values/beliefs, as each person is an individual with their own set. However, at a broader level, members in a society must share certain morals/values/beliefs for them to stay a member in that society. For instance, a society may hold that stealing is unacceptable. If an individual does not also hold this belief and steals, they will be separated from society in some way, such as through jail, and will not be considered a member of society. A Government codifies these shared morals/values/beliefs and when they do not codify shared morals/values/beliefs they meet with vast resistance to their codifications.

A macro-level Social Engineering Decision for a Government is different from general legislation as:

1. It is a law which aims to change the whole of society, not one group (Podgórecki, 1990).
2. Surrounding social and environmental forces facilitate the law, increasing its probability of social change success (Alexander & Schmidt, 1996), highlighting the match of the law with the values of the society (Czapow & Podgórecki, 1972; Podgórecki, 1990).

An example of macro-Level Social Engineering Laws would be subsidizing tertiary education to increase the skill level of the workforce, at the time of a recession, when jobs are hard to find. Not only will the subsidy encourage further education, the lack of jobs will facilitate this behavior too, in the hope that the recession would be over once studies had finished. Another example is the Canadian Anti-Smoking Campaign (Hay, 1996) where the Canadian Government introduced multiple laws to shape social and environmental forces to facilitate behavior change. A law that would not be considered macro-level Social Engineering would be introducing 20 free hours of child care to encourage parents to seek employment. This is only aimed at one group in society – parents – and while it does have some effect on many groups in society, the behavior change sought (employment) is only for parents.

Definition of Social Marketing

Social marketing is a relatively new area in marketing. One of the first articles in this area (Wiebe, 1951-52) introduced the idea that general product and service marketing techniques could be used to change behaviour towards socially responsible undertakings. Twenty years later, Kotler & Zaltman (1971) coined the term “Social Marketing” and gave one of the first definitions. Their definition outlined that social marketing is the creation of programmes, using marketing concepts, which aim to shape social ideas (Kotler & Zaltman, 1971). It was further reasoned that if social marketing’s purpose was to change people’s attitudes towards social ideas, it must first be acknowledged that a person’s attitudes were shaped by their values. Therefore, social marketing’s real purpose was to change a person’s values – a formidable task (Robin, 1974). While some authors agreed with Kotler & Zaltman’s (1971) definition of social marketing (i.e. Robin, 1974; Fine, 1991), a few problems became apparent. The first problem comes from the use of the term social. According to Rangun & Karim (1991), this causes confusion between social marketing, which involves changing social behaviours as its primary endeavour and societal marketing, which involves regulatory issues primarily. The second problem surrounds who can use social marketing, is it limited to nonprofit organisations only? In line with the sparse definition of social marketing above, Rangun & Karim (1991) conclude that any type of organisation can use social marketing as long as their primary objective is to create social change. The last problem identified with Kotler & Zaltman’s (1971) definition of social marketing stems from their proposal that social marketing deals with the influence of social ideas only (Rangun & Karim, 1991). In fact, this particular problem was remedied by Kotler four years later when he added that social marketing can also influence social practices (1975). This definition of social marketing was further expanded in 1989 to specifically include the influence of behaviours (Kotler & Roberto, 1989). Presented in Table 1 are some of the most supported characteristics of later definitions of social marketing.

Encompassing all of the characteristics into one definition, Andreasen (1993) has proposed this definition for social marketing:

“Social marketing is the adaptation of commercial marketing technologies to the analysis, planning, execution and evaluation of programmes designed to influence the behavior of target audiences in
order to improve their physical and mental wellbeing and or that of the society of which they are a part.” (Andreasen, 1993, p1)

Implicit in his definition, he states that there are three criteria by which a programme should be judged to be a social marketing programme or not (Andreasen, 1994). These criteria are:

1. The programme should apply commercial marketing techniques.
2. The programme’s objective should be to influence behaviour.
3. The programme should seek to benefit society.

Table 1. Social Marketing Characteristics

<table>
<thead>
<tr>
<th>Concepts</th>
<th>Examples of Supporting Literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behaviour Change Objective</td>
<td>Wiebe (1951-52); Lazarsfeld &amp; Merton (1949); Kotler (1975); Kotler &amp; Roberto (1989); Rangun &amp; Karim (1991); Andreasen (1993, 1994, 1995);</td>
</tr>
<tr>
<td>Commercial Marketing Techniques</td>
<td>Wiebe (1951-52); Lazarsfeld &amp; Merton (1949); Kotler &amp; Zaltman (1971); Kotler (1975); Kotler &amp; Roberto (1989); Rangun &amp; Karim (1991); Andreasen (1993, 1994, 1995); Bright (2000); Kotler, Roberto &amp; Lee (2002); MacFayden, Stead &amp; Hastings (2003)</td>
</tr>
<tr>
<td>Exchange/Competition/Consumer</td>
<td>Wiebe (1951-52); Lazarsfeld &amp; Merton (1949); Andreasen (1993, 1994, 1995); Bright (2000); Donovan &amp; Henley (2003); Hastings (2003)</td>
</tr>
<tr>
<td>Focus</td>
<td>Wiebe (1951-52); Kotler &amp; Zaltman (1971); Kotler (1975); Kotler &amp; Roberto (1989); Andreasen (1993, 1994, 1995); Bright (2000); Kotler, Roberto &amp; Lee (2002); MacFayden, Stead &amp; Hastings (2003); Grier &amp; Bryant (2005)</td>
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Governments employ commercial marketing techniques such as advertising, public relations, incentives for action, and environmental stimuli regularly, as a means of influencing behaviour either by encouragement (e.g. healthy eating, lifelong learning, physical exercise) or discouragement (e.g. anti-smoking, drink-driving, domestic violence). Matching Andreasen’s (1994) third criteria to our model of society requires the Government to be seeking behaviour that adheres to the moral, values, and belief structure of society. Social marketing is a tool for Governments to accomplish social engineering.

The Use of Social Engineering AND Social Marketing

We are suggesting that Governments use social engineering through codification and legislation, but their social engineering decisions are based upon the morals, values and beliefs of the society which put them in power (Etzioni, 1976). Governments can then use social marketing (among other things such as education, policing, and funding) to attempt to modify society’s behaviour to ensure adherence with the laws implemented in the social engineering. For example, society as a whole may determine that it is morally wrong to risk injuring others (or incurring the social costs of medical support for you) through dangerous driving when that behaviour is caused by impaired judgement due to alcohol consumption. The elected Government determines that if this is society’s belief then individual members who disagree should be encouraged to behave differently. It decides that a way to codify that moral stance would be to punish those who exceed a level of intoxication and then attempt to drive, by legislating that the combination of a certain
level of intoxication and driving is a crime (against society, rather than say, a property crime, or a crime against an individual), punishable by removal of freedom for a period. However, there is still the risk of injury etc. because the moral codification in this case only comes into play after the immoral and illegal behaviour, though communication of the potential penalty should discourage some individuals from the behaviour. The Government needs to show individuals who may engage in the behaviour that it is morally wrong and it is illegal. While reference groups such as peers may directly discourage behaviour, social marketing can be used by both the Government and other concerned stakeholders to modify behaviour, by communicating messages about why a member of society should not engage in anti-social behaviour (drink-driving) and why they should engage in pro-social behaviour (encouraging peers not to drink and drive) (Andreasen, 1993). Finally, with reference to Figure 1, the individual can choose to adhere (through their behaviour) to the rules of society (the laws) because they believe in the moral stance of the society. If they choose to adhere only because they fear the punishment of society, then they do not really accept society’s beliefs and so never truly belong to that society. Obviously if they choose to ignore the social marketing messages and the laws, and engage in anti-social behaviour, then the individual has chosen not to belong to that society.

If we accept all of this, why is it that social engineering has such a bad reputation? From Popper (1945) through McMahon (2001) critics of social engineering Governments have tended to examine the totalitarian regimes that have failed to be guided by the morals, values and beliefs of their constituent members. These uses of social engineering are certainly very wrong and detrimental to the societies in which they were undertaken. Under our model, we are considering democratic Governments who may only codify the moral, value and belief structure that exists in society and under which they were put into power. And, they may only attempt to modify behaviour (through social marketing, education, policing etc) so as to secure adherence to that moral, value and belief structure (Etzioni, 1976). As Karl Popper pointed out in one of social engineering’s seminal pieces of work, it is the creation of the utopia that causes unhappiness and strife. This is because the end point or ideal society is first envisioned, then steps are put in place to realise it (Popper, 1945). This will result in the governing body putting in place programmes to achieve utopia without taking into account their constituents’ wishes or well being (Popper, 1945). Further, fixing unintended consequences such as unhappiness is not a priority. The priority is achieving utopia, at all costs (Popper, 1945). This is the type of social engineering that occurs in totalitarian political systems such as Nazi Germany, where the state had more power than its members and so their needs and values were not taken into consideration (Etzioni, 1976).

Nazi, Stalinist, and Maoist regimes have not done this, but rather have attempted to change the moral, value and belief structure of society. They have done this through presenting alternative religious, scientific, or natural phenomena (e.g. the superior Aryan race), which we have termed social fabrication, as the rational for then codifying this new belief structure (e.g. legislating against the integration of Jewish people), which is the ‘social engineering’ focussed upon by critics. [As a continuation of this, the mass rallies and the subsequent cinema newsreels of them used as propaganda, are examples of the (Nazi) Government then using social marketing techniques to reinforce the social engineering and the altered belief structure; those members of German society who embraced the new society’s belief structure chose to belong, those who chose to accept the codification because of fear of punishment never truly belonged, and those who fought against the Nazi regime made a conscious and overt decision to not belong to that society]. So it is not social engineering per se that is bad – it is whether the government using social engineering is following an existing accepted moral, value and belief structure or whether it is changing the structure and using social engineering to reinforce that change. Figure 2 illustrates the comparison.

Under democratic systems, the power between the state and its people is equalised because while the state has the power to regulate society, the citizens retain the power to change the Government to one which is responsive to their needs and values (Etzioni, 1976). This type of political system does not have one overall view of what society should be because the views of those in its society are constantly changing (Etzioni, 1976). This means that policy creation is piecemeal and iterative according to the values of that society and any consequences of policy. This is the positive form of social engineering that Popper and many others advocate (Popper, 1945; Podgorecki, 1996; Alexander & Schmidt, 1996). Furthermore, social
engineering is used no more or less than social marketing in such situations; it is just that social marketing is termed *propaganda* by critics of the alternative regime.

**Figure 2. Government Use and Misuse of Social Engineering & Social Marketing**

Conclusion

Social engineering is simply the normal activity of any Government. It has developed a reputation as a bad thing because it is most noticeable when it is used to reinforce social fabrication, rather than existing moral, value, and belief structures. Social marketing, on the other hand, is also the normal activity of any Government, but it has not developed the same ‘bad’ persona when used by totalitarian regimes because then it is referred to as propaganda. By understanding this distinction, and appreciating the additional level of influence we have termed social fabrication, members of a society are better positioned to recognise processes, and make conscious choices regarding adherence and belonging.

Marketers who wish to fit within the normal boundaries of society, as governed by the morals, values, and beliefs of society, cannot accept without question the task set by a social engineer. They must decide whether the Government’s social marketing programme is in pursuit of a socially engineered change that is acceptable by society (a society to which they also belong). If they do not question this they simply become an extension of the Government.

The difficulty of course is being able to distinguish *at the time* whether as a citizen you are being exposed to social marketing which would ultimately have a positive social engineering effect, or propaganda which would ultimately have a negative social engineering effect. Recognition of social marketing should alert the subject (and the marketer) to the knowledge that social engineering is taking place, however disguised. The determination of whether the social engineering is agreed with is then up to the individual.

References


Alongside globalisation there has also been an emergence of global citizenship and acts of citizenship are on the rise but what does this mean for an Irish society and can insights be gleaned for other societies? An exploratory account of what social entrepreneurs are doing in Ireland reveals the activities and opportunities for collaboration within private and state enterprises. The discourse of a series of podcast interviews of 28 different social entrepreneurs in Ireland and a TV documentary on the subject was analysed. Findings indicate that social entrepreneurs are engaged in generating and elevating social capital across different sectors and elements of the community, solving complex problems with simple ideas and performing an important role within the marketing system. Many initiatives had more than one audience and so the theme of ‘multiple benefits’ or meritorious behaviour is strong as are the notion of ‘community’ and ‘integration’ as part of these enterprises. Findings also show that stakeholder participation is essential for solution generation and prevention strategies but a stronger framework for state and commercial sector alliances is required for increased understanding and greater efficiencies so as to roll them out globally and improve the marketing system.

Introduction

Societal and national boundaries are shifting or simply dissolving, thus most of society’s challenges are global challenges. (Shultz 2004: 87).

Ignorance is no longer bliss as we become mindfully aware of the porous boundaries between the self and universe. (Hill and Dhanda 2004: 258)

Globalisation in many respects has increased competition and reduced borders, making local global and global local resulting in a glocal environment as the opening quote from Shultz (2004) underscores. Yet the impact of globalisation also serves as a reminder of how closely we are connected yet how deep the divide can also be between countries and states as (Hill and Dhanda 2004) have reminded us. In this context we ask who are ‘Social entrepreneurs’, ‘change makers’, ‘active citizens’?; these are just some of the descriptions attributed to men and women around the world who are addressing major problems with new ideas for the sole purpose of improving other people’s lives. Often these ideas are simple and the social enterprises have limited capital, yet with the resourcefulness of social entrepreneurs they continue to make profound changes to communities. ‘Restless people’ is how David Bornstein (2005:1) the author of ‘How to change the world, social entrepreneurs and the power of new ideas’ typified these people. This description is apt as it suggests the drive, determination and enthusiasm behind this breed of social innovators in our society today.

As globalization opens up borders and facilitates the consumer in participation in product and service design, we see a new emergence of stakeholders across both the commercial and not for profit enterprises around the world. We see the trajectory that Shultz outlines in his definition of marketing as a form of ‘constructive engagement’ (Shultz 2007:3). This constructive engagement is a path that traverses the landscape of the social entrepreneur. With the advent of corporate and social responsibility being incorporated into our commercial sector we are starting to balance our privileges with our responsibilities. However we must also take this into account within our social environment and communities; the following comment from Prashanth Shanmugan encapsulates this concept:
Our privileges can be no greater than our obligations. I think we have become obsessed with rights with no corresponding sense of duty, obligation or responsibility. Therefore when we speak of human rights, we must also speak of human responsibility. What is our responsibility to society, the community, the country, the world and each other? (Successity website accessed 8th June 2008)

Our study examined and explored three areas: 1) investigation into who these people (social entrepreneurs) were and what were they doing in Ireland and to see what typologies existed within this band of select visionaries and learn more about the current activities across different sectors of social entrepreneurs in Ireland, with a specific focus on activities in Ireland within the past three years (2005 to 2008). Further to this there was an intention to examine what they were bringing to society that was different, so a desire 2) to gain insights into what added value or social capital (if any) was being created by these social enterprises. Then having amassed this data to stand back and 3) identify opportunities for collaboration between social enterprises and other organisations to see where a logical fit would exist in order to incorporate these initiatives into a wider section of our social landscape and a global overview.

To answer the above questions the authors sought immersion in the topic of social entrepreneurs, by reviewing literature within this area and by engaging with the issues, topics and concerns of different authors within this area. A series of podcasts entitled ‘Change Makers’ by national Irish radio station Newstalk 106–108 FM provided 28 different examples of social entrepreneurs and their associated enterprises for contemporary accounts of social entrepreneurship in Ireland, see: [http://www.newstalk.ie/newstalk/programmes/29/change-makers.html](http://www.newstalk.ie/newstalk/programmes/29/change-makers.html). This series, which had been compiled in association with the organisation Social Entrepreneurs Ireland provided the core of the research for extrapolating the answers to the proposed questions. Appendix 1 provides a distilled summary of the programmes.

Qualitative analysis of the discourse narratives of these interviews of current social entrepreneurs in Ireland was undertaken. Notes and transcripts from the narratives from the discourse were codified into themes. Analysis of the research provides answers to the exploratory research questions and aims to be of benefit for individuals wishing for a pragmatic explanation of social entrepreneurship in Ireland today. Further research recommendations and some practical applications are made.

The term ‘social entrepreneur’ begins in a succinct way to illuminate the role that these people have played in our local and wider community and what the expectations are of how they will contribute to our current and future environment. These ‘restless people’ as described by David Bornstein (2005) are: “Transformative forces; people with new ideas to address major problems who are relentless in the pursuit of their visions” (Bornstein 2005: 1).

These social innovators set out to change and simplify systems and processes, making products and services more accessible to those in need, enabling take up by the marginalised or more vulnerable sectors of our society, crossing social stratification. Charles Leadbeater (1997) refers to the 12th and 13th century as being one of the greatest periods of social innovation in Britain with the establishment of over 500 voluntary hospitals and the 16th and 17th century when charities and voluntary organisations provided a stabilising force in the face of epidemics and war. One of history’s most well known social entrepreneurs includes Florence Nightingale; anecdotally known as ‘The lady with the lamp’ from the 1800s but less well known is her systematic reform of sanitation standards and advancement of modern nursing standards and hospital management resulting in significantly reduced mortality rates and persistent lobbying for better healthcare for army troops.

Also in Irish history, figureheads from the Irish suffrage movement like Hanna Sheehy Skeffington; her advocacy and colourful fight for female emancipation and the recognition of women as citizens with voting rights and their entitlement to participate in the social, economic and political life in Ireland dates back just 90 years. Contemporary examples of social entrepreneurs in an Irish context include Niall Mellon of the Niall Mellon Township Trust (NMTT); a home building charity with a target of building houses for impoverished shantytown dwellers in South Africa, utilising a volunteer workforce and donations. The
NMIT has a strong social objective: “We have set a mission by 2010 to be the planet’s largest producer of homes for the poor: (Irish Times 2007).

It seems that through the expression of participation and contribution of characters from our history books and current day examples that social entrepreneurs have always existed to fulfil a gap in society that is not being catered for by existing services, what Thompson et al (2000) call ‘unmet need’:

We need social entrepreneurs, people who realise where there is an opportunity to satisfy some unmet need that the state welfare system will not or cannot meet, and who gather together the necessary resources (generally people, often volunteers, money and premises) and use these to ‘make a difference’. (Thompson et al 2000: 328).

The pursuit of making a difference and creating social capital such as producing a better, safer and happier environment is a propelling force for social entrepreneurs. Alder and Kwon understand social capital as ‘the goodwill that is engendered by the fabric of social relations and that can be mobilized to facilitate action’ (2002:17). The distillation of defining social entrepreneurs Leadbeater (1997), Bornstein (2005) and Peredo and McLean (2006) results in a view of a social entrepreneur as those in a relentless pursuit of a social mission, who as change agents, have a great capacity for risk and innovation to increase social capital with the recognition of opportunity and without being limited by resources.

This social and human capital is being generated across cities, towns and villages all over Ireland every day with schemes such as tidy town initiatives, sporting clubs and active retirement groups to name a few, adding value to people’s lives and communities but not generating any financial gain. Volunteerism and community development projects are investing in and harvesting social resources from neighbourhood networks to sporting and social initiatives. Corporate social responsibility (CSR) is similar to social entrepreneurship in that both display a social responsibility, a duty of care as it were, to its stakeholders, whilst CSR is primarily focused in the commercial sector and is an element of an organisation, social entrepreneurship is a more holistic and complete ethos for an initiative primarily in the social sector.

However the social capital generated by a social entrepreneur has its own dynamic as Weerawardena and Sullivan Mort found in their investigation of a multidimensional model of social entrepreneurship, identifying ‘superior social value’ (2006:33) as the outcome of social entrepreneurship, where the innovative use of resources by social entrepreneurs delivers a greater social value than current or neglected services. This superior social value lies in the alignment of strategy and operations, where innovation, pro-activeness and risk management are adopted into the culture of the organisation. An example of this is the self sustaining Play Pumps project in South Africa, a social enterprise that blends children’s play with generating clean water. A special playground roundabout is installed for children; each rotation of the roundabout pumps up to four litres of fresh water into a storage tank, reducing the labour intensity for women of pumping water. The storage tank sides can also be used for advertising, which pays for the maintenance of the pump and overtime its installation ref Thompson and Doherty (2006: 367). In this example many different aspects of the community such as women and children benefit differently from this self-sustaining project; this multi-benefit theme is synonymous with social entrepreneurial projects, what has been called (Mort et al 2003: 80) ‘multiple service objectives’.

They take under-utilised and often discarded resources – people and buildings – and re-energise them by finding new ways to use them to satisfy unmet and often unrecognised needs (Leadbeater 1997: 8).

However we must be clear about whom these ‘unmet needs’ belong to as Miller states: “The social democratic programme…recognized that even in affluent societies most people do not feel their needs have been fulfilled” (Miller 2001: 236). Therefore to distinguish, it is characteristically the unmet needs of the socially vulnerable that the social entrepreneur seeks to meet or those who have been marginalized through lack of services or access to services.

The use of participatory action research as outlined by Ozanne and Saatcioglu 2008 which develops capabilities of collaborators; developing quality relationships with the stakeholders and helping those who
are least benefiting by current social arrangements is a tool that can be used to ask the relevant people what they need and to ensure the successful outcome validity to the issue. Also the application of deliberate democracy and its inclusive processes are intended to engage multiple stakeholders in the decision-making process, recognising the need to ask a broad range of stakeholders about what they desire in an open and unbiased discussion which Ozanne et al 2009 suggest ‘highlights marketing’s role as a dynamic social force with the potential to transform society’. (Ozanne et al 2009:5).

It is a combination of the recognition of an unmet need, the drive to change their environment by generating social capital and the innovative execution of the mobilisation of resources that typify the social entrepreneur. A social entrepreneur must also engage with the realities of business and the marketplace in order for their initiative to not just survive but also to prosper, getting that which Weerawardena and Sullivan Mort describe as ‘balance between what has been called the “mission and money”’ (2006: 30). A feel good factor will not be enough to charter a organisation or project through the early financial difficulty that most start ups endure, business acumen must also be deployed to win trust from employees, investors and stakeholders and critically to charter the management and progression of the enterprise itself. As the projects grow we see more of an emphasis on risk management, taking care to keep funding, which in some instances can also inhibit the growth of the organisation.

**Porous Borders**

There is also the argument submitted by Low that social enterprises ‘go to great lengths to present themselves as not being distinct from business’ (Low 2006: 380) this is in response to Dart’s contention that ‘non-profits organisations are ‘distinct from business organisations’ and so Dart deduces that social enterprises ‘blur boundaries between non-profit and for profit’ (Dart 2004: 380) by the use of their corporate and business tools.

Peredo and McLean suggest that this border ‘proves to be not only vague but porous’ (Peredo and McLean 2006: 61) giving examples of social enterprises that have moved from one site (non profit) to the other (profit) some of which was borne out of the need for the enterprise to become scaleable, such as US Missouri Home Care who as a ‘not for profit’ did not qualify for bank credit so the social entrepreneur Margaret Cossette took the venture into the ‘for profit’ arena, ‘secured her loan and expanded her service many times over’ (Peredo and McLean 2006: 61), with social goals driving the enterprise. Here we see the example of Weerawardena and Mort’s (2006) proposition that social entrepreneurship is responsive to and constrained by environmental dynamics but also that it strives to achieve social value creation through the display of innovativeness, pro-activeness and risk management. Corsette kept the social mission but had to be flexible in order to achieve this, advancing her mission by entering the commercial sector in a bid not only to proactively and innovatively continue to deliver her mission’s service but also to generate a greater fund for doing so. Yet this also highlights the limitations and lack of infrastructure available to social entrepreneurs who wish to advance their organisations within the third sector for social benefit.

Mort et al (2003) in their conceptualualisation of social entrepreneurship reframe that it is the use of business tools such as business plans, mentoring and venture capital that make social enterprises more attractive for cross sector partnerships, as business people understand these tools and terms and therefore identify and understand the objectives of the social enterprise more readily. From the example of Corsette and her move into a commercial environment we can see how the boundaries have been blurred between the ‘profit’ and ‘not for profit’ enterprises. There is also the opportunity for a less than virtuous organisation to capitalising on these close linkages: “In at least some cases the social objectives are pursued as much for their marketing value as for their intrinsic merit” (Peredo and McLean 2006: 62).

Also in terms of the social enterprise and its ‘not for profit’ alliance, the term ‘not for profit’ can be deemed misleading. In clarification - the nature of the social enterprise’s profits are inherently social, whilst it is the social mission that is the driving force of a social enterprise not profit, the term ‘not for profit’ can inadvertently send out the impression that profit is discouraged. This is not always the case when all
economic profits made can be ploughed back into the social enterprise to regenerate the organisation and yield a greater social capital to its collective constituents.

The Importance of Social Entrepreneurship

Charles Leadbeater advocates the need for social entrepreneurs within British society in his 1997 report on ‘The rise of the social entrepreneur,’ much of which is true for Irish society and societies around the globe, citing an ill equipped welfare system to deal with many of society’s modern day problems and a welfare system that maintains people in a state of dependency. Much needed then is a wave of social innovation that will deliver an active welfare system that will satisfy current unmet social needs and both encourage and engage people to take greater control over their own lives and futures. This is what Gunjan Sinha (2007) calls the ‘Big Social Challenge’ of turning the world into a land of equal opportunities for the three billion people who earn less than $2 per day and extending to them the opportunities that many already enjoy in a modernised landscape. Sinha suggests that we can do this using technology and gives examples of workable projects already in existence such as [www.kiva.org] where we can provide small loans (e.g. $25) to entrepreneurs in developing countries who need a small injection of capital to begin or grow their business. A profile is shown of different small-scale entrepreneurs, their loan requirements and proposed business venture. Loans can then be provided over the internet and the terms of repayment outlined. In this instance the entrepreneurs in the developing countries may be pursuing an entrepreneurial venture but the ability for people to provide capital to them via the internet is the social entrepreneurial platform, providing capital to people in local communities and enabling them to reach a level of independence through their own abilities and ultimately creating social capital in these developing countries. This use of micro finance is a powerful way of enabling people; Bornstein spells out the way in which India’s Grameen Bank has liberated people from poverty and ultimately provided social capital:

The Grameen Bank has pioneered and popularised a methodology for extending small, collateral-free loans for self-employment to some of the world’s poorest countries…With the additional income that Grameen’s working-capital loans bring millions of villagers are better able to feed their families, build tin-roof houses (that keep them dry during the monsoons), send their children to school, and accumulate assets for old age security. (Bornstein 2005:13).

Capital that is small enough to be loaned without security by the lender yet big enough to make a difference to the borrower is a compelling use of microfinance. The example of ‘Kiva.org’ draws attention to the issue of trust that has been overlooked in much of the literature reviewed for this paper. Loans or resources provided without collateral to strangers indicates that there must be an element of trust in the exchange. Peer groups or collective cultures also form social collateral, in the case of the Grameen Bank’s micro-finance model, loans are secured by a five woman peer group, if a person defaults on a loan no one else in the group can receive a loan until this debt is repaid, this collective liability and collective collateral results in a 95% payback rate (ref Centre for Global Justice 2009). It seems that this is a huge cornerstone of a social enterprise, trust from all constituents involved with the social enterprise namely trust in the social entrepreneur and the enterprise to be virtuous and sustainable, trust in clients to participate fairly and funders to support the enterprise. In determining the importance of social entrepreneurs we can refer to Thompson: “The basic test of the value of any individual initiative is the extent to which it would be missed if it were no longer in existence” (Thompson 2002: 414).

We have seen in examples given such as Grameen Bank and Play Pumps that the social capital generated by the social enterprises and that the opportunities for advancement having been recognised and addressed would be a huge loss to communities were they to cease to exist. Thompson and Doherty address the pragmatic nature of social enterprises: “But the work remains very much connected to the principles of sustainability, so that as well as being innovative and developmental, it must have – and be seen to have – a practical impact on peoples’ lives” (Thompson and Doherty 2006: 375).

It is this practical input and the flexible innovative utilisation of resources, which makes the social entrepreneur’s work all the more valuable.
We believe that the social entrepreneurship is essential because increasingly, non-governmental organizations, non-profit organisations (NPOs), entrepreneurial firms, governments, and public agencies are recognizing the significance of strategic social entrepreneurship towards the development of world-class competitive services. (Christie and Honig 2006: 1).

This recognition comes about as a result of the dynamics of the social enterprise: “…who have the capacity to create significantly greater value, often in a shorter period of time, and thus make uncommon contributions to the world of enterprise in which they are engaged” (Christie and Honig 2006: 3).

The work of social entrepreneurs has comparisons with the theory of the Triple Bottom Line (TBL) an expression coined by John Elkington, the director of SustainAbility in the United Kingdom, on the importance of the extended goals of social, economic and environmental objectives within business ventures. Crane and Matten quote Elkington in their chapter on introducing business ethics: “His view of the TBL is that it represents the idea that business does not have just one goal – namely adding economic value – but that it has an extended goal, which necessitates adding environmental and social value too” (Crane and Matten 2004: 24).

The Triple Bottom Line relates to the social enterprise; whose multiple benefit themes characteristically result in social, economic and environmental advantages with the utilisation of resources; typically recycling or finding new uses for existing products with a social return. An example of this is Camara; an Irish social enterprise that refurbishes donated personal computers for use in schools in Africa, preventing computers from ending up in landfills and delivering a training programme within the schools in Africa to teach teachers how to use the computers who in turn teach their students; delivering on all the extended goals as outlined by Elkington.

Social entrepreneurs solicit participation from stakeholders by engaging with them and driving a mission for change, they transform communities by realising social dividends for their participants. Berkes and Davidson-Hunt (2007) refer to Escobar’s description of ‘transformative engagement’ “Whereby traditional practices are modified and enriched by outside technologies and knowledge, resulting in an adjustment of the local economy and social structure” (Berkes and Davidson-Hunt 2007: 210).

In terms of measuring the outcome of social entrepreneurship on communities Mair and Marti (2006) suggest that rather than just focussing on the failure or success of a programme that we measure instead by ‘degrees of success’ taking into account the intended and unintended results of the initiative in order to facilitate learnings and adjustments. Intangible assets of social capital can be heard in the comment by a participant in the Third Age Foundation, a day centre providing opportunities and creativities for older people run by social entrepreneur Mary Nally in Ireland. Kathleen Jennings; an 85 year old active member enjoys the services of the Third Age Foundation, when asked by interviewer Louise Williams ‘What do you get out of coming here?’ Kathleen replied: “I couldn’t explain it to you the pleasure…I have more courage now, love the life that I have now. I am really and truly delighted at what I have done” (Change Makers Podcast: Part 14).

This highlights in part the enormous social value of the work being carried out but also the difficulties that are faced in terms of measuring this social value and transformation. Darby and Jenkins (2006: 416) suggest adapting a traditional cost benefit analysis to translate some of the social and environmental objectives of social enterprises into financial measures. This however doesn’t take into account any measurement of the development of the people in the area for which there may be no obvious or immediate financial return to the community. The rewards of hope and courage as articulated by beneficiary Kathleen Jennings aren’t easily quantified onto a balance sheet for analysis yet the positive empowerment of the people within these communities is a huge benefit to areas in terms of driving change, changing attitudes and creating paradigm shifts. Therefore, there is a need for the contribution that social enterprises make to be validated via an accurate method of reporting that will highlight their unique contribution to society. Charles Handy (1994) posits the need for a new scorecard to measure that, which is not easily measured: “What does
not get counted does not count. Money is easily counted. Therefore, all too soon, money becomes the measure of all things. A just society needs a new scorecard” (Handy 1994: 219).

Handy goes on to suggest adding intellectual assets, customers and the environment to the balance sheet ‘Counting it makes it visible, and counting makes it count’ (Handy 1994: 226). A case study or a more in-depth study of a social enterprise may reveal in greater detail the indicators and framework reporting structures that these organisations have for quantifying the social transformation and indicators of empowerment, enablement and integration in communities and social groups.

The literature has taken us on a journey from the United Kingdom to villages and towns in Africa where a variety of gaps in services and unmet needs are being recognised and social capital is being generated and delivered to communities. We have seen how some social enterprises have grown so as to be replicated across the world, whilst others stay within their own communities. The challenges faced for funding, staffing and resources are similar to those carving out a start up commercial entrepreneurial enterprise however as outlined, the access to services, structure or expertise may be more limited for the social entrepreneur, with the difficulty in loan approval, venture funding and impact evaluation, the path to sustainability may be a longer road to travel in order to achieve its social impact goals.

This Study

The research method incorporated discourse analysis of different aspects of the phenomena of social entrepreneurs in order to understand what is happening within an Irish context. This data was collected during the course of the research over 18 months from January 2007 to July 2008, with online articles accessed towards the latter stage of research. Searches on the internet returned a depth of links, ranging from commercial to ‘not for profit’ partnerships and associations of social entrepreneurship which revealed layers of relationships and kindred associations such as links between international organisations and organisations within Ireland such as [http://ireland.ashokalab.org/](http://ireland.ashokalab.org/). Articles and audio-visual detail were collected during the course of the research project and stored electronically or as a hard copy for referral. Additional items came to light based on further searches and associations with existing enterprises in the social entrepreneurial enterprises. These were also stored for reference and made note of for further analysis.

This data was analysed via desk research codifying data using a similar approach to Belk et al. 1989, using data sets based on objectives: “Data for each context were coded using margin notations concerning each process. The transferability of these propositions was tested by sequentially analyzing contexts” (Belk et al 1989: 5). Analysis was also based on the constant comparative method of Glaser and Strauss: “In comparing incidents, the analyst learns to see his categories in terms of both their internal development and their changing relations to other categories” (Glaser and Strauss 1967: 114).

A list of themes and key word codes were assembled and assigned to each narrative based on its thematic content relevance as a framing device for where these issues were raised in the narrative, this highlighted regular themes and reoccurring issues based on discourse analysed collected. “Coding (or indexing) is seen as a key process since it serves to organize the copious notes, transcripts or documents that have been collected and it also represents the first step in the conceptualisation of the data” (Bryman and Burgess 1994: 218).

Immersion in the articulated experiences of social entrepreneurs in Ireland and also looking at other sectors that influence their progression such as state assistance or infrastructure, allowed us to see where the value is being added by these organisations to Irish society and also the assistance that is required for them to further their goals and reach their full potential. This is important because it will highlight the areas that are working for the benefit of social entrepreneurs and consequently their beneficiaries and so in effect increasing social capital. But as Arvidsson (2008) reminds us this not only documents the phenomenon of social entrepreneurs but also shows how powerful this is becoming;
In The Protestant Ethic and the Spirit of Modern Capitalism, Max Weber (1930) gave us an ideal-typical description of what drives and motivates the modern capitalist entrepreneur: rational and endless private accumulation. But Weber also gave us another concept that we can use to understand the core logic of the ethical economy: charisma. A charismatic leader, he argued, exercises authority not through traditional power, nor through monetary wealth, but through his or her powers to attract the affective investments, the esteem and confidence, of the public: through his or her ability to produce strong ties or philia (M. Weber 1930, 1948). The basis of power is the ability to create community—to make people feel that they belong to something greater, nobler, and more powerful than themselves. (Arvidsson 2008: 334).

So not only does social entrepreneurialism help society but it also enhances the entrepreneur’s influence over her or his immediate community. Equally important, it should also allow us to see whether infrastructures need to be readdressed or established in order to enhance the likely success of social entrepreneurial enterprises, so that these organisations can do what they set out to achieve, unfettered by systems that don’t lend themselves to establishing greater community and social goals.

Discussion and Macro Connections

Unmet needs

There is evidence that many of the social enterprises and initiatives that the social entrepreneurs have developed have been borne out of an unmet need within the marketing system and merit further reflection (Layton 2007), needs which Thompson et al suggested that ‘the state welfare system will not or cannot meet’ (Thompson et al 2000: 28). As Dixon drawing on the writings of Schumpeter reminds us: “Entrepreneurs are pillars of strength, symbols of legitimacy, and role models” (Dixon 2000: 87).

The distinction has been made in this paper that is largely the unmet needs of the marginalised and vulnerable that the social entrepreneurs seek to redress, such as children, the elderly, the isolated or the disadvantaged. In the discourse narratives social entrepreneurs spoke from their experience of recognising unmet needs in their environment either through work or interactions with members of the communities and as a result they targeted these unmet needs, which were typically a lack of access to resources, services or education. The social entrepreneurs from Red Branch and the Third Age Foundation both spoke of the difficulties of funding but yet they deliberately avoided becoming part of a state system for delivering their initiatives due to the perceived bureaucratic ethos that they would have to endure. They prefer to stay independent and flexible and close to their stakeholders in a bid to be more productive much like minority entrepreneurship reported by Foster Davis (2002).

The state is depicted as a bureaucratic, wealthy but unwieldy institution, which is slow to react to the needs at grass roots level, thus the need for social innovation to be delivered by independents. Conversely out of these unmet needs social entrepreneurs from The Eden Programme, Red Branch and Job Care spoke of prevention. The prevention of the need for the initiative in the first place, whereby they would work towards putting a programme into place where the enterprise would seek to prevent the problems as opposed to dealing with the outcomes of the problem. In this social action they are adapting to their environment ref Craib (1992: 43) and also striving to ‘achieve social value creation through the display of innovativeness’ (Weerawardena and Sullivan Mort 2006: 28). This vision of prevention strategy lets us see how the social entrepreneurs view their contribution evolving and innovating, with the development of solutions for sustainable changes, which included the stakeholders they serve or as Cadeaux (2000) would class it they exhibit ‘meritorious behaviour’.

Stakeholder Involvement

The beneficiaries of the social enterprises are a key part of the innovative evolvement plans. For a solution to be sustainable it must be reached in conjunction with those it is trying to serve. The social entrepreneurs for Red Branch are very clear about this: David Egan (2008):
The methodology we use, we’re very inclusive and one of our big words I suppose is empowerment. The solutions that we have come from the stakeholders themselves; the kids themselves, the parents, we simply provide the science and the understanding...have to make sure it’s a win win situation for everybody... Solution is stakeholder involvement. That’s what makes it sustainable. (Change Makers Podcast: Part 10).

The Hanine Media Development agency also typifies this participatory approach with their slogan ‘Nothing about us without us’ and this draws in with the change from a consumer to citizen approach:

Frequently events are structured to involve a wide cross-section of society, working together as equals. This has the significant benefit of enabling participants to move from ‘I’ to ‘we’ – engaging in a mature discussion about the conflicting demands of different citizens and communities, working through tradeoffs to arrive at just and appropriate recommendations. (Cooke 2007: 3).

So in effect we have seen how enterprises are progressing the involvement of the recipient of the social capital from being a beneficiary to becoming a participant within the exchange. Elizabeth Garraghy from The Arts For Peace Foundation spoke of child participants coming back as youth leaders in five or six years time (Change Makers Podcast: Part 12).

This active involvement or ‘active citizenship’, involving people in the decision-making and follow up action is central to the theme of social entrepreneurship that has been encountered within this study. Claire Oakes social entrepreneur of Living Democracy ties in both the participatory concept and the intertwined theme of community that is inherent within social enterprises:

… shaping our society for balanced relationship between the community, the environment, heritage and business, all elements of community into decision making…the citizens are the ones who have the long term interest of their area and their community at heart because governments come and go, county councils come and go but the citizens will be living there and they are the ones who really have a long term vested interest in seeing the best possible solutions that take everything into account. (Change Makers Podcast: Part 9).

This attitude of engagement and empowerment from stakeholders is being reflected across many of the sectors of the social enterprises and emphasises the importance of building the stakeholder into the approach and solution:

I think the ability to come and do something practical has a great attraction to Irish people because they want to get involved and quite honestly I think the days of people giving their money to an NGO or any other organisation so to say we trust you implicitly to do everything on our behalf is over in a sense. People want to be involved, they want to be engaged, they want to be part of the solution to the problem. So the trust actually gives that opportunity for people to do that. (McGuinness, The Irish Township, RTE TV: 2008)

From these findings we can infer that stakeholders are increasingly becoming active participants in shaping the decisions of the enterprises, exercising an influence within the programmes of these initiatives that are designed for them and this is something that social enterprises will need to take into account both at a core level and at service level for sustainable growth and effectiveness of their initiatives and to develop hybrid models of governance to facilitate this participation. Advancement of a franchising scheme could be constructive across all sectors, taking ‘proven workable solutions or prevention strategies’ and rolling them out within Ireland; maximising the wave of social innovation and efficiency. With the tightening of resources in the current economic climate across all sectors this could be a significant opportunity. Social enterprises may be in great demand and need greater visibility and proximity for people to be able to access them. More analysis and research into the scalability and operational viability of this and the salient issues involved is required for a rigorous critique of this opportunity.
Trust

The issue of trust has not been overtly raised in the literature reviewed or the narratives of the social entrepreneurs but yet this seems to be an important area within the social enterprises and also in connection with the stakeholders. For example with small loans are made to strangers in other countries for start up projects, there is trust here from the donor that these micro-loans will be repaid, however there is little recompense on a defaulted loan from an individual you’ve never met in a country you’ve never been to, but yet there is trust. Alder and Kwon argue that trust is a key source of social capital (2002: 22). Further qualitative analysis on this topic would be beneficial in respect of social entrepreneurs and social enterprises.

Practical Applications

This paper has practical applications for citizens in raising awareness and a greater understanding of what a social entrepreneur is and how social enterprises operate in contemporary Irish society today; it is also timely to practically rethink the role of social entrepreneurship within the marketing system. The simplicity of the ideas utilised in order to resolve complex issues as illuminated by the discourse narratives of the social entrepreneurs may well bring out what Thompson et al called ‘the latent enterprise in others’ (Thompson et al 2000: 328). Interested audiences may be fellow students, businesses in the community, state sectors and local government departments and public policy makers looking for efficiencies in delivering social innovations to the community with a sustainable participatory approach. Layton’s broad agreement of the constituents of a marketing system can also be likened to that of a social entrepreneur and the social enterprise: “Complex, adaptive, social networks in which both structure and function are important and in which purpose derives from a dynamic matching of goods and needs” (Layton 2007: 228).

So to conclude, this diversity in our macro environment and marketing genetics makes for interesting exchanges and innovations within the impact of globalization on our society. Suffice to say the concept of social entrepreneurs and social enterprises is not new but the illumination of this growing phenomenon within the marketing system is now warranted given our global economic climate and the strength of integration and utilisation of resources that social entrepreneurs can generate. Such work can highlight the importance of these simple initiatives within complex market systems and nurture the value that they can generate for communities both in Ireland and across our world.

References


The Irish Times. 2007. Building hope on the cape, November 2: 15.


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<tr>
<th>Social Entrepreneur(s) &amp; organisation</th>
<th>Does</th>
<th>Aim</th>
<th>Why Do You Do What You Do</th>
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<tbody>
<tr>
<td>1 Caroline McGuigan: Eden Programme, Suicide Or Survive (SOS) <a href="http://www.suicideorsurvive.ie">www.suicideorsurvive.ie</a></td>
<td>Works with participants who are feeling suicidal, restores confidence, self-esteem, gets them back to work, home, normality.</td>
<td>&quot;The vision, the future is a challenge, this isn’t something small…this is a powerful piece of work …need full time staff for this to go to its full potential and for me its full potential is that it runs throughout Ireland&quot;.</td>
<td>Challenge the stigma of suicide.</td>
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<td>2 Ciaran Hayden &amp; Eamon Stack: Enclude <a href="http://www.enclude.ie">www.enclude.ie</a></td>
<td>Use technologies and IT to bridge the gap between charities needs and limited resources. Using technology to free up third sector time.</td>
<td>&quot;To move charities through some type of transformation, so that would usually involve some good old fashioned business analysis…lift the burden away from the client with recommendations and implementations&quot;.</td>
<td>&quot;We ourselves are a charity and that was one of our big decisions as social entrepreneurs to stay on this side of the fence…We have the same passion to change the world, that’s what drives us&quot;.</td>
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<td>3 Paul Mooney: Jobcare <a href="http://www.jobcare.ie">www.jobcare.ie</a></td>
<td>To help long term unemployed people and ex-offenders get back into work or work for the first time.</td>
<td>To work with a younger group of ex-offenders. Break that cycle at a younger age before they get really hooked into bad crime.</td>
<td>&quot;I feel they deserve a second chance because maybe they’ve never had a chance in the first place…worth taking a risk with these people because they can eventually give back to society.&quot;</td>
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<td>4 Alison Darcy: UPR Online (Unconditional Positive Regard) <a href="http://www.upr-online.com">www.upr-online.com</a></td>
<td>Builds online supportive and therapeutic tools for community, voluntary sector and NGOs.</td>
<td>Use internet services to enhance people's help seeking behaviour.</td>
<td>&quot;Prevention for me is really where it's at and actually just breaking down the barriers that prevent people from getting help&quot;.</td>
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<td>5 Bob Seward: Cork Academy of Music <a href="http://www.corkam.com">www.corkam.com</a></td>
<td>Provides access for people to learn music who wouldn't normally be able to afford lessons.</td>
<td>&quot;I would like to see a good national board. I would like to see everybody in schools getting the opportunity to learn it properly&quot;.</td>
<td>&quot;Maintain the aim, it’s not money, it’s the will to do it and it can be done…great carrot to get people back into education, bring them in through the music and you can bring in the other skills after. You can see a change from a sociological point of view…if you’re taking people from an area that’s very deprived and you get...&quot;</td>
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<td>6 John McCarthy: The Full Shilling / Mad Pride <a href="http://madpride.wordpress.com/about">http://madpride.wordpress.com/about</a></td>
<td>The Full Shilling is a café group for people who have or are suffering for mental illness to chat informally weekly.</td>
<td>&quot;Create a paradigm shift really, from a sense of control to a sense of support in the system. Getting people back into the workplace and legislation to support this&quot;.</td>
<td>&quot;When I was in hospital I met Michael, and Michael was locked up for 50 years of his life and there was nothing wrong with Michael except nobody loved him. He was deserted by his family, he was deserted by the system…and he spent 50 years locked up, drugged out of his mind … Michael never lived; Michael existed within a vacuum in the system….and I’m trying to stop the new generation of Michaels&quot;.</td>
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<td>7 Evelyn Grant: Cork Music Works <a href="http://www.corkpops.ie">www.corkpops.ie</a></td>
<td>Provides music access programmes for participants with both physical and mental disabilities.</td>
<td>&quot;Target for Cork Music Works is for it to become redundant...the work of CMW is that it should not be some sort of a separate project, it should be embedded so for example I feel that within my work within the Cork School of Music, it should actually be part of that&quot;.</td>
<td>&quot;I think I do it because I really really enjoy it I feel really energised after every session with Cork Music Works no matter how tired I’ve been going out to it…there’s something very special about that work if I can feel better at the end of the work all the time&quot;.</td>
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<td>8 Carol Doyle: BelleEtik <a href="http://www.belleetik.com">www.belleetik.com</a></td>
<td>Ethical boutique, works with designers, items produced under decent conditions that look and feel wonderful.</td>
<td>Develop their online shop</td>
<td>&quot;You meet so many people that are behind the products, passionate people behind the products, critical that products are good quality and long lasting products&quot;.</td>
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<td>9 Monika Sapielak: Art Polonia <a href="http://www.artpolonia.org">www.artpolonia.org</a></td>
<td>Organises events. Focus is Polish culture. Open and creative space where people can meet and talk and learn about and from each other</td>
<td>&quot;To develop this to a place where not only Irish and Polish people can meet but also people from all over Europe…to start Art Polonia collection, a good magazine…where all art issues and exchanges could be discussed.</td>
<td>&quot;I noticed there is something missing…try to provide Polish immigrants with access to their home culture … and of course Irish with the possibility to access this culture aswell. An exchange can happen without descriptive tools&quot;.</td>
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<td><strong>10</strong> Ann Murphy: TILT Versatile Crockery</td>
<td>Creates attractive crockery with tilted function, so eat/drink less strain for arthritis/elderly.</td>
<td>Would like to see it in main stream shops, everybody has easy access to it, price is feasible… Everyday use in home, people don’t notice it.</td>
<td>Give dignity back with attractive crockery so people aren’t forced to use utensils that may have been designed for children etc.</td>
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<td><strong>11</strong> Carmel Dunne: CEOL Ireland <a href="http://www.ceolireland.ie/">www.ceolireland.ie/</a></td>
<td>Music programme for junior and senior infants. Interactive experiential approach like learning a language.</td>
<td>“I would love to see every child in this country with access to music education from the youngest possible age. I think they should be week on week developing their education. My ambition is to have Ireland buzzing with music”.</td>
<td>Social Entrepreneurs Ireland approached her and said why don’t you take that project around the country … “was a great opportunity to show off and make Ballyfermot a net contributor to the rest of the country instead of receiving”.</td>
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<td><strong>12</strong> Paul Mooney: Resilience4Enterprise <a href="http://www.alchemismfoundation.org">www.alchemismfoundation.org</a></td>
<td>Commercial coaching programme for business, donates profit to sister organisation for charity scholarships in the community activism field.</td>
<td>Put together programmes for people who will be able to benefit from human contact from people who support them. Emotional intelligence field, understanding yourself and knowing the reasons why you’re doing what you’re doing.</td>
<td>Create revenue to donate profit to sister organisation Alchemist Charity Trust.</td>
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<td><strong>13</strong> Claire Muireann Murphy: Story Night <a href="http://www.myspace.com/clairemuireannmurphy">www.myspace.com/clairemuireannmurphy</a></td>
<td>Is a storyteller, tells stories to children and adults of all ages at schools, libraries, festivals and adult events.</td>
<td>Creates a space where relationships could happen between people that never get to meet.</td>
<td>“Using story to bring people together, I think there’s no end to the amount of projects I can do with that and I mean worldwide and in Ireland and bringing countries together and bringing communities that don’t talk very well together; it’s a very safe common ground so that’s what I want to use it as”.</td>
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<td><strong>14</strong> Cherif Labreche: Hanine Media Development Agency</td>
<td>“We provide training in the media for ethnic minority groups, leaders … working with the journalists, students and decision makers”.</td>
<td>“Basically we are trying to build the capacity of ethnic minorities to lift them up to the level where they can articulate their own work professionally and combat racism as well”.</td>
<td>“We want to highlight to the Irish community that immigrants are part of the Irish society and they are here to make a positive contribution”.</td>
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<td><strong>15</strong> Louise Oppermann: Community Timebank <a href="http://www.communitytimebank.org">www.communitytimebank.org</a></td>
<td>Welcome nights to introduce new people to the community, register interests, skills and neighbourhood concerns.</td>
<td>Connect groups to each other of similar interest and concerns so they don’t have to go looking for those people.</td>
<td>People to value the assets that they have within their community.</td>
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<td>Tania Zhinzina: The Immigrant</td>
<td>Compiles monthly multi-cultural free newspaper with events, what’s on, community information, health issues, job section.</td>
<td>To enable people in the different communities to know where to go for help with issues or to find out more about events in the area.</td>
<td>“No inspiration just wanted to share, had so much to share just wanted to give it to people”.</td>
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<tr>
<td>Zoë O’Reilly: Súil Eile</td>
<td>Participation photography project for young asylum seekers and refugees based in Dublin.</td>
<td>“First aim is integration of young people in the community using photography to document their daily lives...The second aim … encourage expression of young asylum seekers and refugees... The third aim is about creating awareness … of the issues faced by young asylum seekers and refugees”.</td>
<td>“I needed to do something more concrete and be more active in the changes that were happening in Ireland and in their lives….led me to study social anthropology of development… fascination with how cultures overlap and influence each other and how people’s perspectives influence other people’s perspectives”.</td>
</tr>
<tr>
<td>Claire Oakes &amp; Martin Dier: Living Democracy</td>
<td>Developing an online resource with information and ideas to help ordinary citizens to engage more effectively and skillfully with decision-making.</td>
<td>“… by working together… shaping our society for balanced relationship between the community, the environment, heritage and business, all elements of community into decision making”.</td>
<td>Not asked.</td>
</tr>
<tr>
<td>David Egan, Danny Rutar &amp; Ken Roland: Red Branch</td>
<td>Work primarily with schools, influence cultural change towards healthy lifestyles,</td>
<td>“We have a target of about 10% of the schools in the next 3 years to be on a very substantial programme, all schools nationally across national and secondary schools. It will be a programme that will encompass everything to do with healthy lifestyle from food to activity”.</td>
<td>Saw passive inactive children at schools with a passive attitude consuming unhealthy food. Wanted to influence cultural change towards healthy lifestyles.</td>
</tr>
<tr>
<td>Helena Hugel: Puppeteer (Freddie and Friends) 'The Bedmaker'</td>
<td>Working with children in hospital to improve the health care experience for children.</td>
<td>Emulate the Northern Ireland Arts Care, arts and health organisation embedded into the National Health Service. Have an artist in residence 3 days a week... focus on children. Branch into other healthcare settings.</td>
<td>“It certainly isn’t money anyway! I suppose I quite like challenges…and maybe I must enjoy risks aswell … I think it’s such a new idea … and two different sources now would like to see it happen on a longer-term basis…”.</td>
</tr>
<tr>
<td>Claire Mulvany:</td>
<td>Documenting the stories of people working for</td>
<td>“I mean one of the ways of trying to change that is</td>
<td>“Because we are all one. And I think it’s that sense</td>
</tr>
<tr>
<td>Social Entrepreneur(s) &amp; organisation</td>
<td>Does</td>
<td>Aim</td>
<td>Why Do You Do What You Do</td>
</tr>
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<td>--------------------------------------</td>
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</tr>
<tr>
<td>One Wild Life <a href="http://www.exceptional-lives.blogspot.com/">www.exceptional-lives.blogspot.com</a></td>
<td>social change around the world.</td>
<td>through the media showing that the more we tell the stories of people who do believe that world can be different, who do believe that they can contribute, the more it almost legitimises that”</td>
<td>of common humanity… we all live in this world and there’s an opportunity to explore and learn together to create the world that we want to create and I’m just a small part of that but because of my education and background I have an opportunity to contribute”.</td>
</tr>
<tr>
<td>Golden Anikwe: Cooperative Support Services Limited</td>
<td>Cooperative is a process by which people of a similar need and a similar interest pool their resources together and then go into a venture for their own social and economic well-being.</td>
<td>“My vision for the future is to see the CSS, the Cooperative Support Services being fully established in such a way that it will be in the position to give efficient, effective services to anybody who wants to establish cooperatives”.</td>
<td>“When I arrived in Ireland here I see that there are obvious needs, there are gaps to be filled regarding cooperative activities especially for the migrant community”.</td>
</tr>
<tr>
<td>Dave Dunn: Media Forum <a href="http://www.mediaforum.ie">www.mediaforum.ie</a></td>
<td>Works with primary and post-primary schools, ask them what they want in terms of media literacy and delivers courses.</td>
<td>Enable children to be more involved and critical of media.</td>
<td>“I understand how important that it is to be able to understand messages coming at you whether they’re media messages or emotional messages or whatever and then being able to communicate back out again”.</td>
</tr>
<tr>
<td>Elizabeth Garrahy: The Arts For Peace Foundation <a href="http://www.artsforpeace.ie">www.artsforpeace.ie</a></td>
<td>Provides therapeutic recreation and rehabilitation programmes for children who suffer from conflict and promotes friendship between children of different cultures.</td>
<td>“I would hope to get to the region of 800 to 1,000 children per year on a yearly programme …doing an integration schools programme in Ireland for non-national and national children aswell…in 10 years time we would like it to have grown to that capacity absolutely and then hopefully the children who are coming this year will be coming back as youth leaders in five or six years time”.</td>
<td>“… I had so many wonderful experiences with tutors in terms of the life skills that I have learned in overcoming shyness or whatever those things one has overcome in one's life. If I can just get all of those people in the same room with children imagine in a comprehensive programme what benefit could be had…peace education programmes through arts and culture…I imagine the difference it could make”.</td>
</tr>
<tr>
<td>Robert Mulhall:</td>
<td>Leadership courses for young people.</td>
<td>“We’re trying to run the organisation so that it’s as</td>
<td>“I really started to ask some big questions about</td>
</tr>
<tr>
<td><strong>APPENDIX 1</strong></td>
<td><strong>Changemakers Newstalk 106-108 FM (Podcast summary)</strong></td>
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<td>--------------------------------------------------------------------------------</td>
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<td><strong>Social Entrepreneur(s) &amp; organisation</strong></td>
<td><strong>Does</strong></td>
<td><strong>Aim</strong></td>
<td><strong>Why Do You Do What You Do</strong></td>
</tr>
<tr>
<td>Lucca Leadership Ireland <a href="http://www.luccaleadership.org">www.luccaleadership.org</a></td>
<td>Support service for parents and professionals, working to support children with social, emotional and educational challenges.</td>
<td>sustainable as possible”.</td>
<td>what I really valued and I discovered … that what I was passionate about was helping people grow and helping people make a positive impact and see their potential”.</td>
</tr>
</tbody>
</table>
| 26 Stephanie Fitzgerald: Saoirse Support Service [www.saoirsesupport.com](http://www.saoirsesupport.com) | "I see a Saoirse Support Service in every local community in Ireland... I see parents who are meeting with challenges having a network to link in to immediately, not having to wait 18 months or 2 years for an intervention or an assessment before they can access support.... I see a change in the system where the child doesn’t need to have a diagnosis or a label or the parents don’t need to be at crisis point before they get support. I see this breaking down the expert model in terms of how professionals work and professionals being much more open to listening to the people they are serving....". | "The need is driving me, there is an absolute need there and its not being met. I really feel I have something to contribute. So I don’t feel there is a choice in sitting back and watching that unfold and just waiting to see will something happen. I feel I have the resources in me to offer the service, I feel I can bring other people on board and I feel the potential is huge. So how could I let that opportunity pass, so that is what drives me”.

| 27 Caroline Carswell: Irishdeafkids.ie [www.irishdeafkids.ie](http://www.irishdeafkids.ie) | Website resource centre for parents and teachers of deaf kids with advice about educating deaf kids in the main stream. | New Irish specific website with this information. | “Self-belief is important because there will always be people who will not believe in your abilities and if you believe you can do it that’s a huge part of it, sometimes you have to ignore other people and do what you feel is right”.

| 28 Mary Nally: Third Age Foundation & Senior Helpline [http://www.thirdage-ireland.com](http://www.thirdage-ireland.com) | Provide opportunities and creativities for older people. | “Would like to build a purpose built premises, have just received a one acre site from Meath County Council. That’s the dream and that’s the future” | “When I see the impact that it’s having on the older people, that when you see the fun, the joy, the laughter that they are leading full lives that they are so enthusiastic, that they are so eager to participate. They are so eager to volunteer, that is what inspires me”.

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Integrity and Integration: Social Marketing of Complex Issues

Dominque Bouchet, University of Southern Denmark, Denmark

Studying the procedures of – and the attitudes about – social integration of newcomers in Danish society it appeared that one of the major tendencies is to oversimplify the issue. Everybody sees the problem from his or her own perspective and fails to reach a macro level that might provide a transdisciplinary and intercultural perspective. To bring as many representative of the parties involved to that macro level, five hours of audiovisual material introduces the different contributions of political philosophy, sociology, social psychology, psychology, and system theory in such a way that it can be used in debates within government agencies, companies, political parties and more.
Blunt Surgical Instruments – Reconceptualising Brands as Semiotic Systems

Francisco J. Conejo, University of Otago, New Zealand
Ben Wooliscroft, University of Otago, New Zealand

Despite widespread use, the current conceptualisation of brands as mere product identifiers and differentiators is over simplistic and outdated. By failing to acknowledge brand’s 1) multiple functions, 2) rich meaning, 3) extended scope, 4) co-created nature, and 5) supremacy over products, the traditional branding conceptualisation is doing a disservice to students and practitioners. Based largely on the rich consumer culture literature, which considers brands as complex bundles of meaning, brands are reconceptualised as semiotic systems.

Introduction

Branding has been part of academic marketing for nearly a century (Berthon et al. 1997). Initially subordinated to more pressing functions such as distribution (Low and Fullerton 1994), branding gradually occupied a central position, currently directing all other marketing mix efforts into a coherent whole (Murphy 1993). Branding is thus contemporary marketing’s dominant discourse (Bernhardt 2009).

Brands are critically important for sellers, be it manufacturers or channel members (Kapferer 2004). They are key, albeit intangible assets (Arvidsson 2006), with values in the tens of billions of US Dollars (BusinessWeek 2008). Being important sources of tactical and strategic competitive advantage they require careful development and management (Aaker 1996; Aaker 1991; Dawar 2004; Kapferer 2004; Kotler et al. 2006). Brands are also important for consumers, being a dominant cue within decision-making (Aaker 1996; Kapferer 2004; Keller 2003; Kotler 2003; Low and Fullerton 1994). Brands permeate all areas of people’s lives, including education, religion, and government (Arvidsson 2005; Moor 2007), having become a global phenomenon (Lury 2004), increasingly ubiquitous irrespective of location, culture and age group (Berry 1988). Given the prevalence of brands, they clearly fall within the realm of macromarketing, which studies the impact and consequences of marketing systems on society (Hunt 1981; Hunt 1977; Layton 2007).

While marketing literature extensively covers branding, little of it is devoted to the intrinsic nature of brands. The most fundamental question, “What is a brand?” has been largely neglected (Moore and Reid 2008). This has serious implications, as improper and/or non generally-accepted definitions hinder marketing’s theoretical development, empirical research, education and practice (Patterson 1999). From a macromarketing perspective, an improper conceptualisation hinders brands being included within the greater marketing, social and environmental systems.

In line with the above situation, and the 2009 Macromarketing Conference theme of “Rethinking Marketing in a Global Economy”, this paper raises a series of issues with the current widespread conceptualization of brands. It is essentially argued that since brands have evolved from simple trademarks into complex bundles of meaning, a broader conceptualisation is necessary. It is thus suggested that brands be thought of as semiotic systems.

This paper begins by briefly reviewing the history brands, following which, the widely used classical conceptualization of brands and its limitations are discussed. Finally, the re-conceptualization of brands as semiotic systems is put forward and discussed.
Development of Branding

Despite branding’s current prominence, its origins are quite old. The idea of using trademarks to distinguish commercial goods dates back some 4,000 to 5,000 years to the ancient Egyptians (Danesi 2004; Davies and Chun 2003; Nilson 2003) and Mesopotamians (Roberts 2006), as well as other more recent civilizations, e.g. Hindus (Wolpert 2004), Chinese (Danesi 2004), Phoenicians (Moore and Reid 2008), Greeks and Romans (Blackett 2003; De Chernatony and McDonald 1993; Johnston 1979; Room 1993). Trademarking was largely the result of mass production, mass markets and the ensuing competition to sell (Blackett 2003). Antique manufacturers and merchants used trademarks to indicate origin and quality to consumers. Trademarks also helped channel members execute functions, e.g. receiving, separating, sorting, storing and re-shipping (Moore and Reid 2008).

Trademark use continued after the collapse of the Roman Empire, during the Dark Ages and Renaissance (De Chernatony and McDonald 1993; Nilson 2003). They were required by guilds to ensure product quality, while at the same time protect the reputation of the trades, hence the name (Danesi 2004). Trademarks became widely used during the 18th and 19th centuries as the Industrial Revolution, with its exponential output, increased the quantity, quality and range of products available to the average person, increasingly concentrated in urban mass markets (Strasser 1989).

The term brand derives from the Old Norse/Scandinavian brandr “to burn”, referring to the marks applied to livestock to signal origin and quality (Blackett 2003; Nilson 2003). The expression was later adopted by the Anglo Saxon language eventually becoming part of English (Blackett 2003). The practice of branding cattle was an important part of 19th century Western/Cowboy culture. US manufacturer brands, supported by national distribution, communication, packaging, advertising and formal management, emerged in the late 19th century. Following rancher’s lead, these national manufacturers began to use the term to refer to the practice of trademarking their products to identify and differentiate them from those of competitors (Nilson 2003; Pickton and Broderick 2005).

By the early 1900s national brands had consolidated themselves, generally applied to consumer goods (Low and Fullerton 1994). Modern branding emerged in the 1920s as a result of the advertising industry maturing (Holt 2002). Brands experiencing a first golden age up to the Great Depression and a second golden age in the 1950s post-war economic boom (Low and Fullerton 1994). The maturing of the design industry, emergence of corporate identity consultants and decline of traditional advertising starting in the 1970s, led branding to place more importance on non-traditional points of customer contact, attempting to achieve an all-encompassing branding experience (Moor 2007).

Early brands referred to mostly consumer goods (Gardner and Levy 1955), occasionally services (Kotler 1987; Murphy 1993). Until the 1970s brand use, e.g. in clothes, was fairly discreet. However, society became increasingly brand conscious, actively displaying them (Danesi 2004) as badges of status or affiliation (Kapferer 2004). This marks an important departure from classical consumption, in which the focus of conspicuousness were products and activities themselves (Veblen 1924), not the symbols associated to them, now so cherished by a symbolic society (Levy 1959). Brands have become a staple of modern life (Klein 1999; Moor 2007), a global phenomenon (Holt et al. 2004; Lury 2004). Today’s world is a world of brands (Roberts 2006) and brandscapes (Sherry 1998), with virtually everything branded, even places, government and religion (Moor 2007). Despite millennia of economic cycles and major political, economic and social change, the use of brands has thrived (Dawar 2004). The Battle of the Brands is likely to continue (Borden 1946) with the greatest rewards still going to those building strong brands (Berry 1988; Moor 2007).

Lack of Brand Conceptualisation

While marketing literature has extensively covered branding, little of it is devoted to the intrinsic nature of brands themselves. One of the most fundamental questions, “What is a brand?” has been largely neglected by the managerial branding literature (Moore and Reid 2008). At the heart of the matter lies researchers’ reluctance to properly define marketing constructs (Churchill 1979), who see this task “as an
annoying necessity to be completed as quickly and thoughtlessly as possible” (Ackoff 1971) (p. 671), or who are often enamoured with sophisticated statistical techniques neglecting the construct being measured in the first place (Gardner 1984).

In the particular case of the brands, its conceptualisation is often taken for granted due to its seemingly straightforward nature, largely conceived a mere trademark. Case in point is the American Marketing Association who ‘officially’ defines brands as “a name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers’ (AMA 2009b), with variations widely used by textbooks and academics (Davies and Chun 2003; Keefe 2008), e.g. Kotler (2006).

Origins & Consolidation of the Classical Brand Conceptualisation

The origins behind the AMA’s simplistic brand definition are rooted in the post-war United States, characterized by a population boom, an increase in income and the establishment of an affluent middle class (Low and Fullerton 1994). The use of brands exploded, being applied to virtually everything sold (Blackett 2003). The managerial school of marketing emerged, combining supply-side perspectives into a practical, albeit theory-deficient body of knowledge, intent on selling products to absorb industrial overcapacity (Sheth et al. 1988). Despite early acknowledgements that brands had become largely symbolic to consumers, e.g. (Gardner and Levy 1955; Levy 1959), the managerial school, following its simplistic and practical nature, retained the trademark conceptualisation of brands, as used for the previous century or so. Following Taylorism marketing set out to shape consumer tastes and desires and drive demand through standardized scientific techniques (Arvidsson 2005; Holt 2002). Brands were thus conceived mere tools with which to attain these objectives (Berthon et al. 2003).

Parallel to the emergence of the managerial school, marketing also strove to become recognized as a science (Hanby 1999). Accused of being unethical and irrelevant (Farmer 1967), marketing’s acknowledgement as a science would add legitimacy to the field. Early efforts in this regard include those of Converse (1945), Alderson and Cox (1948) and Bartels (1951). Given marketing’s scientific aspirations, brands were conceptualised as inert lifeless objects to which things could be done, akin to objects in the physical sciences. This passive conceptualisation of brands is evident in the marketing terminology developed at the time. Instead of moving or capturing spaces on their own, brands were positioned by managers. Instead of having an identity of their own, brand image was perceived by consumers (Hanby 1999).

The AMA’s conceptualisation of brands experienced “institutional isomorphism” (DiMaggio and Powell 1983). It became consolidated as a marketing convention (dogma?), perpetuated by formal marketing education at universities, the interaction/practice of people within and across organizations, the flow of people between firms, the influence of consultants (Holt 2002) and the actions of competitors (Low and Fullerton 1994).

Limitations of the Classical Brand Conceptualisation

Despite its widespread use, the classical conceptualisation of brands fails to consider how the marketing environment, particularly in developed economies, has dramatically evolved over last half century, thus falling short on several accounts.

First, the classical conceptualisation reduces brands to mere product identificators and differentiators. While brands indeed perform these two important functions, they do much more than that (Danesi 2004; Gardner and Levy 1955). As can be seen in Tables 1 and 2, below, brands perform a series of facilitating functions. Buyer-related brand functions focus on the purchase process, e.g. reducing effort or time, and on the creation of value, e.g. enhancing the product or reducing risk. Seller-related brand functions are broader, covering a range of strategic and tactical marketing aspects.
Table 1: Examples of Buyer-Related Brand Functions

| Identify products through visual, verbal (Aaker 1991; Murphy 1993), aural (Dinnie 2004), textural or aromatic cues (Danesi 2004; Hanlon 2006) |
| Reduce search time and effort (Berthon et al. 2003; Berthon et al. 1997; Kotler et al. 2006) |
| Facilitate decision making (Aaker 1991; Arnould et al. 2004; Kotler et al. 2006; Levy 1959) |
| Reduce perceived functional risk by implying a quality (Aaker 1991; Dawar 2004; Ind 2004; Kotler et al. 2006; Kotler and Gertner 2002; Murphy 1993) and indicating an origin/manufacturer (Anholt 2005; Berthon et al. 1997; Ind 2004; Moore and Reid 2008; Roberts 2006) |
| Reduce perceived social/psychological risks of using the wrong product (Berthon et al. 1997) and thus decision anxiety (Ind 2004) |
| Provide added value beyond the functional (Kotler et al. 2006), e.g. identification, self-expression (Kapferer 2004), prestige or confidence (Aaker 1991) |
| Lead to higher and more consistent product quality, increase innovation (Kotler et al. 2006) |
| Act as relationship partners (Berthon et al. 1997; Fournier 1998) |
| Generate brand communities (Arnould et al. 2004; Berthon et al. 2007) |

Table 2: Examples of Seller-Related Brand Functions

| Differentiate even virtually indistinguishable products (Aaker 1991; Ind 2004; Kotler and Gertner 2002) |
| Make products more appealing stimulating sales (Berry 1988; Danesi 2004; Murphy 1993) |
| Stimulate trial by indicating origin (Moore and Reid 2008) manufacturer (Anholt 2005; Berthon et al. 2007) and implying a quality guarantee (Aaker 1991; Dawar 2004; Kotler and Gertner 2002; Murphy 1993) |
| Position products by claiming a specific space in the minds and hearts of consumers (Aaker 1991) |
| Defend products against challengers (Kotler et al. 2006), particularly frontal attacks (Aaker 1991; Dawar 2004; Murphy 1993) and price competition (Berry 1988) |
| Simplify communication by summarizing ideas too impractical to communicate and difficult to understand (Anholt 2005) |
| Act as signals, drawing consumers’ attention (Danesi 2004; Kotler et al. 2006) |
| Redistribute goodwill upstream to retailers, manufacturers & even the country of origin (Florek and Conejo 2007) |
| Allow charging price premiums by preventing commodification (Anholt 2005; Kotler et al. 2006; Murphy 1993), increasing profitability (Berry 1988; Dawar 2004) & R&D reinvestment (Anholt 2005; Berthon et al. 2007) |
| Facilitate new product introduction through reduced risk and cost of line extensions (Aaker 1991; Anholt 2005; Arnould et al. 2004; Berry 1988; Berthon et al. 2003; Berthon et al. 2007; Dawar 2004; Murphy 1993) |
| Improve distribution by attracting more & better channel members (Berry 1988; Dawar 2004) |
| Provide leverage against increasingly powerful channel members, e.g. retailers (Dawar 2004; Murphy 1993) |
| Generate sales consistency in terms of volumes and revenues (Berry 1988) |
| Provide economies of scope and scale (Berry 1988) |
| Provide larger market shares, even during market fluctuations and downturns (Berry 1988; Berthon et al. 2007; Murphy 1993) |
| Allow licensing and collateral exploitation, thus additional passive income (Arnould et al. 2004; Hefter 1993) |
Are a source of equity, increasing the value of firms owning them (Aaker 1991; Arnould et al. 2004; Berry 1988; Berthon et al. 1997; Dawar 2004; Kotler et al. 2006; Murphy 1993)

Facilitate consumer-brand relationships through an emotional attachment with the brand (Arnould et al. 2004; Berthon et al. 2007; Blackston 1993; Dawar 2004; Fournier 1998; Roberts 2006)

Buy time & understanding, helping organizations weather occasional managerial/product lapses (Berry 1988; Ind 2004; Murphy 1993)

Generate loyalty and repeat purchase over competing and sometimes superior alternatives (Aaker 1991; Berthon et al. 2007; Dawar 2004; Jacoby and Chestnut 1978; Kotler et al. 2006)

Reduce customer desertion (Arnould et al. 2004; Berthon et al. 2007; Murphy 1993)

Extend product life cycles, sometimes making them indefinite (Murphy 1993; Winram 1993)

Protect companies, as unlike patents, correctly managed trademarks don’t expire (Murphy 1993)

Facilitate global expansion building on domestic strengths (Murphy 1993) and cultural/demographic/media convergence (Anholt 2005; Arnould et al. 2004; Winram 1993)

Facilitate promotional efforts by taking messages and activities beyond the functional realm (Berthon et al. 2007)

Facilitate channel function, e.g. receiving, separating, sorting, storing and re-shipping (Moore and Reid 2008)

Encourage employee creativity and motivation within the organizational (Ind 2004)

Increase communication beyond visual, into other sensory domains e.g. auditory, tactile, gustatory (Danesi 2004)

Allow organizations to become more customer oriented (Berthon et al. 1997)

Guide organizational management through values (Berry 1988; Ind 2004)

Facilitate talent recruitment and retention (Berthon et al. 2007)

Permit partnerships and alliances with other brands (co branding) (Arnould et al. 2004; Grant 2006; Kapferer 2004)

Facilitate segmentation by offering specific products and messages to specific groups of customers (Berthon et al. 2007)

Brands are thus vehicles through which supply and demand are better matched (Moor 2007), even co-constructed (Lury 2004). The importance of brands thus stems from the many benefits they provide for consumers and sellers (Borden 1946), not just from merely identifying and differentiating products.

A second reason why the classical brand conceptualisation falls short is that it ignores how much brands have gained in terms of meaning. Trademarks were originally very literal, referring to product manufacturer and origin. However, perceiving brands as mere product identifiers/differentiators is rather simplistic. As Gardner and Levy (1955) point out (p. 35) “A brand name is more than the label employed to differentiate among the manufacturers of a product. It is a complex symbol that represents a variety of ideas and attributes. It tells the consumer many things through a body of associations it has built up or acquired as a public object over a period of time.” Brands have thus evolved into sophisticated networks of information, associations, beliefs and feelings (Berthon et al. 2003; John et al. 1998), currently considered complex bundles of multidimensional meaning (Blackett 2003; Gardner and Levy 1955; McCracken 1993; Moore and Reid 2008; Zaltman 2003). And it’s from their meaning that brands derive their utility and value (Arvidsson 2005).

Behind brand’s semiotic transformation is consumers having become largely symbolic and uneconomic (King 1971; Levy 1959). Societies evolved from a thing to a thought orientation (Dichter 1964), what Lash (2002) or Moore (2007) refer to as informationalization. Products are not consumed for what they do but for what they mean (Holt et al. 2004; Lash and Lury 2007; Levy 1959; Moor 2008). Consumers use products and brands to symbolize the different areas of their lives (Levy 1987). Through possessions, particularly branded ones, consumers build, maintain and modify their individual, family, community and social selves (Belk 1988). Preferred brands are those that contain appealing and powerful meanings (McCracken 1993). Branding is no longer about merely identifying products. Instead, it’s become a semiotic venture (Sherry 2005), infusing meaning into objects, be it utilitarian, sacred, hedonic or social (Arnould et
al. 2004), making them compelling enough to warrant consumer preference and loyalty (McCracken 1993). Brands thus stand for much more than the product, encompassing broader more complex ideas and feelings. The symbolic nature of some brands is so great that they powerfully reflect (McCracken 1993) are part of (Brown et al. 2003) and even create/substitute culture (Holt 2002; Klein 1999). The power and value of brands resides in the fact that they add important meaning to otherwise largely inconsequential products, with brand meaning being a source of competitive advantage (McCracken 1993).

Brand meaning is not homogeneous. Consumers, both individually and in groups, e.g. brand communities, draw from their backgrounds, product experiences, media and other sources to ascribe different meaning to brands (Brown et al. 2003; Cova et al. 2007). Brand meaning is also not static. Despite organizational efforts to create consistent and positive image across consumers (Aaker 1991), brand meaning is mediated by cultural, social and situational factors. Values and perceptions, and thus brand meaning, are under constant evolution. Sometimes quite abruptly due to major events such as scandals (Klein 1999). Managers thus need flexible brand structures in place to accommodate the subjective and changing nature of brands. Brand management should thus be seen as the ongoing process of meaning negotiation with a multitude of internal and external stakeholders (Berthon et al. 2007; Grant 2006; Sherry 2005), increasingly difficult, albeit important, as consumers are further empowered though global network information technology (Brown et al. 2003). Nevertheless, strong brands require relevant meanings to be created and sustained (Sherry 2005).

A third reason why the classical brand conceptualisation falls short is that it conceptualises them as features, implying that brands are part of products. Even though the augmented product concept (Levitt 1983; Levitt 1980) is still present in some textbooks, e.g. Kotler (2006), it is not that relevant as for decades brands have ceased to be subordinated to products (King 1971; Lury 2004). As brands evolved gaining in meaning and complexity (De Chernatony and Riley 1997; Moore and Reid 2008), they started to encompass more than the products they referred to. Eventually brands separated from products becoming autonomous entities in their own right (Berthon et al. 2003; Lury 2004). While still related and dependent on one another, brands and products are nonetheless separate constructs. In today’s post-industrial society brands are often larger, more important and more valuable than the products they represent (Arvidsson 2005; King 1971). The signifier has become the signified. The medium is now the message (McLuhan and Fiore 1967). Brands are now not only symbols but products in themselves (Berthon et al. 2007). An indication of this is how manufacturers have refocused their core business (Klein 1999). According to the seminal Marketing Myopia, sustained growth depends, among others, on firms correctly defining the core business they are in from a consumer perspective (Levitt 1960). Along these lines manufacturers are now ironically ceasing to manufacture their own products. They are instead outsourcing production, refocusing their business on the much higher value-added activity of brand building (Klein 1999). Power now lies with those that control the brand, not those who make products (Anholt 2005; Kotler et al. 2006). At best, products are a manifestation of brands, not vice versa (Berthon et al. 2007; King 1973). At worst, brands have replaced products altogether (Klein 1999) having a life of their own beyond and independent of product and company. Even if products are discontinued, or companies go out of business, brands live on as part of popular culture (Berthon et al. 2007).

A fourth reason why the classical brand conceptualisation falls short is that it ignores co-creation, the degree to which consumers and other cultural intermediaries (Nixon and Du Gay 2002) participate in building brand meaning through experience/exposure (Arvidsson 2005; Brown et al. 2003; Sherry 2005). The traditional trademark conceptualisation of brands denies co-creation, assuming that since organizations create brands, they therefore own and control them (Berthon et al. 2007). However, according to the consumer culture literature and the ‘new’ Service Dominant Logic, the role of customers within marketing has changed from passive recipients (operand resource) to an active co-creators of value in use (operand resource) (Vargo and Lusch 2004). Along these lines, brands have evolved beyond exclusive managerial control (Arvidsson 2005), now co-created by consumers and other stakeholders (Sherry 2005), who based on the product, marketing communications and other cues, add their own input co-determining what the brand ultimately represents (Berthon et al. 2003; Blackston 1992; Brown et al. 2003; Grant 2006; Ind 2004; Nilson 2003). This follows marketing as an exchange process, not limited to goods and money, but also of ideas and
meaning (Levy 1987). In terms of ownership and creation, the boundaries between management, consumers and other stakeholders/intermediaries have blurred with the former at best having only partial control. At worst, brand meaning stands to be completely taken over by consumers, e.g. by brand communities (Brown et al. 2003; Cova et al. 2007).

A fifth and final reason why the classical brand conceptualisation falls short is that it does not recognize brands’ much broader scope, i.e. the number and nature of people involved with the brand. The traditional trademark conceptualisation is largely based on the buyer-seller dyad (Berthon et al. 2003). While quite straightforward, its mass market and standardized message approach are no longer valid as increasingly fragmented markets/segments require customisation (Dawar 2004; Nilson 2003). In addition, the scope of brands has expanded from the buyer-seller dyad to include a wide range of other stakeholders such as suppliers, employees and management, distributors and retailers, the investment community, government, consumer groups, competitors (Berthon et al. 2003) and even media (Grant 2006). The meaning of brands, thus does not derive from the owner of the brand, or even from the dialogue between owner and consumer, but from the interaction of multiple meaning intermediaries (Brown et al. 2003). One can thus speak of a branding multilogue encompassing different participants (Berthon et al. 2007; Grant 2006; Sherry 2005).

So whereas the traditional conceptualisation considers brands mere features that identify and differentiate products, in reality brands have evolved to be much more. They are complex multidimensional constructs, able to be represented along continuums of functions, meaning, independence, co-creation, and scope.

Implications of the Classical Brand Conceptualisation

Three main implications stem from AMA’s simplistic, albeit ‘official’ classical brand conceptualisation. First, that it is completely outdated. Academic marketing emerged in the early 1900s, since evolving in tune with social and scientific changes through different schools of thought (Sheth et al. 1988). Correspondingly, the AMA’s ‘official’ definition of marketing has also evolved over the years going through several iterations (Zinkhan and Williams 2007), the most recent put forward in early 2008 (Keefe 2008). However, and despite the increasing importance of brands within marketing (Aaker 1996; Kapferer 2004; Keller 2003; Kotler 2003), perhaps even their leading role (Bernhardt 2009; Murphy 1993), the AMA’s definition of brand has remained stagnant, virtually identical to the one put forward in its 1948 Definitions Committee Report, in turn based on the 1935 National Association of Marketing Teachers Definitions Report (AMA 1948). Not only is the AMA’s brand definition over 70 years old, worse yet, its conceptualisation dates back several millennia to the ancient Egyptians and other antique civilizations, completely out of touch with the realities of the post-postmodern marketing environment.

Second, AMA’s erroneous brand conceptualisation is hindering marketing theory, research and education, steering them down incorrect paths. Marketing’s development as a science is contingent, among others, on researchers properly defining constructs (Churchill 1979). For decades the literature has been replete with widely varying definitions of core concepts (Kollat et al. 1970; Patterson 1999). Yet imprecise definitions make it difficult to operationalize, implement and manage constructs, impeding the development of marketing thought and practice (Patterson 1999). Specifically, empirical findings based on different definitions cannot be accurately communicated (Firestone 1987), compared (Jacoby 1978), discussed (Churchill 1979) synthesized and accumulated (Kollat et al. 1970) into a coherent body of theory (Churchill 1979). It is thus important that first, the conceptualisation of brand be updated, and second, that an agreed upon definition be generally adopted to steer marketing research, theory and education.

Third, the AMA’s simplistic and outdated brand definition is doing a great disservice to practitioners, ironically, one of its main constituents (AMA 2009a), who not knowing better adopt its brand conceptualisation with less than optimal results. As has been seen, brands are much more than mere trademarks. Today’s successful brands are high in meaning, independence, scope and co-creation. They are increasingly difficult to manage due to their abstract and complex nature (Berthon et al. 2003). Simplistically implying that brands are mere trademarks puts practitioners at a great disadvantage. The AMA must thus
acknowledge brand complexity in its definition in order to better serve its constituents. Accordingly, brand management needs to evolve from the traditional managerial focus on products, channels and communications (Low and Fullerton 1994) to the management of meaning along all consumer touch points (Arvidsson 2005; Sherry 2005), where everything constitutes brand media (Moor 2007). Since marketing strategy needs to be largely based on semiotic objectives (Brown et al. 2003), branding has become a critical strategic issue, best addressed by senior management (Berthon et al. 2007).

**An Alternative Brand Conceptualisation**

If the classical conceptualisation of brands as identifying/differentiating trademarks falls short, how else could brands be conceptualised? Traditional marketing literature addresses brands from mostly a managerial perspective. While practical, this approach largely ignores brands’ cultural complexities (Sherry 2005), with culture understood as firmly established collective understandings (Holt 2004). Building on traditional marketing literature’s sporadic yet increasing acknowledgement of brands being complex symbols (Gardner and Levy 1955), constituted of ideas (Blackston 1992; Grant 2006; Ind 2004), attitudes (Kapferer 2004), beliefs (Hanlon 2006), and perceptions (Fournier 1998; Holt 2004), as well as on the rich and more contemporary consumer culture literature, e.g. Arvidsson (2005), Brown et al. (2003), Cova et al. (2007), Holt (2002) McCracken (1993), Moor (2007) or Sherry (2005), which studies brands from a broader social science perspective, e.g. anthropology, sociology or semiotics, to capture their complex nature (Sherry 2005), brands can be better thought of as bundles of multidimensional meaning (Berthon et al. 2003; Blackett 2003; McCracken 1993; Moore and Reid 2008; Zaltman 2003). More specifically, it is suggested that brands be conceptualised as signification systems.

The semiotic systems conceptualisation of brands is in line with a series of antecedents. First, with brands essentially consisting of co-created meaning (Moor 2007). Marketing and semiotics have long been interdependent (Kotler 1987), with brands offering both explicit and implicit meanings of which sub-textual associations are most important, providing the greatest value for both buyers and sellers (Danesi 2004; Dichter 1964; Hoshino 1987). Branding is thus a semiotic transformation, in which signs are created and transmitted, and meanings modified from existing to desired (Kotler 1987; Sherry 2005).

Second, the semiotic systems conceptualisation of brands complies with general system theory. Even though marketing academics have started to hint brand’s systemic nature, they haven’t made the complete transition towards this perspective. For example, while Kapferer (2004) acknowledges brand’s complex and organismic nature, and Bergvall (2006) discusses brands as multilevel ecosystems, neither pursues a pure systems direction. In contrast, Wooliscroft and Lawson (2003) suggest that brands are indeed systems as they satisfy Katz and Kahn’s (1966) nine characteristics of complex, open and behavioural systems: 1) importation of energy from the environment; 2) throughput, in which imported energy is systematically transformed; 3) output, in which something is exported back into the environment; 4) cycles of events, in which outputs furnish inputs to repeat the cycle; 5) negative entropy, in which systems’ tendency towards disorganisation and collapse is compensated by importing more energy than expended; 6) information input, negative feedback and coding process, in which the information imported also informs systems about internal operation and environmental changes so they can correct themselves and stay on course; 7) steady state and dynamic homeostasis, in which internal and external disruptions are countered restoring the system to its normal state; 8) differentiation, in which systems gradually evolve towards more specialized and elaborate functions; and 9) equifinality, in which system are able to achieve the same final state following different paths (Katz and Kahn 1966). Brands conceptualised as systems also follows structural principles of systems theory being generally applicable across areas (Bunge 1979), including abstract fields such as branding, whose systems elements consist of intangible concepts represented by symbols (Ackoff 1971).

Third, the semiotic system conceptualisation of brands is compatible with macromarketing’s interest in marketing systems (Hunt 1981; Hunt 1977), defined (p.230) as “a network of individuals, groups, and/or entities linked directly or indirectly through sequential or shared participation in economic exchange that creates, assembles, transforms, and makes available assortments of products, both tangible and intangible, provided in response to customer demand” (Layton 2007). The semiotic system conceptualisation is also
compatible with marketing’s long interest in systems. For almost a century, even before systems theory was formally put forward, marketers realised that the field’s different concepts were interdependent. This is evidenced throughout different schools of marketing thought with many core concepts originally developed within a broader systems context (Sheth et al. 1988). Marketing systems were subsequently addressed by a series of key authors (Wooliscroft and Lawson 2003), e.g. Alderson, whose functionalist perspective was largely, if not completely, based on a systems approach (Sheth et al. 1988); Fisk (1967) and Dowling (1983), who studied marketing from a general systems theory perspective; or Wilkie and Moore (1999) who placed marketing within the aggregate social system and evaluated its benefits and challenges. From a macromarketing perspective, research includes that of Dixon and Wilkinson (1989) who suggest that marketing follow the largely systems-based functionalist paradigm, or Meade and Nason (1991) and Layton (2007) who suggest placing marketing systems at the core macromarketing. By placing concepts, ideas and research into an overarching context, not only would conceptual development be enhanced, but the understanding of marketing structures, dynamics, value creation, externalities and regulation of exchange systems substantially improved (Layton 2007).

Fourth, the semiotic system conceptualisation of brands is consistent with information playing an important part within open systems, specifically within marketing systems. Exchange systems are not limited to money and products. Information (meaning) is also an important flow within marketing systems (Alderson 2006). This follows Fisk (1967) who suggests that marketing systems contain five different types of flows: ownership, possession, finance, risk and information, transmitted through cultural, social, economic and physical infrastructure. Since brands essentially consist of meaning (Berthon et al. 2003; Blackett 2003; Gardner and Levy 1955; McCracken 1993; Moore and Reid 2008; Zaltman 2003), the last of the flows, information, is most applicable for the branding system. While all other flows are indeed related to the branding system, for the purpose of this initial model they will be assigned to the more general marketing system.

Open systems, those that interact with their environment and are subject to different forces (Ackoff 1971), import, redistribute, process, and put out information (Katz and Kahn 1966). Within marketing systems information helps match supply and demand, contributing towards exchanges and the clearing of heterogeneous markets. The end result of information flows is improvement of participants’ potency of assortment, defined in terms of utility or profit (Alderson 2006). Information flows are thus essential in the creation of value (Layton 2007), marketing’s ultimate purpose. Since both sellers and buyers simultaneously seek and provide information, flows are co-created (Vargo and Lusch 2004). Sellers’ success hinges on how effectively they manage information flows within their marketing system (Layton 2007). The same can be said about buyers, who derive value from the information they attain and process.

The Semiotic Brand System

Details of the semiotic brand system and its relationship with the broader marketing system are beyond the scope of this paper. However, a preliminary model is presented in Figure 1. The system’s components consist of the brand, brand stakeholders (manufacturer, distribution channel, customer, potential customers and manufacturer’s competitors) and environmental factors (economy, society, culture, media and the physical environment). Linking all components are flows of information/meaning.

As can be seen , 1) brand stakeholders co-create the brand, inputting information and meaning into the shared brand concept (thin grey arrows pointing towards the brand). 2) At the same time, stakeholders extract meaning from the brand concept (thin black arrows pointing away from the brand) from which they eventually derive value (be it utility or profit). 3) Meaning flows to and from the brand are moderated by communication between stakeholders, (dashed light grey arrows), as well as by 4) information coming from the economy, society, media, culture, and the physical environment, perceived by all stakeholders but interpreted differently (thick grey arrows going towards the system). 5) At the macro level brands have information flows that eventually create value, but also externalities, for the overall economy, society, culture and physical environment (thick black arrows going away from the brand toward the environment). 6) The process does not stop, being a continuous cycle feeding on itself, rather than a single linear process.
The semiotic brand system is thus better described in terms of *circulation*, a characteristic of information systems in which meaning is not only consumed, but simultaneously re-elaborated, altered or added to (Lash 2002). The semiotic brand system’s cyclic nature is also in line with exchange systems’ dual flows of information (meaning) (Alderson 2006), in which participating stakeholders are *double agents*, simultaneously consuming and producing meaning and value (Cova et al. 2007). However, the relationship between stakeholders is also dialectic, requiring a certain degree of equilibrium for the system to be sustainable in the long run. Postmodern brands are based on consumer individuality. Since markets feed off the production of difference, creative and unorthodox brand uses are most productive for the branding system as they enhance meaning. As firms compete using different techniques to add value (meaning) to their brands, consumers become increasingly aware of these techniques making them less effective. This requires marketers to adapt or develop new techniques with which to imbue meaning into their brands and make them more relevant. Similarly, as consumers create their own culture in an effort to escape brand’s commercial influence, marketers adopt this new culture in order to make their brands more legitimate and attractive. This spurs consumers to develop new cultural expressions (Holt 2002). The brand is thus both a repository as well as a generator of meaning. And as marketing and other cultural forms merge and become global, the bank from which stakeholders derive meaning increases in size and variety (Sherry 2005).

*Figure 1: Basic Semiotic Brand System*

The semiotic brand system does not operate indefinitely. The system’s entropy, tendency towards disorganisation and collapse (Katz and Kahn 1966), is induced when meaning reaches a critical point of
irrelevance, suffering from lack of energy input/attention. The latter not only refers to work and resources applied in firm branding efforts. It also encompasses effort put in by other system stakeholders, which according to cultural studies theory, provide a form of value-producing labour during consumption (Arvidsson 2005). Brands thus only exist if stakeholders acknowledge them through shared importance and action (Arvidsson 2005; Holt et al. 2004). Even though consumption might be individual, the value of brands largely depends on how firmly established its collective meaning is (Holt 2004). Brand management is thus about creating and maintaining patterns of mass interest (Arvidsson 2006; Kapferer 2004), as its indifference that causes system entropy. But since meaning is co-created by multiple system stakeholders, brand management at best provides general guidelines as to what the brand should mean. Different techniques are used to keep brand relevance within acceptable parameters, encouraging certain brand uses/meanings while discouraging others (Arvidsson 2005).

In line with postmodern branding, in which brands are cultural/self-expressive resources instead of dictated conformity blueprints (Holt 2002), the semiotic brand system can also adopt a flat or bottom up approach, as is the case with brand communities (Cova et al. 2007; Sherry 2005). Like marketing systems in general, it may also be studied from different levels of aggregation/scope (Hunt 1981). At the most basic level the system need merely comprise two individuals willingly engaged in mutually-beneficial trade (Layton 2007). However broader levels of aggregation include households, firms, channels, markets, marketing systems (Dixon and Wilkinson 1989), and even the global economy (Fisk 1967), where nations form alliances and organize into trading blocks, to better face the pressures of globalization (Fletcher and Brown 2005). Aggregation may go further up, with the brand system being part of the larger social, cultural and even environmental systems (Dixon 1984). Systems may be organized in hierarchies (Dixon and Wilkinson 1989), in which entire lower level systems are nodes/elements of more comprehensive systems, or where the outputs of the former are inputs to the latter (Ackoff 1971). Meaning flows could thus be studied from the traditional managerial perspective, within the firm or between the manufacturing firm and consumers, or from a macro perspective, including the larger marketing system, society or the environment.

Layton (2007) points towards two important implications of aggregation. First, that the level of system aggregation is essential as it specifies system boundaries, and thus endogenous/exogenous entities, i.e. participating stakeholders, their respective roles and relationships, as well as system inputs and outputs. Second, research and findings are limited to the particular level of aggregation as defined a priori. Both these implications would need to be observed when working with the suggested brand system.

**Benefits of Systems Conceptualisation**

A systems conceptualisation of brands offers a series of benefits. First, and unlike the classical brand conceptualisation, it would be in line with contemporary postmodern and post-postmodern branding paradigms. The modern cultural engineering branding paradigm of the post-war era, to which the classical brand conceptualisation belongs, portrays corporations as omnipotent entities using sophisticated marketing techniques to shape consumer tastes and desires. However, this paradigm started to become outdated in the 1960s as consumers became more individualistic than conformist, brand-meaning flows became multilateral, and the number and relative power of brand stakeholders/co-creators increased. The post-modern branding paradigm emerged based on brands being cultural/self-expressive resources instead of conformity blueprints, creating meaning through organic networks of interacting stakeholders. However, post-modern branding is being increasingly criticized, due to consumers being well aware of the clever techniques it uses to hide/deny brand’s fundamentally commercial nature. A post-postmodern branding paradigm is thus emerging, in which despite their commercial nature, brands are seen as legitimate cultural resources, producers of original and relevant meaning for consumers to use in their identity projects (Holt 2002). Irrespective if postmodern, or post-postmodern, a systems conceptualisation is more in line with the current branding environment.

Second, a systems conceptualisation of brands will allow brands to be better understood. Given the social, scientific and technological developments of the last decades, as well as forces such as globalisation, marketing constructs have become more complex and interconnected. Isolated concepts, historically used in branding (Patterson 1999), are only marginally useful (Ackoff 1971). Their study and application without a
systems perspective leads to poor understanding and less than optimal application (Wooliscroft and Lawson 2003). By approaching brands as a whole, not broken down into isolated elements or relationships, a much better understanding of them can be attained (Ackoff 1971). Conceptualising brands as systems will help researchers develop theory, allowing those seeking empirical knowledge to better operationalize, measure and interpret the properties of brands. Practitioners will also benefit. By knowing the true nature of branding, i.e. developing and managing meaning instead of merely slapping a logo on to whatever product they might have, they will be better poised in regards to an increasingly competitive global market.

Even though systems might exhibit large or unlimited numbers of states, e.g. if system dimensions are continuous, these states can still be measured and/or described (Ackoff 1971), suggesting that the brand system is more that a theoretical notion/model. Systems’ dynamic nature also means that they change over time (Ackoff 1971). Once established and properly defined, elements and interrelations can be empirically tested, even longitudinally, helping understand brands even further.

Third, a brand systems conceptualisation will help integrate branding’s fragmented constructs. Over the years branding has developed its own concepts and borrowed others from related disciplines, e.g. brand personality from psychology (Conejo and Gnoth 2008). This has caused a proliferation of branding terms with e.g. Patterson (1999) identifying over 60 of them. While terminology assortment may increase explanatory power and theoretical development, it’s also generated a patchwork of branding concepts. Isolated concepts are only marginally useful. They need to instead to be placed into a context, joined with related constructs in order to truly appreciate their nature and interrelationships. Conceptual systems are thus the best way in which scientific fields can develop (Ackoff 1971). By integrating branding concepts into a single system, order can be brought to the field improving the understanding of its different constructs. Redundancies, incoherencies, and most importantly, gaps can be identified, which in turn will help guide theory and empirical research.

Fourth and finally, from a macromarketing perspective conceptualising brands as systems will allow researchers to include them within the broader marketing, social and environmental systems. The contribution towards society’s quality of life indicates the effectiveness of a marketing system (Layton 2007). While marketing enhances people’s quality of life (Wilkie and Moore 1999), contributing towards buyers’ and sellers’ potency of assortment (Alderson 2006), the trade-offs in achieving this quality of life must also be recognized. Traditional production and consumption patterns are exhausting natural resources, with the consequences of pollution becoming an increasing threat. The unrestrained pursuit of new, better and more convenient products is paradoxically reducing the temporal horizon of human existence (Reidenbach and Oliva 1983). The externalities of marketing systems are not only environmental, also affecting individuals, societies and cultures around the world (Klein 1999). Since brands may contribute to these externalities, a systems approach to brands allows addressing externalities in a more comprehensive manner. Marketers are in a key position to change mentalities and behaviours and this is where an integrated branding system might make its largest contribution.

It should be noted that a semiotic branding system does require some ethical considerations. Participation in marketing systems is typically seen as rational, voluntary and beneficial (Alderson 2006). However, since meaning flows deal in great part with persuasive content, lack of objective information, limited access to infrastructure/technology, and limited education/knowledge, particularly referring to persuasion agents’ goals and tactics (Friestad and Wright 1994), places buyers, especially average consumers, at a clear disadvantage. Globalization has generated, among others, a proliferation of information. Soft power, the ability to subtly persuade people to desire and voluntarily act towards the accomplishment of certain outcomes (Noya 2006), even if not in their best interest, is thus an important issue. Since branding, at least from the seller’s perspective, largely consists of soft power, the rationality, free will and true benefits of participation in the system requires more scrutiny from researchers.

In sum, consumers seem to have evolved from Homo Oeconomicus, largely logical and objective (Kloepfer 1987), through Homo Non-Oeconomicus, directed by symbolic motivations (Levy 1959), to Homo Coca-Colens, defined largely by frivolous consumption (Cinquin 1987). However, a new type of consumer
seems to be emerging, *Homo Quaerens*, defined by the need to seek, create and transform meaning (Sherry 2005). Within this new context, the semiotic systems conceptualisation of brands is better suited to study post-postmodern branding and its broader more complex meanings, functions, independence, co-creation and scope.

Based on how much brands have evolved beyond merely identifying and differentiating, the classical conceptualisation of brands, as exemplified the AMA’s ‘official’ definition, is clearly inadequate. As Ackoff (1971) mentions (p. 671), “Like surgical instruments, definitions, become dull with use and require frequent sharpening and, eventually, replacement”. AMA’s next review of marketing’s definition is scheduled for 2012 (Keefe 2008). Hopefully a better definition of brand will be put forward before then, one that acknowledges how much they have evolved, ideally one that places them within a larger systems perspective.

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Homo Mensura - Brands as Anthropomorphic Systems?

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Brands have been traditionally conceptualised as product identifiers and differentiators, and more recently as semiotic systems. However, this still does not provide a way through which to make them directly accountable for the negative impact they might have on society/the environment. It is thus suggested that brands be re-conceptualised as anthropomorphic systems, and more specifically, as if they were people. By awarding brands moral personhood and considering them full-fledged members of society, brands can be made directly accountable for any detrimental impact they might have.

Introduction

Brands occupy a central position in marketing (Bernhardt 2009; Murphy 1993), considered virtuous (Anholt 2005) due to the many benefits they provide to sellers and buyers (Borden 1946; Kapferer 2004). Even though a marketing orientation strives to satisfy consumers, aligning firm and consumer interests (Holt 2002), brands are sometimes seen as vessels of exploitation (Sherry 2005), increasingly under attack by an emerging global counter-cultural movement (Economist 2001). This comes as a response against the modern cultural engineering branding paradigm, in which detractors perceive branding efforts to shape consumer tastes and desires causing a socially destructive consumer culture, as well as against the seemingly deceitful postmodern branding practices whose wholesome and authentic images are quite contrary to the actions of corporate brand owners (Holt 2002). Whereas as academic research suggests that brands indeed have an impact on society, e.g. creating consumer anxieties through the often-used fear appeal (Laczniak 1993) or influencing the provision of effective, affordable and ethical health care (Ward et al. 2008), the popular counter-culture literature accuses brands of encouraging excessive and frivolous consumption, deteriorating social values, inducing crime and human rights abuses, reducing individual freedom and public spaces, substituting culture, wasting scarce/non-renewable resources, and generating pollution (Klein 1999). More extreme counter-culture literature even encourages consumers to organize and rise against the “Corporate Cool Machine” (Lasn 2000).

Irrespective of the real or alleged effects that brands have on society, they clearly fall within the realm of macromarketing, which studies the impact and consequences of marketing systems on society (Hunt 1981; Hunt 1977; Layton 2007).

Traditionally brands have been conceptualised as mere product identifiers and differentiators, e.g. AMA (2009) or Kotler et al. (2006). While brands may be re-conceptualised as semiotic systems (Conejo and Wooliscroft 2009, in this conference), this still does not provide a way through which to make them accountable for the negative impact they might have on society/the environment. In line with the above situation, and the 2009 Macromarketing Conference theme of “Rethinking Marketing in a Global Economy”, the present extended abstract proposes re-conceptualising brands as anthropomorphic systems, and more specifically, as if they were people. It is essentially suggested that by awarding brands moral personhood and considering them full-fledged members of society, brands can be made accountable for their own values and behaviours. But most importantly, for the detrimental values and behaviours they might induce within others and the subsequent effects on society/the environment.
Brand Personhood

The legal notion of corporate personhood, in which corporations are conceived as persons and given the same status as individuals, including constitutional rights such as freedom of speech (Allen 2001), is also applicable to brands. Brand personhood basically takes the natural entity viewpoint, which already dominates commercial law (Schane 1987), to new heights, endowing brands with all the characteristics of individuals, that is, complete personification.

Personhood can be defined from two quite different perspectives: legal and moral. A legal person is an entity created by laws and subject to rights (French 1979). Brands currently may be seen as such. But while they are subject to complying with the law, and perhaps with a voluntary code of conduct, as with the fashionable notion of corporate social responsibility, brands in themselves are still not subject to higher ethical and moral standards. Moral personhood refers to acquired obligations, responsibility and accountability (French 1979). By conceptualising brands as complete persons, including a moral personhood, they could be seen as full-fledged members of society. Being the equivalent of individuals, with a heart, mind and soul (Allport 1938) brands gain a complete range of rights and privileges. More importantly, brands also acquire a complete set of moral obligations. This would be the equivalent of brands ascribing to a social contract, in which everybody, by default, is part of a responsibility relationship towards his/her peers (French 1979). Conceptualising brands as people and awarding them moral personhood thus makes them accountable of their impacts society/the environment.

Naturally, markets, legal systems and society would need to be set up in such as way as to deal with e.g. brands failing to comply with their legal/moral obligations. While the specific details of such a system are beyond the scope of this paper, the general principles used for people would also be applicable to brands. Just like with people, immoral, albeit still legal brand actions would be exposed or publically shamed. This would lead, as currently happens, towards a loss of consumer confidence, favour and ultimately brand equity. Legal transgressions would also have brands fined. In more extreme cases, again, just like people, brands would be literally deprived of their liberty/operation through temporary communications/sales suspensions. The personification of brands would thus avoid current practice of responsibility being diverted to individual brand managers or the parent corporation with business as usual for the brand itself.

By the same token, brands that exceeded their moral duties, voluntarily surrendering individual liberties, interests and behaviours to the benefit of society, would be properly acknowledged, and even rewarded. Moral brands would not only be the social ideal towards which to strive. From a systems perspective, moral brands would have the critical role of entropy reducers, helping society become better organized, efficient or sustainable (Ackoff 1971; Reidenbach and Oliva 1983; Von Bertalanffy 1950).

Bases for the Anthropomorphic Brand Conceptualisation

It is acknowledged that brands are essentially inanimate (Aaker and Fournier 1995) man-made objects (Van Miedag 1997) with rarely anything intrinsic that makes them have a life of their own (Plummer 1985). It is also recognized that thinking of brands as people might seem simplistic. Nevertheless, conceptualising brands as human systems is quite natural as it builds on a series of precedents:

- Marketing’s long use of concepts adopted from other fields such as biology, psychology (Sheth et al. 1988), anthropology, sociology and semiotics (Danesi 2004).

- The increasing recognition among researchers and practitioners that brands have a life of their own, autonomous entities in themselves (Arvidsson 2006), beyond and independent of product and company (Berthon et al. 2007). As such, they exhibit unique attitudes (King 1971) and concrete behaviours (Murphy 1993). Likewise, consumers already perceive brands as being alive, often describing them in human terms (Kapferer 2004; Keller 2003; Kotler 2003; Levy 1959).
• The increasing realization that brands are systems (Wooliscroft and Lawson 2003) (Conejo and Wooliscroft 2009) and for the present purposes biological systems, in which components interact with their environment, transform inputs into outputs, and adapt, learn, and evolve into more specialized and efficient forms (Von Bertalanffy 1950).

• A body of branding literature already heavily influenced by personification sub-metaphors, such as brand personality, e.g. (Conejo and Gnoth 2008), brand values, e.g. (Ind 2004) and brand relationships, e.g. (Fournier 1998), widely accepted among marketers (Davies and Chun 2003; Hanby 1999), extensively used in branding textbooks, e.g. Aaker (1991), De Chernatony and McDonald (2003), Kapferer (2004) or Keller (2003), and present in leading branding models, e.g. Aaker’s (1996) Brand Identity System or Kapferer’s (2004) Brand Identity Prism.

• The application of Gestalt psychology to brands (Lannon 1993), in which the whole rather than individual sub metaphors is emphasized, the acknowledgement that brand dimensions are similar to those of people (Gardner and Levy 1955), and Alderson’s functionalist school of marketing thought whose overarching systems metaphor is the human body (Sheth et al. 1988).

• An almost century-old tradition (if not longer) of advertising and marketing practitioners in both Europe and the US personifying products and brands, as suggested e.g. in the now classic “Scientific Advertising” by Claude Hopkins (1923) or “Die Gewinnung des Öffentlichen Vertrauens” by Hans Domizlaff (1939).

• A political and religious tradition (not that far removed from branding) spanning thousands of years back, in which abstract and complex concepts are often personified, starting with e.g. Lippman (1922) and his “pictures in their heads”, going through John Bull, used to personify England and Englishness since the early 1700s (Taylor 1992), to Xenophanes the Greek who observed that humans created their gods after themselves (Guthrie 1997), to the first religions created by primitive humans 30,000 years ago (Mithen and Boyer 1996).

• Roughly 40,000 years of metaphorical thought and speech (Mithen and Boyer 1996), in which one domain’s expressions are regularly applied to another context (Hanby 1999; Zaltman 2003). Since then metaphors have come to pervade speech (Black 1962), dominating abstract thought and communication (Danesi 2004), with even scientific language being largely metaphorical (Axley 1984; Lakoff and Johnson 1980), especially marketing (O’Malley and Tynan 1999). Of all metaphors, the personification one is most common and effective (Danesi 2004; Lakoff and Johnson 1980).

• The equally old practice of anthropomorphism (Mithen and Boyer 1996), from the Greek “in the shape of man” (Danesi 2004), referring to the attribution of human characteristics to other beings, inanimate objects or abstract concepts (Aaker 1996; Guthrie 1997; Mithen and Boyer 1996). Anthropomorphism is still pervasive today, across cultures, in everyday life, religion and even science (Guthrie 1997).

Additional Benefits of Anthropomorphic Brand Systems

Beyond making brands accountable for their impact on society, personifying brands offers some additional benefits. The social, scientific and technological developments of the last decades, as well as forces such as globalisation, have made marketing constructs more complex and interconnected with one another. However isolated concepts are only marginally useful (Ackoff 1971). Their study and application outside a broader systems perspective leads to poor understanding and less than optimal results (Wooliscroft and Lawson 2003). The above would correspond to the current state of branding, in which despite a variety of personification sub metaphors, terminology is ambiguous and theory fragmented (Patterson 1999). Adopting the overarching brand personification metaphor would allow to integrate different branding sub metaphors into a coherent system/model. By studying each of these sub metaphors within the context of
related constructs, not only would they be better understood, but a more comprehensive understanding of their interrelationships, and thus of brands as a whole would be achieved (Ackoff 1971). The anthropomorphic systems perspective could thus help guide the development of branding theory and empirical research. Even longitudinally, as just like people, who evolve over time, personified brands may be conceived as following a life cycle (Wooliscroft and Lawson 2003).

Since consumers are increasingly overloaded with messages, it is vital that brands have strong and well-defined positionings (Kapferer 2004) with streamlined sets of integrated associations (Aaker 1991). If brand elements were coherently put into an anthropomorphic framework, they would harmoniously fit together simplifying the planning and execution of branding initiatives. This would capitalise on consumers already perceiving brands as being alive, often describing them in human terms (Kapferer 2004; Keller 2003; Kotler 2003; Levy 1959). People choose their brands just like they do their friends, not only because of skills or physical attributes, but also because how likeable they are as individuals (King 1971). Along these lines, personified brands would be more interesting and appealing to consumers (Levy 1963). They would provide greater texture, depth and complexity (Aaker 1996; Lannon 1993), emotional comfort (Guthrie 1997) but also be sufficiently counter intuitive as to be attention grabbing (Mithen and Boyer 1996). An anthropomorphic conceptualisation would thus increase branding effectiveness.

Finally, humans are most familiar with themselves and have a natural tendency to model abstract concepts around their body (Danesi 2004). Since anthropomorphic metaphors are natural (Domizlaff 1992; Guthrie 1997), universal (Brown 1991), and applicable across cultures (Guthrie 1997), the personified brand conceptualisation would lend itself to cross cultural research, education and global marketing initiatives.

**Conclusion**

Buyers and sellers exist in the same space, inevitably linked. Early tradesmen understood this, gaining consumer preference by being solid members of the local community. However, today’s global corporations lack geographic attachment. This has allowed some of them to engage in detrimental practices, evading responsibility by hiding behind the brands that make up their corporate structure (Holt 2002).

Viewing brands as if they were individuals, including a moral personhood, could be a way of bringing the anonymous corporate brand back full circle to its early tradesmen roots, something already under way as consumers increasingly support brands that prove themselves solid members of the community (Holt 2002). Brands thus need to regain attachment and become local brands, used and co-created by community stakeholders (Brown et al. 2003).

The brand as a person would not only make brands directly accountable for the effects they had on society. It would also provide more familiar parameters with which to gauge the values and behaviours of brands, and give consumers and regulators someone/something concrete and more tangible to target in case of transgressions. Such a conceptualisation would also benefit branding theory and research, educational, and the branding efforts of practitioners.

It might seem difficult for people to learn how to be more ethical as they already have engrained sets of values (Miller and Miller 1976). But ethics can be taught and developed (Weber 1990) with newly acquired values steering people towards proper courses of action (Ferrell and Gresham 1985). Marketing constructs should be sufficiently simple to be easily understood and applied by academics and practitioners (Sheth et al. 1988). However, the excessive simplification of constructs is also counterproductive as their mechanical understanding and application is not sustainable in the long run (Lawson and Wooliscroft 2004). The proposed re-conceptualisation of brand as anthropomorphic systems offers a balanced alternative in which the richness and comprehensiveness of the systems approach (Ackoff 1971; Von Bertalanffy 1950) is combined with the accessibility and universality of anthropomorphic metaphorical language (Lakoff and Johnson 1980).

Finally, if the personification of corporations can be a legal/philosophical topic extensively discussed in journals and books, there is no reason not to start thinking and writing about brands from an
anthropomorphic perspective. Protagoras’ *homo mensura* doctrine, in “which man is the measure of all things” (Kattsoff 1953) might even be the basis for a comprehensive branding model in which brands and their different anthropomorphised constructs are all integrated into a coherent whole.

References:


Exploring the Influence of Consumer Culture on Prestige-Seeking Consumption: A Three Generation Perspective

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This paper attempts to explore the influence of consumer culture on prestige-seeking consumption from a three generation perspective in Turkish society. Firstly, the possible occasions and antecedents of the rise in material consumption in Turkey are summarized and then the different prestige meaning associations of generations obtained by the exploratory study are presented. The preliminary findings show that the older generation defined prestige as a status achieved mainly by personal values, and younger generations tend to gain prestige mostly through material possessions.

Introduction

The prevailing belief of “anybody could be anything merely by donning the right outfit or car or style” (Schor and Holt 2000, p. xvii) in contemporary society is increasing the value and importance that consumers attach to material objects. Products consumed in everyday life are believed to serve as indicators of conformation to other people that one emulates or seeks to be accepted by (Auty and Elliott 2001; Holt, 1995) or as markers of being different from others (Mandel, Petrova, and Cialdini 2006). It is also thought that a person’s possessions “serve to signal the owner’s values to others” (Richins 1994). At the same time, many assume that it is possible to improve one’s position in a society merely by consuming status-conveying products, in other words, prestige brands (Eastman, Goldsmith and Flynn 1999).

Although many scholars have studied the prestige-seeking consumption concerning diverse cultural contexts (e.g., Chaudhuri and Majumdar 2006; Dubois and Duquesne 1993; Ger and Belk 1999; Heaney et al. 2005; Phau and Prendergast 2000; Wong and Ahuvia 1998), the globalization of consumer culture and its reflections on prestige-seeking consumption in transitional countries is one of the promising areas within the Consumer Culture Theory field that evokes a macro-level analysis (Arnould and Thompson 2005; Craig and Douglas 2006). Therefore, this study aims to explore the influence of consumer culture on prestige-seeking consumption from a three generation perspective.

Prestige-Seeking Consumption

Gaining prestige and status through the consumption of luxury and prestige brands has been the focus of many studies (e.g., Fan and Burton 2002; Vigneron and Johnson 1999: 2004). For instance, Fan and Burton (2002) examined students’ perceptions of status goods and found that perception of what constitutes status goods vary according to socio-demographic characteristics such as age, gender, race, marital and working status, family size, living arrangement, income and student’s major. They have demonstrated that older, married students who are at a later stage of their life-cycles are less likely to consider “clothing” and “luxury car” as status conveying compared to their younger, unmarried counterparts. Later, Vigneron and Johnson (2004) focused on defining prestige consumption and proposed its dimensions as perceived conspicuousness, perceived uniqueness, perceived extended self, perceived hedonism, and perceived quality.

There are also many cultural and societal values oriented prestige consumptions researches (e.g., Barkow 1975; Chaudhuri and Majumdar 2006; Dubois and Duquesne 1993; Ger and Belk 1999; Heaney et al. 2005; Phau and Prendergast 2000; Wong and Ahuvia 1998). For instance, Barkow (1975) observed group-oriented prestige strategies of Chinese and Japanese consumers. Later, Heaney et al. (2005) explored the relation of status consumption with materialism and attention-to-social-comparison-information among
Malaysian consumers. Most recently, Chaudhuri and Majumdar (2006) investigated the changing conspicuous consumption patterns in the context of the transitional economy of India and underlined the importance of examining this concept in other developing Asian societies. Although the perceptions of status and prestige are associated with the rarity principle (Dubois and Paternault 1995), some researchers argue that the rarity principle that lies beneath the conspicuous consumption theories may differ from individualistic to collectivistic cultures. For example, Asia has a relatively collectivistic culture when compared to the US luxury market with a more individualistic nature (Phau and Prendergast 2000; Wong and Ahuvia 1998). In this respect, Phau and Prendergast (2000) argued that in Confucian cultures such as the Asian society, luxury brands are seen as the dominant determinants of social position and status due to their collectivistic structure and interdependent self-concepts in forms of conformity, and prestige will only be inflated instead of being eroded when the purchase level increases. A cross-cultural study conducted by Ger and Belk (1999) has demonstrated that many Turkish people acknowledge consumption for prestige in order to conform to society or to be comparable to Westerners. Although these studies stress the importance of culture on prestige consumption, there is still a need to explore how prestige-seeking consumptions are changed by the globalization of consumer culture, especially in developing countries (Arnould and Thompson, 2005; Craig and Douglas 2006).

Globalization of Consumer Culture and Turkey

Slater (1997, p.24) defines contemporary society “as materialistic, as a pecuniary culture based on money, concerned with 'having' to the exclusion of ‘being’, as commoditized, as hedonistic”. This modern culture is centralizing consumption and its values in people’s daily lives, and therefore plays significant roles in individuals’ identity formations and social interactions. For example, many consumers feeling “undifferentiated emotional hunger” (Cushman 1990) tend to have limitless desires for more material possessions as a way to reflect and extend their identity (Ahuvia 2005; Belk 1988) or to represent their societal positions (Schor 1998). This modern culture is becoming dominant in a growing number of countries mainly by the extension of commercial borders, the improvement of communication technologies, the enhancement of information sharing and the prevalence of Western images, symbols, ideas and values on globally shared media, simply by means of the globalization of consumer culture (Craig and Douglas 2006; Hopper 2007; Jafari 2007; Slater 1997). Since “culture is thought of as directly bound up with the pleasures and pressures of consumption” (Frow and Morris, 2000: 316), it is highly symbolized and presented by artifacts consumed in everyday life (Sojka and Tansuhaj 1995). Based on this, the globalization of consumer culture which enables the exchange of cultural meanings, symbols and values between diverse societies, especially between the West and rest of the world, seems to influence, change or reshape local cultures through material consumption (Nijman 1999). Therefore, examining the change of meanings and forms of material objects consumed in a specific culture over time may provide valuable insights about globalization of consumer culture and its manifestations on consumption (Craig and Douglas 2006). Moreover, the majority of earlier cultural studies considering globalization and consumer behavior incorporated micro perspectives (Cornwell and Drennan 2004) and thus ignored areas of research that have implications for society at large (Peterson 2006). As a result, this paper employs a three generational perspective in exploring the influence of consumer culture on prestige-seeking consumption in Western Turkey.

The evolution of consumer culture in Turkey can be traced to 1950s when the American lifestyle was intensively promoted in Turkish society mainly by the mass media (Aydemir 2006; Bıçakçı 2008; Gungör 2005) During this period, American and other foreign brands’ consumer durables such as refrigerators, washing machines and television, as well as other goods that improve the quality of people’s lives penetrate into the market and these later became as a necessary part of modern social life. Remarkably, these durable consumer goods were displayed as symbols of social status (Bıçakçı 2008). The desire for material consumption spread all over the country. The belief that materialism tends to be higher in countries where people are exposed to high level of advertising (Larsen, Sirgy and Wright 1999) seems to be a supporting argument of this cultural change. After 1980 Turkey became an important market for the global economy as imports overtook exports. The new economic case and the proliferation of Western culture led to the formation of a new social structure; a consumer culture dominated middle class (Bıçakçı 2008; Ustuner and Holt 2007). These consumers started to internalize the material lifestyle of seeking higher status through
consumption. In the 21st century, Turkish society is increasingly affected by the consumer culture spreading through the whole world (Kongar 2002). Consequently, the status and prestige gained by material objects, possessions and achievement of personal goals are appreciated whereas other predominant traditional values such as altruism and collectivism have began to lose importance in society (Ozerkmen 2005). According to Rawwas et al. (2005) this is because Turkish culture is moving closer to Western countries.

Methodology

Since this study focuses on exploring how the values and domains of the prestige brand consumption are changed by consumer culture from a generational perspective, exploratory research was conducted across three generations in western Turkey. An inquiry of a qualitative nature within the generational and cultural context is expected to bring further understanding of consumption behaviors, that is to say, prestige brand consumption, in the field of consumer research (Denzin 2001). During data collection and analysis, the study followed the principles and guidelines of grounded theory (Spiggle 1994). In this respect, 12 unstructured in-depth interviews were conducted with 7 female and 5 male volunteer acquaintances, family members, friends or referrals by these. Most importantly, all informants were selected from the age range 20 to 65 years old. It is assumed that the three generations, presented by age ranges 20-25, 26-45 and 46-65, experience the globalization of consumer culture differently and so are expected to have varying prestige brand consumption values and practices. The length of interviews ranged from forty to sixty minutes, and all of which were tape recorded. All interviews were conducted in the homes of participants, and with only the participant and researcher present. The next session will provide preliminary research findings with some brief verbatim interview transcripts of some participants.

Findings

Preliminary findings reveal that although participants of different age groups associated prestige meaning with status, the way they prefer to achieve status were different. The research finding indicates that the older generation, 46 to 65 years old, defined prestige as status achieved mainly by personal values. On the other hand, younger generations tend to gain prestige mostly through material possessions.

Prestige is status, reputability; being valued by people. If people value your thoughts, take your advice, take you as an example, you have prestige then (Female, age of 58).

When I was young there were no brands, what was prestigious? The fabrics and the silk, for example. We had silk dresses for the weddings of our family members. When the color TVs first came to Turkey, we bought one, it was very prestigious (Female, age of 65).

Prestige is an individual or object which is admired and overrated by people and is seen as respected and different by people. They also have certain characteristics that people rarely posses (Female, age of 44)

Prestige is being valued, respected and recognized by the society. Being successful is prestigious but also I can give you examples of prestigious things that I own: my Mercedes, my house, my summer house, the firm that I work for (Male, age of 52).

Prestige is prestigious goods. For example my Louis Vuitton handbag is one of the prestigious goods that I have. It is very expensive and most of the people can not afford it, so it is highly prestigious for me (Female, age of 22).

In my opinion, prestige means brand. Zara and Lacoste are prestigious brands. My Adidas watch is a prestigious product for me (Male, age of 22).

Prestige reminds me of certain brands like Rolex watches, Nokia cell phone. I have a prestigious watch; it’s a Swatch (Female, age of 20).
Prestige is wearing high quality brands, owning sports car and highest technology materials (Male, age of 20).

Many older participants cited prestigious products they owned, such as dresses they wore on special occasions such as weddings of family members. In contrast, younger participants expressed several different material product forms ranging from watches, cellular phones, hand bags or mp3 players as the products that they purchased to achieve prestige. In other words, as younger generations learn and adopt the norms and values of the consumer culture and become more materialistic, they prefer to satisfy their status or prestige needs through consumption of prestigious goods, and hence this prestige-seeking oriented approach embrace consumption of various product categories. Although types of prestigious possession are varied, the features they have in common were being highly visible and having relatively high cost. (Richins 1994). When we consider the development and evaluation of consumer culture in Turkey, these results are not surprising. It was not until 1950s when Turkish consumers first encountered foreign brands, which were mainly consumer durables and house related appliances. It may be argued that this is the reason for older interviewers tending to have less prestige brand consumption focused only on specific forms. As, the Turkish economy globalized and communication systems improved, many worldwide brands conveying prestige and status entered in the country and values of Western lifestyles become part of nation’s culture. Therefore with the spread of consumption culture over the country, prestige brand consumption became more meaningful and began to show itself in a greater variety of consumer goods.

Discussion

In this three generation perspective research, the impacts of consumer culture on prestige-seeking consumption have been explored. The preliminary findings indicate that meanings, values and domains of prestige-seeking consumption differ among generations. Exposure to global media and foreign brands in the process of learning and adopting the global consumer culture from Western countries appear to be some of the prominent explanations behind these differences. These research findings encourage the more detailed examination of relationship between consumer culture and prestige-seeking consumption in a generational perspective. For instance, a recently developed multidimensional scale for measuring acculturation to global consumer culture (AGCC) by Cleveland and Laroche (2007) may be used in searching the influence of AGCC on specific consumer behavior context, such as luxury goods, and hence this multidimensional scale may embrace consumption in a greater variety of consumer goods.

References


Thought-Provoking Impacts of Prestige Brand Consumption on Society: An Exploratory Study in Western Turkey

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This study, through a qualitative inquiry, highlights the influences of marketing on society by exploring the thought-provoking impacts of prestige brand consumption in the context of cellular phone usage. Accordingly, this paper firstly focuses on understanding what motivates people to consume prestige brand products, that is to say cellular phones, and then explores what may be the potential influences of this consumption on society. The key research findings stress that building social blocs by brands, promoting materialism as a virtue, and motivating for health sacrifices are some of the thought-provoking impacts that prestige brand consumption may have on society.

Introduction

“The notion of ‘consumer culture’ implies that, in the modern world, core social practices and cultural values, ideas, aspirations and identities are defined and oriented in relation to consumption rather than to other social dimensions such as work or citizenship, religious cosmology or military role” (Slater, 1997, p.24).

The emergence of a new type of social life, centralizing consumption and its values, is evolving in the modern world where everything can be commercialized. This extension of commercial borders including the daily lives, identities and social relations of consumers (Slater 1997), is reorganizing the core values of the merit system in consumer society. In the line with this transformation, consumers tend to believe that “anybody could be anything merely by donning the right outfit or car or style” (Schor and Holt 2000, p. xvii). The things they consume can make them see themselves, for instance, more successful, more powerful, more special and more prestigious regardless of whom they actually are. The material objects purchased are not only believed to represent their actual status but also supposed to be a way to reach their desired positions in a society (e.g., Burroughs and Rindfleisch 2002; Eastman, Goldsmith, and Flynn 1999; Fitzmaurice and Comegys 2006; Mason 1992). Although the wealthy once consumed to display income, and wealth was mainly a practice of the leisure class (Veblen 1899), today the notion of conspicuous consumption can be attributed to all social levels where consuming is associated with status or prosperity. For instance, regardless of their economic status, more and more, middle class consumers are willing to spend more money to buy luxury goods to enhance their social standings, to be perceived as wealthy and to differentiate themselves from others (Mandel, Petrova, and Cialdini 2006). One of the basic criticisms to this modern consumption culture, which is thought to be mainly developed and affected by the rise in materialism, is that it “destroys collective values (appropriate collective values differ by critique) and hinders the serious consideration of issues in the public domain” (Dröge et al. 1993, p.33). Consequently, the societal consequences of consumption of goods assigned excess meanings beyond satisfying basic needs, such as weakening traditional social, family, and cultural values (Dröge et al. 1993) seems to need further analysis. Because, the impact of marketing practices on society in terms of the moral aspects of consumption is one promising area of marketing that evokes a macro-level analysis (Arnould and Thompson
2005; Layton and Grossbart 2006; Thompson 1995). Lacziak and Murphy (2006) proposed seven broader moral dimensions of marketing that should be understood and considered to improve its ethical role on society. Accordingly, all marketing organizations are strongly suggested to understand their societal impacts of their activities not only in short run but also in long terms and hence to serve for the benefits of the society. Similarly, in reaching ethical behaviors, marketers are advised to consider all aspects of their practices such as the actual consequences of their actions as well as their intentions about what they want to happen. Therefore, this paper firstly aims to understand what motivates people to consume prestige brand products, that is to say cellular phones, and then strives to explore what may be the moral challenges of prestige brand consumption on society.

**Prestige Brand Consumption**

In today’s global world, brands are playing significant roles in consumers’ lives by conveying symbolic meanings rather than functionality. The desire for obtaining status or social prestige from the acquisition and consumption of goods has resulted in the emergence of status brands. Status goods all have the feature of being either easily seen by others or easily talked about like clothing, luxury car, and furniture. Therefore it can be stated that visible goods are perceived as positional in social life (Carlsson et al. 2007; Chao and Schor 1998; Fan and Burton 2002). The focal commodity of our study, mobile phones, can inherently be counted as status goods due to having the attribute of easily seen by significant others.

While conspicuous consumption is defined as a wasteful and expensive consumption in order to enhance social prestige and signaling wealth (Chaudhuri and Majumdar 2006; Veblen 1899), prestige consumption can be associated with gaining social status via the acquisition of some certain brands. Thus, consumers differ in how much they seek to gain prestige by consuming status brands and the popularity of some brands can be explained by the extent which these brands ascribe status for their owners (Eastman et al. 1999). Remarkably, the desire for uniqueness has been predicated as one of the dimensions of prestige brand consumption along with the desire for conformity with others (e.g. Vigneron and Johnson 1999, 2004). Desire for uniqueness has been studied as one of the main motivations lying behind the prestige consumption. Invidious comparison (Veblen 1899) and snob effect (Leibenstein 1950) are the terms used for identifying the consumption patterns that refer to differentiating from the imitator members of lower class in order to show the uniqueness. Conforming to the behaviors of a group in order to affiliate to a higher social class has also influenced the consumption of prestige brands. Leibenstein (1950) explained the bandwagon effect as an increase in demand of a good due to imitation, which has the characteristics of conformity behavior and also fits with the pecuniary emulation of Veblen (1899).

Materialism has been searched as another aspect and, in the literature, materialists are identified as those who tend to link conspicuous consumption to the desire for display of success and to arouse the envy of others (Wong 1997). High materialist consumers are more conscious of design, beauty and other appearance features they own and hence they are more inclined to value and consume expensive objects that convey prestige (Richins 1994). Materialism and its connection to status consumption also have been studied in terms of cultural discrepancies (e.g., Heaney et al. 2005 Park et al. 2008; Wong and Ahuvia 1998). Although there are some other studies exploring the negative and positive effects of materialism on well-being and psychological health in relation with consumption (e.g., Belk 2005; Burroughs and Rindfleisch 2002; Van Boven 2005), there is still a need to further emphasize the negative influence of prestige brand consumption driven by materialistic values on individuals and society at large.
Methodology

Since this study explores consumer motivations concerning prestige brand consumption with a moral aspect, a collage research technique was used to achieve deeper insights of hidden or subconscious motives. With this regard, 18 college students living in Turkey, composed of 10 males and 8 females, were asked to create collages from magazines, newspapers or web pages illustrating anything they felt that could be used for representing prestige and prestige brands. Then, they were requested to write down briefly how these images represent their feelings and thoughts. Finally, they were asked to tell the reasons why they bought one of the prestige items they owned currently or in the past and how they felt, thought and acted before and after they bought it.

Once the collages and the written documents were collected from the informants, they were analyzed, categorized into main themes taking into account the previous literature for having a consistent conceptual framework (e.g., Silverman 2005; Thompson 1997). Preliminary analysis showed that one of the prominent items that the informants selected as prestigious was their cellular phones. This result is not surprising since a recent study conducted in Turkey examining the motives for cellular phone usage revealed that status is the most important motive among Turkish cellular phone users (Ozcan and Kocak 2003). Similarly, another study demonstrated that looking stylish, fashionable and having a phone as a status symbol are some of the motivations of cellular phone usage (Leung and Wei 2000). More recently, Dedeoglu (2004) indicated that symbolic factors such as prestige, pride and self-identity are influencing the usage of mobile telephones by Turkish consumers more than functional needs. While, according to LaRose (1999), a phone is an inseparable part of everyday life, the personal phone behavior and the underlying psychological and social needs have been largely overlooked. Thus, since many respondents listed their cellular phones as one of the prestige brands they had, the moral challenges of prestige brand consumption reexamined in the context of cellular phone consumption.

The data were collected in western Turkey, a developing country beginning to experience consumer culture intensively (Kongar 2002). Money and materialistic possessions have started to gain more value whereas traditional values such as identity and collectivism have started to lose importance in society (Ozerkmen 2005; Rawwas 2005). The younger generation of Turkey, composing nearly the twenty percent of the population (Sahin 2005), may be defined as the ones experiencing this change in the value system most drastically. Therefore, college students aged nineteen to twenty four, living in western part of Turkey, and being from the middle social class seem to be an appropriate sample to explore the moral challenges of prestige brand consumption.

Respondents belonging to middle class are taken into consideration in this study due to their contribution to growth, efficiency and the enrichment of a society through considerable amount of shopping. According to The Economist report (2009) especially the middle class in emerging markets buy more cars, use more mobile phones, travel more, and demand for improved health services, private schools and better public infrastructure. They are also more concerned about their self improvement and appearance.

It should be noted that due to the aim and qualitative nature of this study, research findings cannot be generalized to a larger population. The next section provides main findings of this research and supports them with previous prestige brand literature. Quotations also provide gender and age information of participants together with their pseudonyms.
Findings

The findings are organized under three key themes each presenting the meaning of prestige, the motivations of prestige brand consumption and the thought-provoking impacts of this consumption on society with some remarkable examples of participants’ collages in Figure 1.

Figure 1. Ozge’s, Ela’s and Emre’s Collages

Building Social Blocs by Brands

One of the major findings of this study is, in agreement with previous literature (e.g., Ahuvia 2005; Auty and Elliot 2001; Banister and Hogg 2004; Richins 1994), that participants defined their personal and social identities through their prestige brand possessions and experienced constant conflicts between their desires for conformity and uniqueness. The critical point here is to not forget that if possessions are too much extended to identity meanings and start to present identity on its own or become main tools for being part of a group, it will result in building social blocs constituted by consuming specific prestige brands.

In my opinion, prestige can mean a powerful person or brand names such as Rolex, Seiko, Ferrari and BMW. People see themselves more special while using these brands. Using them gives status to people. I used the picture of Motorola Silver phone, which is more expensive than the others because of the logo of Dolce Gabbana on it. People want to buy them to have more prestige and status... The reason that I bought my cell phone was other people’s phones around me. They were taking photos and sending them to each other via Bluetooth, and I also wanted to be able do these, but my phone was not equipped to do so. Before buying a new phone, I was feeling bad and more incomplete than my friends. Then I decided to buy a new phone which was the newest phone in the market. I wanted to have the most beautiful and the newest phone just to show it to the people around me. When I was entering to a café, class, hairdresser, or a bus, I was feeling good and felt that all people who had seen me with my phone think of me as a high class person (Esen, female, 20).

Prestige is a primary motivator and a marker of social status. Prestige is a word commonly used to describe success, power, wealth, social status and position. Many goods and services brands have prestige value, that is, they increase the status of consumers who own or use
them. A mobile phone is also one of the most important indicators of prestige, wealth and success. For example, if your mobile phone model or brand is lower than your friends’ phones, it depresses you and you feel stressed. So you have to buy a new mobile phone like theirs to not to be isolated or let’s say to be able to be with them (Emre, male, 20).

Esen was among the respondents who explicitly expressed the central role of her cellular phones in her life. Both Esen and Emre bought their phone because they had been feeling “incomplete” for the reason that their friends already had phones that could take pictures and send them through Bluetooth, which they did not have. The social comparison of their own possessions with their friends’ was one of the motivations to purchase their perceived prestige brand cellular phones (Mandel, Petrova, and Cialdini 2006). Their desires to be like others and to achieve a higher status in society were some of the other motives forcing them to buy those new phones (e.g., Ger and Belk 1999; Mason 1992). For instance, Emre believed that if he did not have a cellular phone similar to his friends’ phone model or brand, he would feel depressed and stressed and have to buy a new phone to be a member of his friends’ group. In addition, like Esen, many respondents stated that their phones were important for them since they were always with them either in their hands or in their pockets. According to her, buying the newest phone in the market made her a person different than who she had been before. In this case, consuming a prestige brand product was seen as the same with other things that makes people different from others such as education, heritage, denomination or profession (Borgmann 2000).

The literature demonstrates that desire for uniqueness is another underlying motivation behind prestige brand consumption (e.g., Banister and Hogg 2004; Fitzmaurice and Comegys 2006). In line with this view, Gaye and Ilker declared that they perceived their cell phones like a jewelry, which is neither easy to find nor easy to afford. Therefore, they thought that their cell phones could differentiate them from other people, since they were more valuable. In other words, being different than others was perceived as a commodity that can be bought. So, prestige brands were perceived as ends rather than means to serve uniqueness goals.

In my opinion, prestige means high standing of a person among the others; honor or esteem, in other words the level of respect that one is regarded by others, reputation, status. I think it is all about social status. People who can purchase these products have high status… My phone Vertu is an unusual, high class cell phone. There are not many Vertu stores in the world. You need to make appointments in advance. Having one gives a sense of preciousness just like the jewelry (Gaye, female, 19).

People want to feel different than others, be unique and capture attention. With the help of prestige brands people feel unique and different. They attract attention. When people see prestige products, they unconsciously think that person is more valuable than others… I have got a mobile phone of Nokia 8600 Luna. Mobile phones are not only used for talking. It is like a wrist watch or diamond. I chose this phone because it takes attention. When I use this phone, I feel unique because I know this cell phone is very expensive and everybody cannot afford it (Ilker, male, 21).

Promoting Materialism as a Virtue

The perceived importance of acquiring material possessions was another significant motivator of the prestige brand consumption of participants. In the cases of Ela and Özge, it can be understood that prestige brand consumption seems to promote materialism as a virtue.
Prestige is the ability of having opportunities to buy valuable things. Basically, it means living our lives with our own rules and looking as we wish by our money. It means to be unique and to be unique is very important for me in my whole life. As we know that our appearances and belongings show our status and make us different in a society. I think brands are the most effective way to show it. Prestige brands show that you are successful, powerful, and clever or coming from a high social class... The last prestigious item I bought was a brand new mobile phone. It is a member of Nokia N-Series, which Nokia itself introduces that series as a symbol of prestige. The members of that series are always more expensive than other typical phones. I also believe that cell phones play very important roles in our daily lives. I can personally say that it is always in my hand. I am ready to give lots of money for another new N-Series phone (Ela, female, 21).

Prestige is something difficult to obtain. It may take many years. It needs energy and creates a difference. Prestige begins with style and continues with brand image. We are not born with prestige but we can win it later... I saw that my friends were using Nokia, they were very happy and I decided to change my phone. I was very happy when I bought my phone, N72 Nokia. To celebrate, we went to a restaurant with my sister. I never had such a high quality phone before and so I was excited. I sent the pictures of that celebration to my friends. Oh my God, my messages were more expensive than the meal (Ozge, female, 22).

As Ela indicated, materialism is reconstructing the shared values in societies by replacing them with newly formed economic values (Ger and Belk 1999). Remarkably, “materialists are very aware of assessing the social meaning of consumer goods and also judging which goods are more effective at communicating certain meanings to others” (Fitzmaurice and Comegys 2006, p. 289). Thus, consumers are ready to give more money, time and effort to be able to buy and to display their materialistic possessions. Similarly, Ela believed that prestige brands determine which social class one belongs, overshadowing background, knowledge, personal beliefs and/or values.

Another salient point was that Ozge perceived her purchase of the mobile phone as a ritual to be celebrated and to be photographed to preserve a memory. Since the new phone symbolized her status change, a rite of passage from not having to having, she perceived the purchase as a ritual behavior (Rook 1985). Interestingly, what this young lady was celebrating was the improvement of her social status by means of consumption, not by a social achievement such as graduation from a prestigious university or recruitment to a prestigious job. Craig and Douglas (2006) argued that social rituals incorporating specific consumption practices and brands provide valuable insights about the natural culture and the diffusion of other cultures in a society. Slater (1997) also stressed that the dominant material culture centralizing consumption and materialistic values is changing the fundamental values of the merit system in consumer society. This transformation of core societal values supports the consumer perception that everything in life can be bought and consumed if commoditized. Thus, our study strives to highlight that prestige brand consumption seems to promote materialism as a virtue, ahead of other culturally shared values such as identity, work, citizenship or friendship.

Motivating for Health Sacrifices

In contemporary society which might be defined as “materialistic, as a pecuniary culture based on money, concerned with 'having' to the exclusion of 'being', as commoditized” (Slater 1997, p.24), consumers tend to believe that they need more things, and to gratify these needs, they need more money, and for that, they need to work more (Bauman 2007). Consequently, consumers are
becoming more materialistic as they continue to focus on earning and spending (Schor and Holt 2000) even at the expense of sacrificing their physical health.

Prestige is not gained easily. You need to pass over some levels and have to prove something to reach that position and name. In my opinion, telephone defines your prestige. For example, Nokia shows and prove its quality all over the world. All people desire it. When people use Nokia phones, all people near them look on painfully because it is higher than their status… 2 years ago I wanted to buy a new cell phone but I did not have enough money. At first, I said I could not buy it. Then, two weeks later, because I wanted it so much and had to buy it, I decided to save money. I limited my food consumption for two weeks. I also took some money from my parents and bought it. I always use my phone and look at it. Since I have bought the phone I am very happy. At that time, that phone brand was very popular so everybody wanted to have a look at it. They liked it so much. When the phone rang and rang again I felt so happy (Umut, male, 21).

Umut expressed that he had eaten less to save money for being able to buy his desired phone, which could grant him the status he desired among his significant others. It can be understood that he perceived prestige as something which could be materialized and bought with money. This eventually raises our concluding query about the challenging impacts of prestige brand consumption on marketing in general, and on society: Is it right that people sacrifice even from their food, just to be able to buy that prestige brands or that material image to be as popular as others? Is it socially responsible that marketing is promoting consumption, especially prestige brand consumption as a virtue, substituting other shared values? These questions also bring forth another question: where does the moral obligation of a firm actually start and end? In other words, as companies “have we gone too far in pursuit of the almighty dollar, to the detriment of our families, communities, and natural environment?” (Schor and Holt 2000, p.vii).

Conclusion

The dominance of consumption and the commoditization of everything in social life lead to insatiable and limitless needs and desires for consumers in the modern world (Slater, 1997). This contemporary social world-view is encouraging global citizens not to hesitate to display their prosperity so their social class (Zukin and Maguire 2004). It can be seen that more consumers are seeking prestige and status by means of consuming and displaying prestige conveying brands. Therefore, this study aims to develop a deeper understanding of the influences of marketing on society in terms of prestige brand consumption by conducting a collage research technique. Our findings have designated the existence of some thought-provoking impacts of prestige brand consumption which can be stated as building social blocs by brands, promoting materialism as a virtue, and motivating for unhealthy sacrifice. In conclusion, this study highlights the importance of examining the influences of marketing systems on society, stated by Peterson (2006), to better understand what should be done to reach ethical behaviors in marketing practices (Laczniak and Murphy 2006).

Due to the fact that prestige meanings and influences exposed can vary across different age groups, the application of collage research technique only to the college students can be seen as a limitation. Future studies can enhance and deepen these findings by searching the potential impacts of prestige brand consumption on society with participants from diverse age ranges. Similarly, since the aim of this study is to understand the phenomenon, the research results cannot be generalized. Finally, prestige seeking consumers can identify lots of product types and brands that convey status.
Therefore, instead of using cell-phones, different perceived prestige conveying goods can also be investigated as focal objects in researches.

References


Brand Communities and Addiction in the “World of Warcraft”

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Brand communities provide many benefits to consumers in a (post)modern society. However, it is possible that some members of brand communities might become addicted to the brand at the centre of the community. Addiction can have a severe, negative impact on the individual, those surrounding them and society at large. This exploratory study investigates the relationship between brand communities and addiction, by exploring the experiences of addicted consumers and those that are not, within a community of gamers highly involved in World of Warcraft, an online multiplayer role-playing game built in a fantasy setting. The study reveals not only that creative products, such as online games, can form the basis of a brand community but that they can also be addictive. Brand communities play an important, but fairly complex role in addiction, and therefore can have a negative impact on individuals and society at large.

Introduction

In consumer societies, people can build and share a set of social relationships around a brand that they use and/or admire. Creative products, from classical music to multiplayer online role-playing games (online games), are often the focus of these “brand communities” (Muniz and O’Guinn 2001). In current conceptualisations, brand communities are consumption context specific and therefore have little impact on the rest of the consumers’ life. “Brand community members enjoy a fragmented and mono dimensional relationship within the community that does not impact on their external lives (except in the event of more fanatical members)” (Burgh-Woodman and Brace-Govan 2007, 204). However, as implied in the quote, some members of brand communities might become fanatical about the brand at the centre of the community. A fanatic has been defined by Thorne and Bruner (2006, 53) as “a person with an overwhelming liking or interest in a particular person, group, trend, artwork or idea that exhibits extremem behaviour viewed by others as dysfunctional and violating social conventions”. These extreme behaviours are often characterised as compulsive, excessive and/or addictive.

Addiction does have a, sometimes very severe impact on individuals concerned, those around them and society at large (Hirschman 1992, Scherhorn 1990). Over the past two decades, researchers have closely studied addiction, and have analysed it from many different angles. Many studies document addiction to substances (e.g. Hirschman 1992, Lou, Abdel-Ghany and Ogawa 2003). However, addiction is not limited to naturally addictive substances, as regular everyday activities can also become addictive (Becker and Murphy 1988). Previous research on online games suggests that addiction is a very real concern for some consumers of online games (Chappell, Eatough, Davies and Griffiths 2006, Wood and Griffiths 2007).

Not many studies have taken into account the effect of brand communities on addiction. As brand communities are a consumption specific form of community, exploration of this topic will provide insights into the impact of markets and consumption practices on individuals and society. This study investigates the relationship between brand communities and addiction, by exploring the experiences of addicted consumers and those that are not, within a community of gamers highly involved in World of Warcraft, an online multiplayer role-playing game built in a fantasy setting. This study addresses the following questions:

1. can consumers in this World of Warcraft community be characterised as a brand community?
2. are any of the brand community members addicted to the World of Warcraft?
3. what role does the brand community play in its members addiction to World of Warcraft?
Brand Communities and Addiction

Muniz and O’Guinn (2001) define a brand community as a “specialised, non-geographically bound community, based on a set structure of admirers of a brand. It is specialised because at its center is a branded good or service. Like other communities, it is marked by shared consciousness, rituals and traditions, and a sense of moral responsibility. Each of these qualities is, however, situated within a commercial and mass-mediated ethos, and has its own particular expression” (p412). Since Muniz and O’Guinn’s (2001) seminal article, the idea of brand community has attracted considerable interest in the marketing literature (e.g. Algesheimer, Dholakia and Herrman 2005, Bagozzi and Dholakia 2006, Cova and Price 2006, Muniz and Shau 2005). One critical area of discussion that emerges is the distinction between brand communities and other types of community. Subcultures are one form of community that is often discussed in marketing literature in terms of consumption. However Burgh-Woodman and Brace-Govan (2007) demonstrate that while brand communities and subcultures may share some characteristics, there are also some important differences. Table 1 outlines the key attributes of subcultures, subcultures of consumption and brand communities.

<table>
<thead>
<tr>
<th>Subculture</th>
<th>Subculture of consumption</th>
<th>Brand community</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socially oriented</td>
<td>Socially oriented but social dynamics focus frequently on consumption</td>
<td>Commodity oriented</td>
</tr>
<tr>
<td>Experience based</td>
<td>Commodity based</td>
<td>Brand based</td>
</tr>
<tr>
<td>Escapist from mainstream norms</td>
<td>Operates within mainstream norms</td>
<td>Embraces mainstream norms</td>
</tr>
<tr>
<td>Globally practiced – that is participants move between geographic locations</td>
<td>Globally practised</td>
<td>Globally practiced but requires no movement</td>
</tr>
<tr>
<td>Participants communicate via many means</td>
<td>Participants communicate via many means</td>
<td>Participants communicate via electronic means</td>
</tr>
<tr>
<td>Activity precedes commercial interests</td>
<td>Activity requires commercial context</td>
<td>Activity requires commercial context</td>
</tr>
<tr>
<td>Activity exists outside of commercial interests</td>
<td>Activity is dominated by commercial interests</td>
<td>Activity is centred solely around commercial interests</td>
</tr>
<tr>
<td>Draws from a variety of inspirations</td>
<td>Draws from a variety of inspirations</td>
<td>Draws from singular inspiration</td>
</tr>
</tbody>
</table>

(Burgh-Woodman and Brace-Govan 2007)

Muniz and O’Guinn (2001) suggest that brand communities exhibit three traditional markers of communities: shared consciousness, rituals and traditions and a sense of moral responsibility. Each of these exists within a commercial and mass mediated ethos, whereas a subcultures shared consciousness, rituals and traditions and sense of moral responsibility tend to be present regardless of commercial interests. Another key difference is that subcultures are often positioned in counterpoint to prevailing cultural norms (Kozinets 2001) whereas brand communities often embrace mainstream culture (McAlexander, Schouten and Koening 2002).

Brand communities, like other forms of community, have both temporary and permanent effects on the members of the community. Viewed from the perspective of community-less (post)modernity, these effects are generally beneficial. Muniz and O’Guinn (2001) outlined three positive aspects of brand communities. Firstly, brand communities represent a form of consumer agency due to their collective nature, which technology and the ease of communication between brand community members enhances. Secondly,
brand communities represent an important source of information for members. Finally, in the same way that communal interaction generally provides wider, often affectual, social benefits to its members, so do brand communities. Members bond together through similarity and enjoyment of interaction (Davidson, McNeill and Ferguson 2007) and form friendships that extend beyond community events (McAlexander, Schouten and Koening2002).

However, not all influences of brand communities are positive (e.g. Algesheimer, Dholakia and Herrman 2005). In the opening paragraph, the quote by Burgh-Woodman and Brace-Govan (2007, 204) suggests that brand communities might have an impact beyond the normal boundaries of the community into everyday life for those “more fanatical members”. Muniz and O’Guinn (2001, 426), however positively they view brand communities, also acknowledge a potentially negative impact of brand communities: “sometimes community membership interferes with other social responsibilities, but this is only occasional”. Despite this acknowledgement, researchers have not yet fully explored the (potentially serious) negative impact on everyday life of brand community membership.

One form of consumption generally acknowledged as having negative consequences for individuals, their social groups and society at large, and which closely relates to the fanaticism referred to by Burgh-Woodman and Brace Govan (2007) is addiction.

Addiction is best defined, according to Scherhorn (1990), by Peele (1979, 296) “as an abnormal extension of dependence and of habit or, to put it another way, as pathological habit”. Addiction differs from compulsion through the source of the felt need. “Addictive behaviour runs out of control because of an over powering but initially welcome desire: compulsive behaviour, on the other hand, is controlled by an unwelcome pressure which the person experiences as alien to himself” (Scherhorn, 1990, 34). This has led a number of authors to conclude that addiction is a rational, rather than irrational act, in which individuals seek to increase the satisfaction gained through their consumption behaviour (Becker and Murphy 1988, Elliott 1994, Lou, Abdel-Ghany and Ogawa 2003). Addicts understand there are future consequences, but they trade these for instant gratification (Lou, Abdel-Ghany and Ogawa 2003).

The obvious short-term effect of addiction is an increase in satisfaction, happiness and fulfilment (Elliott 1994). However, as the addict attempts to increase satisfaction by consuming more (Becker and Murphy 1988) and the addiction spirals out of control, more negative, long-term effects manifest themselves. These range from physiological damage to the human body to psychological instability (Hirschman 1992) to aberrant behaviour leading to loss of relationships and employment (Chappell et al 2006) which in turn negatively affect those around the addict and even society at large. There is a possibility that the addict feels guilty about giving in to an addiction and tries to change that negative feeling through increased consumption thus creating a vicious cycle of addiction (Faber and Christensen 1996, Scherhorn 1990) or the development of another addiction (Pacula 1997). Many of the psychological and personal effects are common among different addictions regardless of whether the addiction is of a chemical nature or not (Chapell et al. 2006, Hirschman 1992).

Past research has identified many causes of addiction (Chappell et al 2006, Elliott 1994, Scherhorn 1990). Addiction can occur for physiological, psychological or sociological reasons (Faber and Christensen 1996). For example, Faber and Christensen (1996) determined that addiction is often a result of the need to escape negative feelings and modify moods. Although the psychological factors mentioned above are essential part of addiction, sociological factors are just as important. Addiction is also a “learned adaptive behaviour” (Elliott 1994, 161) that is brought about by environmental factors. Elliott (1994) argues that biological factors may cause addiction, but social factors drive its continuation. Addiction forms as a result of attempts to escape an uncomfortable social environment (Scherhorn 1990). Wood and Griffiths (2007, 142) agree with this stating that “any activity has the capacity to be either arousing and/or relaxing, and that can allow the person to be distracted from their normal lives, is likely to be participated in excessively by some individuals.”
There are a number of overlaps between the benefits provided by brand communities and the drivers of addiction. Brand communities are places where members feel happier because of the bonds and common traits they share with each other (Davidson, McNeill and Ferguson 2007; Muniz and O’Guinn 2001). Members of brand communities often see themselves as alienated from society and find that interaction with other community members is a refuge from the pressures of society. Thus, brand communities may fulfill the need to escape an uncomfortable social situation. Addicts can sometimes feel their lives are chaotic and in their attempts to feel at ease, they take solace in the predictability of their addiction (Scherhorn 1990). Brand communities are an ideal place to find predictability. Members of communities know what to expect from their fellow members and the brand. The rituals, traditions and meanings shared within the brand community could provide the degree of predictability they desire. Given these links, this study explores the relationship between brand communities and addictive consumption.

Methodology

Research conducted on both brand communities and addictive behaviour has shown that interpretive approaches are the most suitable method for gathering data on these topics (Hirschman 1992, Muniz and O’Guinn 2001). Therefore, this exploratory study uses a combination of personal and focus group interviews and observation in order to investigate the behaviours, thoughts and feelings of both addicted and non-addicted members of a World of Warcraft brand community and to discover how the brand community surrounding the game affected the addicted members experiences. World of Warcraft is an online, multiplayer, role playing game.

In total, nine individuals participated in the study, conducted in the United Arab Emirates. All are male university students. A personal contact of the researchers, who is a member of the World of Warcraft brand community, was the initial contact and the snowballing technique used to find the remaining eight participants. Consequently, all participants in this research know each other and sometimes meet in their daily lives as well as in the World of Warcraft. Thus this brand community exists in both the online and offline environment. It is important to note however, that most offline interaction centres on World of Warcraft with participants meeting to play the game in the same physical environment. Among the respondents, four self-identified and/or provided data that indicated addictive behaviour at some point during their time as a consumer of World of Warcraft. Rather than using quantitative indications of addiction (e.g. number of hours spent playing), a number of interview questions were specifically designed, based on existing literature, to capture evidence of addiction. For example, asking “Have you ever stopped playing the game for a long period of time? Did you think about it while you were not playing?” is insightful, as Young (2004) suggests that preoccupation is an important aspect of addiction. Thus addiction is defined here as playing heavily and demonstrating the psychological characteristics of addiction, such as a disregard for consequences. Some respondents, although not addicted, played heavily and averaged approximately 35 hours a week of game time.

A total of nine personal interviews and one group discussion provided data. The purpose of the personal interviews was primarily to gain insight into the personal thoughts, feelings and experiences of players in the World of Warcraft brand community, focusing particularly on addictive behaviour either of the participant themselves, and/or within the brand community. The focus of the group discussion was on the brand community, how members view the community, and how the community views addiction. Both interviews followed a semi-structured, open-ended approach in order to explore consumption behaviour in relation to addiction and brand communities. One of the researchers observed several gaming sessions primarily at the Internet Café the group of players frequented, and asked questions about the world and the gamers experiences as events unfolded in the game.

Results and Discussion

The group of World of Warcraft gamers the participants belong to demonstrate the characteristics of a community. Firstly, participants identify themselves as ‘gamers’ who play World of Warcraft, which represents a shared consciousness. Gamers represent their identity through the screen names they use, and
observation indicated that participants preferred to call each other by their screen names when together offline. This suggests that their gaming identity is highly salient within their sense of self.

“One of the guys who lives in the network is...he is an invigilator there...he lives there, yeah. If you call him by his real name he won’t answer you. Call him [his screen name] and I’m sure he’ll answer”. (Hamad).

Secondly, a range of rituals and traditions play a significant role in consuming WoW. Many of these surround the formation and practice of the ‘guilds’, which are membership groups strategically formed within the game in order to achieve success in the game. The guild activities are rich in ritual and underpinned by the guilds value system and member hierarchy which manifest as structural elements within the game. One such example is the guilds’ recruiting processes. It is not easy to get into a guild and many guilds employ a recruiting process, as explained during the group discussion.

“When you join a guild, you make an application” (No’mann) “Like when you apply for a job, there is a website and everything” (Hamad)

Guilds only recruit players for positions that they need. For example, if a character that can heal other characters is needed, then the guild will only accept applications for healers. Once a guild accepts a player, they must uphold the value system of the guild, or risk being expelled. Following the guild’s systems allows members to form bonds, gain solidarity and create a group identity.

Thirdly and finally, participants discussed their sense of moral responsibility. This is manifest as a sense of obligation to take part in guild activities, primarily planned raids, in order to contribute to the success of the guild, and as a moral responsibility towards those indentified within the community as exhibiting the signs of addictive behaviour.

“I’m in the guild so it takes three hours to play and sometimes I have something to do and I have a raid, so it’s kind of hard. I can’t skip in the middle of a raid” (Bilal)

Community is therefore not only an attribute of the World of Warcraft games itself, but also a consequence of active participation. But what kind of community is this – subculture, culture of consumption or brand community? Referring to the criteria outlined in Table 1, the World of Warcraft community represented by these participants meets many of the brand community criteria. It is commodity oriented and brand based. The community forms because people are interested in playing World of Warcraft, as opposed to an alternative online game. Some of the participants explained how they initially tried World of Warcraft because of a loyalty to the previous Warcraft games.

“I’m an old school Warcraft fan. I played it since the first Warcraft game came out. The world is really nice. I love fantasy worlds and even the story line was nice. When they said it was a continuation of the old story, it was really appealing to me. Then I tried it and I liked it.” (Hussein)

Although the social element of the World of Warcraft experience is clearly important, the raison d’être for community members is to play World of Warcraft. The activities of this community require a commercial context and are centered solely around commercial interests. The World of Warcraft game forms the basis of this community, and the members of this community do not interact with each other within in any other online game. Similarly, the community draws from a singular inspiration – it is all about World of Warcraft. However, on some criteria this community moves towards a ‘culture of consumption’. This community is globally practiced and requires no movement and communication is via electronic means. This reflects the very nature of such an online game, but participants have formed a friendship that exists outside of World of Warcraft, meeting in person in various locations and communicating via a number of means. Thus, participants communicate via many means. Finally, this community operates within mainstream norms, as does a culture of consumption. Respondents talked of escaping everyday life through World of Warcraft and commented that people do not understand the attraction of online games. However,
they did also express that the mainstream was becoming more accepting, and that they were pleased this was happening, which reflects a desire to be considered mainstream, rather than apart from it.

“I think people are changing. Before they used to look at it as a pure game, just for kids. People’s perceptions are changing. It’s a type of entertainment. Instead of watching TV, you go play” (Hamad).

“They think “what the hell are you guys talking about?” Especially for people who have very little gaming experience and all. They think “what’s up with this”, they say “grow up, it’s a child’s game”. Now the masses have changed and accepted it. Not in this region, I’m talking in the western world” (No’man)

Overall, we can reasonably understand this community to be a brand community.

Some participants either exhibited addictive behaviour or recognised themselves as being addicted to World of Warcraft at some point in their lives. Four of the nine participants either identified themselves as addicts of World of Warcraft (No’man, Salem and Pasha) and/or provided data that suggested addiction (Mohammed). No’man has a quite developed view on his own, and others, personal responsibility for their addiction.

“It’s their personality, not just the game itself. I know a lot of people who got kicked out of Uni or transferred out. Very little people have managed to do both. It was very unfortunate. Every one had to realise his own personality, what works with him and what doesn’t work with him. Some people can juggle the academic and gaming, some people can’t do both. They end up the way they are now. Most of them have realised that now. They realise that that time in their life was a retarded time. To blame 70% on them and 30% on the game. The game helped them lose focus but they themselves were looking for a distraction. Getting addicted to something that ends is different than something that will never end. People who take it to the extreme can easily be called addicts. For a point in time, I was an addict but you wake up from that state and you focus on that life. Everyone has to know their personality and what he is capable of and what he is not capable of.” (No’man)

Although No’man suggests he was not always so in control of his behaviour:

“I knew I was going to mess up, but I kept on going. At that point in time, I just didn’t care.” (No’man)

Salem and Pasha both recognise their addictions through the severe negative consequences of their behaviour.

“They blame the game but still continue to play. …I had the same feeling. I almost left university and I though about playing the game. Then my friends made me come back to university. They talked to me for a long time. For half a day they talked to me about my future. And I thought about it.” (Salem)

“My GPA was 3.9. The semester I started, my GPA dropped to 2.3 or something. I got one D and the rest B-, C+, C-, in that range. I dropped from A to B-. So the next semester, I relaised that this thing is ruining my academic life so I stated managing my time. My time playing WOW was playing two hours, three hours a day. That’s the max I played. Interviewer: What is hard? At the beginning, yeah. You’re addicted, you want to play and any time you find some spare time, you immediately log on. But later on, it became easier.” (Pasha)

Mohammed never explicitly identifies himself as a World of Warcraft addict, however he provided data which suggests addiction. For example, the following quotes demonstrate regret, withdrawal behaviour and the negative consequences of behaviour.
“More than once, I felt it took up a lot of time and things happened which I regretted. That’s why I quit again now. I really need to focus on my life. I can’t take a chance of not going anywhere.” (Mohammed)

“I quit cold turkey. I’m join a new university.” (Mohammed)

“Me personally, I failed university and I got kicked out. I realised it was ruining my life even though I was saying ‘nah, that’s bullshit, nothing is running my life’. The I took a look back and started to stop, and start fresh.” (Mohammed)

As all participants were members of the same brand community, this means that all participants had had some experience with addiction at some point.

The participants discussed negative consequences of addiction. Within this particular group of participants, the main consequence was a drop in performance at university.

“There is a correlation between how your GPA goes down and the amount of time you spend on WoW.” (Pasha)

“You, like, screw up a semester and you screwed up because of a game!? You think about it and you need to realise there was a problem. It was a time period of three months” (No’man)

Gamers also gave up other activities to spend more time playing World of Warcraft.

“It affected a lot. It affected university, it affected sports. In the beginning, I was playing sports and playing, but after some time, I quit sport and was just playing.” (Salem)

Participants identified and discussed a number of causes of addiction, almost all of which were social and based around attempts to escape an uncomfortable environment. Mood modification is important, as gamers seek to overcome boredom and annoyance or other negative mood states. Participants discussed how this can become a vicious circle, as playing World of Warcraft made them feel bad for spending so much time on it, but that playing World of Warcraft was the most effective way of repairing the bad mood.

“At the time it was fun, but at the end I would get pissed off at myself ‘cause I didn’t do anything useful. I would feel bad but then I would just play. It’s an endless cycle” (Mohammed)

Closely linked to this is sensation seeking. This is a particularly potent cause as World of Warcraft draws people back as they discover that other activities are unable to provide the same sensations. These sensations can be quite extreme and outside of social norms, with two of the participants describing the pleasure of virtual killing in the World of Warcraft.

“You could kill other players and it makes you feel better.” (Salem)

“I would say it actually affected my mood. It either made me happy or a little depressed. You would get an unbelievable rush on the PVP side and kill people. Happy I play it, hungry I play it. It doesn’t matter.” (No’man)

Participants also talked of escaping everyday life and entering a world of fantasy. Feelings of entrapment and the inability to live up to significant others expectations drive the need for escape.

“It makes you forget. It immerses you into the game and makes you forget your problems.” (No’man)
“You go into a different world and you think about something that has nothing to do with real life and you just have fun, which is why this game is really addictive.” (Mohammed)

Those who were not considered to be addicts also recognised this benefit:

“Sometimes it’s a window to the outside. Out of your own world. You just go to battle grounds and fight. Sometimes you miss the game. For example if you haven’t played it for two or three days, you miss it. You want to log on, talk to some people, raid. It depends on your mood. Sometimes you don’t have anything to do so you log on and see what’s going on.” (Hussein)

One very interesting confounding influence discussed is the structure of the game itself, particularly the formation of community, in the form of ‘guilds’, within the game. The game’s creators have integrated co-operation into the game itself, as players need to form or join a guild in order to defeat certain enemies. These guilds, with their associated rituals, value systems and social hierarchies, exert pressure on individual guild members through consciousness of kind and sense of obligation, to continue playing and contributing to the guild’s success, as discussed earlier. If gamers did not take part in the various raids at the specified time, the guild would expel them. Thus, the community itself becomes one of the causes of World of Warcraft addiction

“In the beginning it was fun then it was, kind of serious. I joined a guild, I started raiding. It was timing, you had to attend the raid. If you didn’t attend then they take marks away from you” (Salem)

“It kind of takes time. I’m in the guild, so it takes three hours to play and sometimes I have something to do and I have a raid, so its kind of hard. I can’t skip in the middle of a raid” (Bilal).

“When I was raiding, I used to play in the guild. They had a schedule. They were saying ‘on these days, we’ll be raiding from this time until that time, and on these days you are free to do whatever you want. Eventually I got kicked out for non-attendance.” (Pasha)

However, it is this same community, through its sense of moral responsibility, which provides support to those identified as addicts. Some participants discussed modelling appropriate behaviour by deleting their character; and another discussed how his friends from the World of Warcraft community distracted him with other activities when he felt the desire to play World of Warcraft.

“If you’re spending all your time on World of Warcraft, you have to face the consequences. I feel bad for them. When I deleted my warrior, one of my friends was badly failing because of World of Warcraft. One of the reasons I deleted the game was to prove to myself that I can ditch World of Warcraft. I wanted to prove to myself that I could quit World of Warcraft whenever I want. I deleted my character to not only prove to myself but as an example for my friend” (Pasha)

“A lot of my friends were there for me and would never let me get bored” (Mohammed)

Conclusions

The results of this study indicate that products of the creative industries, such as online games, can form the basis of a brand community and can be addictive, despite not containing any psychoactive substances. Although exploratory in nature, the results suggest that brand communities do play a role in member’s addictions. The World of Warcraft brand community provides a safe and welcoming environment for individuals who feel alienated and are seeking the company of like-minded individuals. The rituals, traditions and shared meanings strengthen the bonds between the brand community’s members and the inherent features of the World of Warcraft game require ever-increasing amounts of time and dedication to the community.
In conclusion, this study demonstrates that scholars should reconsider the impact of brand communities on the lives of its members. In addition to the positive influences they offer in our (post)modern, consumption based society, brand communities can play an important, but fairly complex role in addiction and thus have a negative impact on both the individual and society at large.

References


Hummer: The H3 Model and the End of a Brand Icon?

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Over the last decade, the Hummer brand has gained iconic status in the U.S. based on its distinctive brand identity. With the introduction of the H3 in 2005, the Hummer’s status as a brand icon has been under question. This case study examines the Hummer as iconic brand when a line extension is introduced building upon Holt’s (2003, 2004) framework of cultural branding. A visual analysis of a particular print ad is presented using art historical/critical methods (Schroeder 2002) to decipher changes to the Hummer myth corresponding with the launch of the H3. Further interpretative analysis of the brand myth image is conducted using input from a group of car drivers who are relatively knowledgeable about the Hummer brand. The paper concludes with a brief discussion of the potential future of the Hummer brand and the implications for macromarketing.

Introduction: The Hummer Brand

Since the introduction of the Hummer H1 to the civilian marketplace in the 1990s to the more recent line extensions of the H2 SUV (sports utility vehicle) and H2 SUT (sport utility truck) models, the Hummer brand has possessed a unique, distinctive, instantly recognizable identity. With the introduction of the H3 model in 2005, Hummer attempted to further penetrate the marketplace and to compete with smaller model SUVs. This case study examines the Hummer brand as an iconic brand. Rather than examining the charismatic aesthetic of the brand based on television advertising, the Hummer brand myth will be analyzed through print advertising. The organization of the paper will be as follows. First, there will be a discussion of cultural branding and the iconic brand. Next, an overview of the brand myth and description of the Hummer H3 vehicle will be provided, including a market research consultant’s view of the Hummer and what it symbolizes to American consumers. Third, an interpretative analysis of the H3 model’s exterior aesthetics as depicted in the August 2005 issue of Esquire magazine will be will be presented according to the following elements found in artistic visual analysis research (Schroeder 2002): subject matter, form, medium, style, genre, and comparison. The account will be supplemented with discussion of the brand and interpretations of the ad by consumers. The paper concludes with a short discussion of the Hummer brand and its’ future status as an icon from a macromarketing perspective.

The Cultural Branding Process and the Hummer Identity Myth

Before exploring the Hummer brand myth, a brief overview of the terms cultural icon, identity myth, identity brand, and iconic brand will be provided based on Holt (2004). Paraphrasing dictionary definitions, a cultural icon is considered a person or object taken as a representative symbol of a culture or a movement, person or institution that is valued. Holt (2004) says “cultural icons are exemplary symbols that people accept as a shorthand to represent important ideas.” (p. 1) Holt (2004) argues that along with the advent of mid-19th century mass communication vehicles, the circulation of cultural icons has and continues to be an important economic activity for the culture industries (e.g., advertising, magazines). He goes on to state that studies of the culture industries in many social science disciplines suggest that icons represent identity myths that consumers utilize (in concert with or in opposition to) when addressing identity issues in their lives.

While there are multiple definitions of myth in the dictionary (and many approaches to studying myths, such as those advanced by Levi-Strauss, Joseph Campbell, Roland Barthes, just to name a few), the most common definition used by classists is that a myth is a socially powerful traditional story. An identity myth is a story that resolves cultural contradictions in a society. An identity brand is one that uses identity myths and which derives value from contributing to consumers’ identity expressions (i.e., identity value). Holt’s (2004) research shows that certain identity brands can operate as icons for consumers. An iconic
brand is an identity brand that approaches the identity value of a cultural icon. Brands develop a history when various stories coalesce among companies, culture industries, intermediaries (marketers), and consumers (including consumption communities). Iconic brands are those that have essentially become cultural icons, expressions of particular values held by many members of a culture, expressing collective desires and anxieties. To quote Holt (2004)

Iconic brands function like cultural activists, encouraging people to think differently about themselves. The most powerful brands are prescient, addressing the leading edges of cultural change. These brands don’t simply evoke benefits, personalities, or emotions. Rather, their myths prod people to reconsider accepted ideas about themselves. The value of a particular myth resides not in the myth itself, but in its alignment with society’s incipient identity desires. (p. 9)

According to Holt (2004), iconic brands embody cultural myths that help consumers constitute their identities. Iconic brands form, evolve and are sustained through time via what Holt (2004) defines as the cultural branding process. Holt’s (2004) cultural branding model is premised on the brand myth addressing an acute contradiction in society as related to a national ideology. Holt claims that successful brand myths perform the “right story, which is authentically grounded in the brand’s populist world, and is executed with a charismatic aesthetic.” (2004: 65). The brand myth is built from the populist world of cultural sources, often recycling images placed into circulation in other forms.

Sociologists and other cultural theorists have argued that the Hummer embodies myths existing in American culture (Cardenas and Gorman 2007, Miller 2007), but do not go so far to state that the brand is an icon. As noted above, there are many approaches to the study of myth, but for the purposes of this paper, the Hummer brand will be scrutinized under the lens of Holt’s (2004) work on iconic brands. We find that the Hummer brand is a fascinating example of an iconic brand whose identity value has been recently forged but which is so strong that the brand was able to extend to multiple line extensions and models. The H3 version of the brand in particular, while one might have assumed to be problematic, given that it was designed to compete within the mid-size SUV market, fits the brand myth very well, perhaps even cementing the cultural myth of the man of action within the automobile marketplace.

Hummer, introduced in 1991 as the civilian brand corresponding to the military brand known as Humvee reflected its time. [Note: The Humvee military vehicle that inspired the Hummer brand is owned and manufactured by AM General Corp., an Indiana firm that designed, engineered, and produced parts for military vehicles (Printz 2005), although General Motors bought the name and the marketing rights to the brand in 1999. The Hummer models are technically SUVs, sports utility vehicles, were created by Willys Jeep in 1940, and commissioned by the United States Army in 1983 to be a cross-country reconnaissance vehicle replacing the Jeep (Mieszkowski 2008, White 2005).

The introduction of the brand coincided with the first year of almost a decade of economic prosperity, the longest period of economic expansion in American history. On the other hand, the early 1990s was a period of downsizing, hard times, and recession in the United States. In 1991, violent crime in the United States reached its peak in history. Also in that year, the Soviet Union broke up – ending the cold war and the United States became the sole world superpower. Finally, in 1991, the Gulf War began. The Hummer, a militaristic-inspired SUV (Sports Utility Vehicle) seemed to tap into a cultural myth that Americans held dear in the early years of the 1990s and perhaps still do today. Since the 1980s, the SUV has been a dominant category in the U.S. automobile marketplace. This first vehicle, with the introduction of the H2 and H3 line extensions, became known as the H1 model. [See Appendix 1 for a brief description of the H1 and H2 models]

Hummer’s brand myth seems to be grounded in the national ideology that Holt (2004) terms the free-agent frontier celebrating heroic individual achievement, facing challenges with mental and physical
toughness. Existing in this ideology is the cultural contradiction that manhood via work is a joke. As with Holt’s (2004) examination of the Harley Davidson brand, the Hummer brand myth appears to expresses what Holt calls the man of action myth. This myth is enacted in the populist world though cultural references such as the Terminator films, and the Matrix films. The man of action myth was first discussed at length in terms of an idealized model of manhood for some American men who construct themselves as masculine by Holt and Thompson (2004). One of the triad of the masculinity models that the authors term heroic masculinity these consumers craft themselves as American heroes through everyday consumption practices. The man of action myth is highly praised in the mass culture discourse operating in the United States and is exemplified by the figures of President Ronald Reagan, Bill Gates, and film characters played by actors such as Arnold Schwarzenegger (Holt and Thompson 2004). The man of action myth embodies the rugged individualism of the rebel masculinity model with the responsibility to work on behalf of others of the breadwinner masculinity model. The man of action myth characterizes a man who is considered adventurous, exciting, potent, untamed, and who successfully defies the social status quo while contributing to the greater social good. Holt extended this idea of the man of action myth to a brand in his study of the repackaging of the Harley Davidson brand myth from that of the outlaw and reactionary gunfighter. He also argues that the transition of the brand from reactionary gunfighter to man of action linked physical domination to economic and military dominance.

While some of our learned colleagues would perhaps disagree, we believe the Hummer brand also draws upon and enacts the man of action myth. Our critics may argue that Holt (2004) says that identity brands are associated with aspirational figures and iconic brands are not, and that the Hummer is strongly associated with Arnold Schwarzenegger. While we agree that he is a strong figure being the first owner of the brand and being the first person to convert one of his Hummers to a hybrid vehicle, the brand transcends a single owner. Holt (2004) also argues that identity myths are set in populist worlds, often on the margins, and away from sources of power, and that the Hummer is set in the elite world of the rich and famous. While the brand is owned by celebrities and athletes, the brand, while being a niche brand, does not embody elitism. Prior work on the Hummer brand from an interpretive and/or ethnographic perspective suggests that the brand embodies the contradictions that characterize the man of action myth. For example, Luedicke and Giesler’s (2007) examination of the Hummer (H1 and H2) brand communities and of consumers who dislike the brand, locates the brand within a variety of cultural, legal, economic, ecological, and social positions. The first section of the piece focuses on the functional, aesthetics, political and social distinctions the Hummer community uses to differentiate themselves. It is through its functional characteristics (size as associated with road safety, and capabilities such as off-roading), aesthetics (shape, styling as associated with power, being conspicuous, and intimidation), politics (freedom of choice in vehicles), and social distinctions (masculinity, athleticism, economic success) that the Hummer brand community is shaped and reinforced. To quote from Luedicke and Giesler (2007)

Our study unveiled a group of ideological distinctions that signify the ideological foundations of the Hummer brand community. These distinctions are ‘off-road capability versus environmental irresponsibility,’ ‘positive attention versus selfish vanity,’ and ‘social superiority versus excessive overconsumption.’ Together with the physical symbolism of the branded products, we found these ideological distinctions to constitute a powerful set of cultural resources that provide individuals and groups with rich topics for discussion, reasons to socialize and argue and ideologies to identify with. The bivalent distinctions and their ongoing reproduction through brand-related communication also provide critics with material to perpetuate the opposite ideology, organizing protests, and taking aim at the community’s foundations. (p. 291)

In another study, Lukas (2007) proclaims values associated with Hummer (and its consumers) include individualism (choice), conformity (norms of consumer society), independence (work ethic), materialism, and power (American strength and patriotism). He also points out that these ideologies are also shared by the anti-Hummer groups. Taken together, this research points out the contradictions inherent in the brand. The Hummer brand embodies the man of action myth described in Holt and Thompson’s (2004) work. More on this topic will follow in later sections of this piece.
This brings the discussion to the Hummer brand to the introduction of the H3 in 2005. The introduction of the H3 received lots of attention in the media. This may be due in part to the entrenchment and reenactment of the man of action cultural myth in society, and how the Hummer brand spoke to the cultural anxieties of the current era. Myra Stark (2005) wrote that consumers of that time were caught in “the forces of change vs. the pull of the past.” Roper data from that period suggested that one half of the country felt that it was difficult to keep up with the amount and pace of change in America and they looked back to traditions for guidance and inspiration. Consumer confidence about the economy was on the rise – concerns about job losses, outsourcing, inflation, soaring energy prices and shortages were dominant. The U.S. was still involved militarily in Iraq, and concerns for personal safety – including terrorism and identity theft are paramount. The question is – did the H3 reflect these or other identity desires in American society? Certainly, the introduction of new line extension only two years after the introduction of the previous model reflected a feeling of the rapid pace of change. Also, a smaller vehicle was perceived a more fuel efficient but also large enough to provide a sense of power and safety while driving it. As Holt (2004) argued, success of the iconic brand depends how well the brand’s myth adjusts to cultural change or disruptions in terms of the nation’s ideology, adapting to a new myth. Overall, however, the Hummer brand myth engaged the cultural contradictions - social desires and anxieties of the late 20th and early 21st century.

The H3: Background

The H3 competed in the 1.7 unit sales per year in the midsize market consisting of brands such as: Toyota 4Runner, Chevrolet TrailBlazer, Jeep Grand Cherokee, Ford Explorer, Nissan Xterra, and Nissan Pathfinder, BMW X3, Mercedes-Benz ML 350, Liberty, Chevrolet TrailBlazer/GMC Envoy/Isuzu Ascender/Buick Rainier, Dodge Durango (Nauman 2005). The main competitors to the H3 were the Jeep Grand Cherokee, which sold 65,550 units in 2004 (Nauman 2005) and the Jeep Commander. Shortly after its release in the marketplace in May/June 2005, the H3 was selling 5,000 per month.

The H3 borrowed its architecture from the Chevrolet Colorado and GMC Canyon vehicles, but GM reported that less than 15% of the parts were common across all three vehicles (Garrett 2005). The major problem with the vehicle for automotive critics was the inline, 3.5 liter, 5 cylinder engine. For consumers, the vehicle sales suggested that they did not consider the vehicle to be underpowered as much as the reviewers. However, in 2007, GM replaced the engine with a 3.7 liter LLR that improved the performance of the H3.

The target consumer for the H3 was younger than the H2 – mid-30s, but the average age of the buyer was 42, the same as the H2. With the younger age group in mind, GM devoted a large portion of its promotional budget towards painted murals, and flip-book subway ads (digital projections arranged in sequence to feel like the moving train animates the pictures), and sponsorships (such as the NFL draft and a 2004 urban rap/rock group Black Eyed Peas music concert), in addition to traditional advertising venues (Greenberg 2005; Jackson 2004). Household income for the H3 consumer was projected to be $100,000 for dual income earners, and $75,000 for singles (Boe 2005; Jackson 2005; Krebs 2005). Women were supposed to be 40% of the H3 buyers, higher than for the H2, because the H3 offered the Hummer styling in a smaller sized vehicle (Hawkins, Jr. 2005; Jackson 2005). It was reported in late 2005, that early on 42% of H3 buyers were indeed women, but that figures had risen to 50% of buyers. (Walczak 2005). The H3 was no longer than the mid-size family sedan or station wagon and stood no taller than the average minivan (Brown 2005). GM predicted that 5-10% of consumers went off-road often; 50% of H3 buyers went off-road occasionally; and the remaining 40-45% of consumers wanted a safe vehicle for everyday driving (Durbin 2005). For the off-roaders, the capabilities of the H3 allowed it to roll over a 16 inch rock, ford over two feet of water, and climb a 60-degree grade (Garrett 2005). At the same time, the brand offered more fuel efficiency than the other Hummer models, getting 16 miles per gallon in the city and 19 miles per gallon on the highway (Glover 2005). The H3 was priced at $29,500-32,730 and up to $36,000 with options (Garrett 2005).

To come up with a design to appeal to this market, GM enlisted 481 consumers to participate in focus groups in June 2001 (Wells 2005). One of the outcomes of these focus groups was a redesign of the
exterior front to appear more sophisticated without losing the rugged look (Welch 2004). Holt (2004) mentions that he was unable to find and example of conventional consumer research that contributed to the building of an iconic brand. The Hummer H1, modeled after the Humvee may have become an iconic brand without consumer input. The question is – did the H3, which was premised on the existing Hummer brand but which is modified on the basis of focus group research maintain the brand identity? Commentators wrote that the H3 looked like a life-sized version of a child’s toy, the Tonka truck, and retained recognizable Hummer styling cues that made it appear wider than tall, and have a brick-like silhouette (Boe 2005; Ford 2005; Garrett 2005; Hill 2005; Mateja 2005; Nauman 2005). The distinctive features of the H3 included: the flat roof; slab sides; “grimacing,” “toothy,” 7 slot grille; slim, rectangular upright windows; round headlights inside square openings; fender flares; wide rear roof pillars; fog lamps; chunky door handles; oversized radial tires; and the rear spare tire on rear hatch door. These, as well as interior design elements were supposed to engender exhilaration, and the feeling of being in an indestructible mini tank, an impregnable pillbox (Glover 2005; Lehman 2005). Consumers were supposed to purchase an H3 in order to make a statement of domination, with gas mileage being secondary.

The exterior design of the H3 appeared to be the least “boxy” of all of the Hummer models. The shape of the vehicle was still based on a square or rectangle, but the edges of the vehicle were softer. The H3 was a very sleek looking vehicle. At first glance, it resembled other SUVs in the marketplace. Similar to the other Hummer vehicles, it was available in some primary colors with titles such as “victory red” and “shadow green metallic” and a couple of neutral options “birch white” and “boulder gray metallic.” The adventure package included on-road/off-road tires, and a fully locking electronic rear differential. The luxury package included leather trimmed seats, heated front seats, and a 6-disk CD changer and premium sound system. Consumers were also able to purchase both packages or create a customized package on the hummer web site – the H3x which featured chrome.

In 2008, a H3T model was introduced and similar to the H2 SUT, was based on the SUV model, but was a crew cab pickup truck. Only 692 units of the H3T model were sold in 2008.

Hummer’s Charismatic Aesthetic: Print Advertising

The Hummer brand enacted the myth through a variety of communications media. Holt (2004) writes that usually iconic brands have been built through the mass media, and particularly through television. This is true of the Hummer brand and other scholars have analyzed (Himberg 2007, Patton 2007) the Hummer television advertisements in great detail, but, in addition, the brand heavily utilized print advertising campaigns in addition to the other media mentioned above and product placement in movies, video games, books, and even ads for other products (Luedicke and Giesler 2007). We asked the question, is the brand myth strong enough to be found in print advertising?

While Hummer had a series of print ads in circulation (see Figure 1 below), in the interests of space and thoroughness, this analysis will focus on one particular H3 ad as an exemplar of how Hummer constructed and communicated its man of action brand myth (See Figure 1, upper left, print ad with orange background, and Figure 2).

While there are many approaches to analyzing ads, including using rhetoric (McQuarrie and Phillips 2008), we focused on the framework set forth by Schroeder (2002). According to Schroeder’s (2002) approach to interpreting advertising images based on visual cultural studies and art history, the analysis should begin with a detailed description of the advertisement in terms of subject matter and then to proceed to form, medium, style, genre and comparison.

Subject Matter

At the descriptive level, visual analysis using art historical methods may begin with subject matter (Schroeder 2002). According to Barrett (1996), subject matter includes identifying and typifying persons, objects, places, or events in a photograph. General Motor’s media strategy for the H3 was heavily oriented
towards outdoor, non-traditional outlets such as murals and flip-book subway ads. In addition, H3 ads appeared on television, including the sponsorship of the NFL draft on ESPN in June 2005, and in selected magazines, such as the glossy, alternative culture magazine Black Book. One interesting example of a magazine ad appeared in the 148 page August 2005 issue Esquire magazine. In this particular Esquire issue, a two-page ad (spread) was located on pages 44-45. Esquire is a magazine that targets urban, affluent, well-educated, career-focused, relationship oriented, culturally and socially aware, confident, emotionally mature, sophisticated men.

Figure 1: The Hummer print ads

![Image 1: The Hummer print ads]

Figure 2: Hummer H3 Ad

![Image 2: Hummer H3 Ad]

Set off against a bright orange background, the “boulder grey metallic” vehicle fills the page. The position of the vehicle on the page almost appears three dimensional. The left and rear sides of the vehicle are the most prominent on the page. It almost seems as if the H3 is backing off and out of the right page of the ad. The vehicle looks impenetrable—the windows and exterior mirror are tinted black. The orange color of the background, which in advertising texts, is noted for being the most “edible” color, evoking autumn, and warm feelings (Arens 2002) is striking and unusual for an automotive ad. It is clear that the advertisers are not interested in creating the link between nature and the off-road capabilities of the H3; instead, it is if the H3 was set off as a work of art. However, the H3 is not suspended artificially on the page, because the shadow underneath the car gives the appearance of grounding.

The copy in the bottom left side of the page set in reverse print (white letters on orange background). It reads in capital letters “SAME DNA. SMALLER CHROMOSOMES.” The next two lines, also in capitals, but in smaller font says “THE ALL-NEW MIDSIZE H3. LIVING UP TO THE OFF-ROAD REPUTATION HUMMER MADE FAMOUS. STARTING AT $29,500.* VEHICLE SHOWN $33,550.* HUMMER.COM”. The next lines state the disclaimer information in smaller, lighter white text. “*MSRP, TAX, TITLE, LICENSE, DEALER FEES AND OPTIONAL EQUIPMENT ARE EXTRA. 1.800.REAL.4WD. © GENERAL MOTORS CORPORATION. 2005.”

Form

Form is how the subject matter is presented, in this case, as a two-page ad. The orange background extends to the edge of the page (a bleed), which is thought to be make more of an impact than do ads with borders (Arens 2002). Tests of color in advertising illustrate that color is first used to attract attention and then to influence or persuade the viewer to investigate the ad further. Colors close to the yellow spectrum (including orange) provokes a physiological response that can increase a person’s respiration and pulse. This happens because yellow light rays have longer wave lengths that require more energy to process than do other colors that fall on the other position of the light spectrum, such as blue or violet. Bright red or orange provokes an emotional energizing reaction from humans.
Medium

Medium, in art historical terms is the material form of the object or image, in this case a color photograph. Specifically, the photograph is of the Hummer H3 vehicle that appears as a glossy reproduction in a man’s magazine. As noted previously, the vehicle appears highly stylized in the photograph, more akin to an art object, than to a machine designed to transport people from one place to another. The artificiality of the orange background, the posing of the vehicle in the center of the page with the left rear sides of the vehicle facing forward, signal the “art like” or almost sculptural quality of the object. Rather than highlighting the functional nature of the vehicle as a means of transportation, the photograph serves to offer the object as a thing of beauty to be gazed at and admired for its sleek looks.

Style

The resemblance of art to other pieces of art, works by an artist, movement, period, or location is what art historians refer to as style (Barrett 1996; Schroeder 2002). The H3 ad, because of the striking orange background, and object in the center of the visual field, may be compared to a 1957 painting by Jasper Johns titled “Flag on Orange Field.” In this painting, an American flag is painted on a bright orange background. The flag appears in the top center of the frame, not in the exact center, but it dominates the frame. Although the medium of the H3 ad and the Jasper John painting are different, there appears to be some resemblance between the two. Clearly, the use of an orange background to set off the objects was deliberate. The orange color clashes with the red color of outer stripes of the American flag. In the H3 ad, while the orange does not clash with the black/grey tones, it also does not complement them, but serves to draw attention to the vehicle.

While the designers of the ad may have not been aware of the resemblance to the Jasper John piece, it is interesting that the code of the Hummer, according to market researcher Cloitire Rapaille is strength, freedom, control, which may be said to be similar to the symbolism contained in the American flag. In fact, in one news report in 2003, a Hummer H2 SUV owner was quoted as saying “When I turn on the TV, I see wall-to-wall Humvees, and I’m proud.” He goes on to say “They’re (the troops) not out there driving Audi A4’s,” “I’m proud of my country, and I’m proud to be driving a product that is making a significant contribution” (Hakim 2003). Rick Schmidt, the founder of the International Hummer Owners Group was quoted in Gorman (2007) as stating “Those who deface a Hummer in words or deed deface the American Flag and what it stands for.”

Genre

Genre is the type of or category the art belongs to in art history. The most direct genre reference in the H3 ad is still life photography. Still life refers to a picture of inanimate objects. In painting, common still life subjects of the Dutch painters of the seventeenth century included vessels, food, books, and flowers. Jean Chardin (French, 1699-1769) is often held to be the most accomplished painter of still lifes. Chardin painted everyday objects such as earthenware vessels and food with attention to color, light, and texture. Still life photography takes the idea of still life painting into the medium of photography. The Hummer H3 ad is such an example. The vehicle in the ad is treated as if it is inanimate, although in reality, it is animate when driven.

Comparison

It is useful to compare things against each other in order to call attention to the uniqueness of each (Barnet 1997; Schroeder 2002) in art history. Examining the words in the H3 ad, the text is ripe with biological references – e.g., DNA, chromosomes. (Note: another execution of this ad used the tagline “Available in the petite section” – an obvious play on women’s clothing sizes in the United States.) The copy creates the connection between this smaller, polished vehicle and the larger, unfinished looking H1 Alpha. The reader does not need to see the inside of the vehicle to know that it is a Hummer. The off-road reference also reinforces the link between the Hummer identity and the H3. Known for off-road capabilities
because it is a four-wheel drive vehicle, and its’ use by the Red Cross in disaster areas, the 800 number completes the message. The slogan on the right side of the page strengthens the identity message – the Hummer is a unique vehicle.

**Summary: The H3 Print Ad and the Brand Myth**

The interpretation of the Hummer H3 print ad using visual analysis as described by Schroeder (2002) suggests that the ad is expressive of the Hummer brand myth. The symbolism of the brand is that of an (American) man of action - considered adventurous, exciting, potent, untamed, and who successfully defies the social status quo while contributing to the greater social good (off road capabilities and use by the Red Cross). But did this brand myth resonate with consumers?

Holt (2004) built a theory of cultural branding using case analysis informed by cultural studies. The previous discussion of Hummer’s brand myth is based on Holt’s (2004) approach. The interpretation of the H3 print ad as enacting the brand myth is based on Schroeder’s (2002) visual interpretative approach. Neither of these methods incorporates the consumer’s perspective into the analysis. In order to strengthen the case and visual interpretative analysis above, we examine the brand myth using input from consumers. In the next section, young car drivers in late 2005 interpret the ad expressing the Hummer myth, their preferences for and experiences with the product, and their knowledge of the Hummer brand and of automobiles in general.

**Consumers’ Interpretation of the Hummer Brand: The H3 Print Ad**

Drivers, 14 woman and 16 men, ages ranging from 20 to 42, with the average age being 23 with 6.6 years of driving experience viewed the Hummer H3 ad and answered questions both individually and members of focus groups on the Hummer brand. These individuals considered the Hummer H3 or similar vehicles to be an aspirational purchase, and for whom identity desires are strong. Prior to asking for their interpretations of the brand myth and the H3 ad, these participants filled out a brief questionnaire. The questionnaire was composed of a number of scales. These published scales were designed to measure constructs such as material values (centrality and happiness), materialism - post-materialism, involvement with automobiles as a product class, involvement as related to purchase certainty, involvement as related to expression of self, brand familiarity, and attitude towards the ad. The purpose of asking consumers to provide this information was to get a better profile of this small group of consumers, not to conduct a quantitative analysis using these scales. All of the scales appeared to exhibit validity as Cronbach’s alpha was calculated to be .76 and above for all of them.

The findings suggest that these consumers did not hold strong material values, but instead believed in belonging, self-expression and quality of life. They were not extremely involved with cars but did believe that cars are self-expressive products. They were relatively confident with their car purchases and were familiar with the Hummer brand. So what did they believe in terms of the Hummer brand myth?

Answering the question on the brand myth of Hummer, here is a sample of the descriptions provided by these consumers. Images from popular culture used in the brand myth discussion included a wrestler, a body builder, a self-made man, and a woman with big hair and makeup.

“The Hummer is one of those people who are always showing off or performing. Someone who needs all the attention – high maintenance! Also, Hummers always seem over the top, like women with big hair and too much makeup.”

“A powerful wrestler – someone who can dominate, and be a juggernaut over everything.”

“The Hummer brand would be a self made man, robust, strong, dominant, needs achievement and power.”
These brand myth descriptions seemed to suggest that consumers get the power and strength message that Clotaire Rapaille claims to lie underneath the Hummer brand. The images also resonate with the myth of the man of action.

Specific to the brand myth of the H3, the consumers included being young or little as part of the brand, entrepreneurship, and social responsibility:

“The new H3 is like a short bodybuilder. Not as much to see but still has power.”
“The H3 is like a little son who is a smaller version of its dad.”
“The little brother of a popular person, relying on brand affiliation to get by.”
“The H3 would be a young, up and coming athlete who was good at everything.”
“Less macho and buff than its bigger siblings (H1/H2).”
“The self made man that has more emotional intelligence.”
“The H3 is more environmentally friendly than the other models.”
“With the H3 you can be adventurous and save the world.”

These brand myth descriptions suggest that the H3 still fits within the identity myth of the Hummer line, and is associated with the man of action, marrying the the adventurous, exciting, potent, untamed qualities with contributing to the greater social good. Many of the informants used the word “softer” when answering this question – the H3 appeared to be softening the brand image of the Hummer. Although theses consumer seemed to have no problem reconciling or fitting the brand image of the H3 with the other Hummer models, the question that arose at the time was: how far can the Hummer brand image be extended (especially since GM was considering introducing an even smaller version of the brand which was tentatively called the H4)? Does the brand myth of the man of action have anything to do with size? Looks? It appears that the Hummer is premised on the idea of strength or power and that the H3 conforms to this brand myth while bringing style more to the forefront of the brand.

In response to the question, what do you think the ad is trying to say, these individuals agreed that the message of the ad was that the H3 was similar to the other Hummer brands in terms of power, off-road capabilities, quality, structure, luxury, and reliability, but that it was modern looking, midsise, and less expensive than the other Hummer models. One subject summed it up with the words – “A unique adventurous vehicle” and another said “stands out in a crowd.” Many drivers used the word “style” or “stylish” vehicle.

This analysis of the ad message corresponded with the previous interpretations of the ad, with the vehicle and copy reinforcing the connection between the previous models and the brand myth as a whole.

These individuals described the target market for the vehicle as young (ages 25-40) urban, professional business people, with an emphasis on women or families or male baby boomers. The informants also said that the H3 appealed to people who do not wish to drive a minivan.

The group interpretations proved to be similar, with an emphasis on people who liked to show off and are risk takers, but were primarily urban dwellers. These interpretations seemed to fit General Motor’s profile of target consumers, showing that not only was the ad effective at communicating the relationship between the H3 and the other models, but it also worked to signal the intended target market.

Two thirds of the respondents liked the ad and termed it “simple and attractive,” and liked the angle that the vehicle was shot at that suggested “ruggedness.” Suggested improvements included: making the vehicle appear smaller, using a more realistic outdoor scene as background, including more information on the features or perhaps on the interior. One female driver commented that “The background color reminds me of those orange prison jumpsuits” and was turned off by the color and thus the ad itself.
It seems that the orange color did provoke emotional reactions from consumers whether positive or negative. Using another color scheme, perhaps with a more realistic background may not have engendered such an attention getting response as was done in other ads (see Figure 1).

Discussion and Conclusion – The Future of the Hummer Brand Myth

Discussions on the future of the Hummer brand necessitate taking a macromarketing perspective. As a multidimensional concept (Hunt 1981), macromarketing concerns include the study of marketing systems, societal impacts, and cultural and social change.

As early as 2005 there was a concern that rising gas prices, natural disasters, and terrorist attacks may limit sales of SUVs in the United States in general, and of the Hummer brand more specifically. At the time rising gas prices were supposed to be encouraging families to use their minivan or SUV for family trips, but to have a second, more fuel efficient car to use for errands and commutes (Durbin 2005). Other commentators believed that the tough, off-roading capabilities of SUVs would be attractive to consumers in the wake of natural disasters, such as Hurricane Katrina, and terrorist attacks. In fact, Hummer donated vehicles to the American Red Cross after Hurricane Katrina and introduced a series of ads featuring medical workers and other “heroes” who used their vehicles as makeshift ambulances during the disaster. Consumers were thought to feel safe and protected in their large vehicles that can drive through difficult terrain and city streets (Griffiths 2005).

With the economic crisis in the U.S. and the federal government bailout of the U.S. automakers, in June 2008, GM’s Chief Executive told shareholders that the company was considering revamping the line or selling the brand (Boehne 2008). As of September, GM was gathering financial documents on the brand to present to potential foreign buyers, hoping to generate $4 billion from sales as part of a $15 restructuring plan (Evans 2008) in order to keep $13.4 billion in U.S. loans. As of mid-February 2009, interest in the brand was reported to be coming from a Chinese company and a private-equity firm, although estimates were that the brand would garner $100 million or less (Green, Ohnsman, and Mider 2009). By the time of this paper was finalized, the fate of the Hummer brand was going to be announced by the end of April 2009.

Since its introduction, the Hummer brand appealed immediately to military loving individuals who saw the Humvee on CNN during the wars in Kuwait, Afghanistan, and Iraq (Benman 2003; Booth 2005). But, how far will the Hummer brand myth extend? What will the the nature of the brand image be in the future?

In the early part of the current century, we are witnessing what Bengtsson and Firat (2006) term an “iconographic culture.” According to these authors, iconic imagery plays an increasingly dominant role … This is a culture where meanings are relayed less and less through sets of words (signs in general) constructed according to linguistic (or more generally, semiotic) rules of formulating analytically logical connections and, thus, sense making unit(ie)s, but more and more through iconic signs that at once conjure up images that transmit senses that can be felt as well as cognitively processed. What does this portend for the future of the Hummer brand as icon? Perhaps the brand will die as predicted by some bloggers (Business Pundit 2008). Perhaps the brand will continue to live on as a polarizing image, one that reflects the paradoxical nature of the current period, on the one hand a source of “immoderation” (Witkowski 2005) - an unnecessarily aggressive product (Johansson 2004) with questionable environmental consequences (i.e., a symbol of gas-guzzling excess) for consumers in the global markets for which it is sold, and on the other hand, an instantly recognizable status symbol, representing ruggedness, durability, and domination. Will the brand still reflect the American myth of “man (or person) of action” if it is bought by a foreign company? How will the marketplace react? As comedian Stephen Colbert reported in
October 2008, one Hummer enthusiast was quoted as saying “If we could save the Hummer, we could save America” (Mieszkowski 2008; Revkin 2008).

As the call for papers for the 34th Annual Macromarketing Seminar states – “The new global market will include some 6 (6.5) billion consumers and new competitors from vastly different cultures at different levels of economic development...How will these developments affect competition, marketers, consumers, and the environment?” The Hummer as brand icon provides an interesting case study for the discussion of what happens to a polarizing brand in the midst of a global marketplace. When Miller (2007) wrote on the Hummer based on his experience in London, he asserted that he could find only one local that had heard of them and concludes how American the brand is. He takes this as evidence of the distinction between the United States and the rest of the world, rather than of global homogeneity. He asserts that the brand is strongly associated with the political establishment and its relationship with the rest of the world? As Schroeder (2009) writes “If brands exist as cultural, ideological, and political objects, then brand researchers require tools developed to understand culture, ideology, and politics, in conjunction with typical branding concepts, such as equity, strategy, and value.” (p. 123) Macromarketing can contribute much in this call for utilizing a brand culture perspective to understand brands.

As recent as March 2009, it has been reported in the press that Hummers are very popular with Iraqi citizens. (See Appendix 2 for sales information in other parts of the world.) One dealer is quoted as saying “In Iraq, people judge you by your car, and you’re not a man without one.” (Nordland 2009) The article goes on to note that the Hummer (even the H3) is bigger than other vehicles and the H3 has replaced the Mercedes as the car to own as the symbol of increasing security, normality, and sovereignty.

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Appendix 1

Background: H1

The H1 model has been available in both an open top and wagon in the American market. Introduced in 1991 (becoming available for the first civilian purchase by Arnold Schwarzenegger in 1992), but widely distributed to the consumer market in 1999, (Benman 2005; Boe 2005; Warner 2003), this model established the brand’s iconic status. The H1, also known as “Alpha,” at the time (but later Alpha was used to designate a performance model in the H1 and H3 series according to GM Hummer.com) was considered by General Motors to be an aspirational image vehicle because of its hard looks and suggested retail price of $110,271-128,000 (Ford 2005; Garrett 2005; Greenberg 2005b). Only 500 units were sold each year, largely to males 43-46 years of age, with incomes of $250,000, who read upscale image magazines that the brand was advertised in – Food and Wine, Cigar Aficionado, Wine Spectator, and the Rob Report (Greenberg 2005b; Hawkins, Jr. 2005; Krebs 2005). In terms of psychographics – Hummer buyers were considered either “rugged individualists” who enjoyed semi-extreme activities, such as rock climbing and mountain biking, and “successful achievers” who considered themselves daring and risk taking (Weisenfelder 2003).

In order to communicate the brand myth aesthetically, the exterior of the H1 appeared very rough, unpolished and functional – reflective of a machine ready to head into battle. The colors offered consistently since its introduction were distinctive – either primary colors with aggressive sounding names such as “competition yellow” and “flame red pearl” or colors that blend in with nature, reminiscent of camouflage such as “metallic pewter” and “metallic sand.”

Clotaire Rapaille, a former child psychiatrist who worked with autistic children turned high profile market researcher, is often quoted as having stated that the Hummer appealed to the “reptilian” brain that underlies all behavior. He said that consumers may say they need a Hummer to go shopping in case of a snowstorm or a four-wheel drive in a city because they might go off-road sometime, but since these are only rare occurrences, the real reason is unconscious. In the case of the Hummer, it as the sense of power, the menacing shape and size of the vehicle that appealed to consumers who want the illusion of control of their environment. Rapaille believed it was because the Hummer is a symbol of American military strength, and that during times of uncertainty consumers like strong brands with basic emotions (Frontline 2004, Tierney 2005). In June of 2006, GM stopped producing the H1. Total sales for the vehicle since it was introduced were only 12,000.

In 2000, General Motors announced that it would design and market a more accessible version of the brand that would compete in the luxury SUV category. Dubbed the H2 when it was introduced in 2003, the model remained consistent to the core brand myth of the man of action. This myth continued to address the cultural ethos of the period. In 2003, feelings of vulnerability, and search for security were felt to be permanent aspects of American culture post 9/11. Economically, after the 1992 boom of the US stock market, stretching into what became known as the dot.com boom and the dot.com bust at the end of the decade, 2003 saw the persistence of the soft economy, continuing layoffs, and further revelations of corporate wrongdoing. That year also marked the start of the Iraq War. The feeling of the country according to Myra Stark (2003) was not optimism, but resiliency. The desire for safety and security was considered the number one trend of the year – resulting in “bulletproof living” and escape through nostalgia or fantasy. The Hummer myth fit the desire to own a brand that made one feel more in control and also allowed for consumer fantasy.

Background: H2

The H2 was based on the Chevrolet Suburban platform and contained General Motors SUV parts, but retained the militaristic look of the Humvee (Booth 2005). During the early months of the Iraq War, the Hummer H2 became the best selling large luxury SUV. The H2 was the iconic brand of celebrities and sports stars that could easily afford the $53,855-58,095 price tag and who spent much more to customize the vehicle to their tastes (Glover 2005). Celebrities who owned the H2 included: Arnold Schwarzenegger
(actor who played the role of the Terminator and now California governor, who purportedly owned 7 Hummer vehicles at once, but downsized to four in 2007, one of which was converted to run on hydrogen), Macy Gray (musician), Dwayne Wade (Miami Heat), Eric Dickerson (NFL Hall of Fame), James "Lights Out" Toney (boxer), Shaquille O'Neal (Miami Heat), and Sean Avery (H2 SUT, Los Angeles Kings). The average consumer profile for the H2 at the height of its popularity was: male 70-80% and female 20-30% with an average income of $215,000 (Benman 2003; Greenberg 2005b; Jackson 2004). Disadvantages of the H2 as perceived by critics and consumers included: the size of the vehicle, the price, and poor gas mileage, thus prompting GM to introduce a smaller, less expensive, and more fuel-efficient Hummer model, the H3 in 2005 to compete in the mainstream SUV marketplace.

Continuing the myth of the man of action in terms of the vehicle design, the H2 SUV's exterior was more polished than the H1 Alpha, but was shaped more like a square or rectangle which differentiated it from other SUVs in the marketplace. The H2 SUV also was available in fewer colors, but again, the color scheme consisted of bright, basic colors and earthy tones with similar names as the H1 Alpha. The H2 SUT looked similar to the H2 SUV, but it had a short truck bed in the back. The color scheme was exactly the same as the H2 SUV. Both H2 models were available in a no frills base model, an adventure model that included a rear air suspension option, and accessories such as a grill guard and crossbars, and a "lux" (deluxe or luxury) model that included a chrome appearance package [www.hummer.com](http://www.hummer.com).

**Appendix 2**

*Recent Sales Information in the US and Other Parts of the World*

Sales figures from 2005 through 2008 in the U.S. show that annual sales for all models of Hummers peak at 71,524 in 2006. In 2007, sales drop to 55,986, and to only 27,485 in 2008 (Blanco 2009; Mieszkowski 2008). A three month strike by a major GM supplier halted production of the H3 in 2008 as the factory that produced them shifted to compact pickups because of parts shortages, affecting inventories.

Announced in 2005, the H3G global model was introduced to the global marketplace in mid-2007, a result of research conducted by GM that indicated that the clear brand definition flowed over to global brand recognition. The research conducted by GM characterized the target consumer for the global brand would be those who were independent of mind, self assured and confident; they were likely to have an entrepreneurial flair and would not shy away from being noticed. They were to embrace the being out of the mainstream and were to have an acute brand awareness (Professional Management Review Online, accessed February 13, 2009).

While Hummer sales were down in the U.S. during the 2007-2008 time periods, sales were growing by 42% in Europe, particularly in Russia and the U.K. with the introduction of a right-hand-drive version of the vehicles. Sales of all Hummer vehicles in 2008 were up 27% in the Middle East sales territory, and in the Asia and the Pacific region, sales were up an incredible 345% as right-hand-drive versions were also introduced in Japan and Australia (Boehne 2008).
For the Love of God: Exploring the Potential for Deproblematising the Art-Versus-Commerce Divide

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This paper takes as case study For the Love of God, a skull encrusted with diamonds by the leading exponent of the Young British Artist movement, Damien Hirst. The presented analysis explores Lash & Lury’s contention that there has been a second conceptual wave of art grounded in the commerciality of the artistic object in order to gauge the consequences for various macromarketing concerns: the art versus market literature, the artist as entrepreneur literature and the literature that analyses artistic objects for the benefit of understanding consumer culture and macromarketing. The paper also acknowledges the exponential rise in market value for contemporary art and its implications for art and culture.

For the Love of God by Damien Hirst achieved iconicity as it immediately attracted large-scale media commentary and smashed records to become the most expensive artwork by a living artist, a record Hirst had previously held himself. For the purpose of re-thinking the framing of the art-versus-commerce issue as a problem in macromarketing (Holbrook 2005), this paper takes For the Love of God as a case study in order to explore Lash and Lury’s (2007) contention that the Young British Artists mark a second wave of conceptual art grounded in the commerciality of the object and that this trend seems to deproblematize the relationship between art and its institutions. This proposed second wave is demonstrated to be a departure from existing assumptions and conceptualisations that have thus far framed our understanding of artistic production and consumption while guiding our normative views of the artist’s identity. Therefore, this paper seeks contributions across two overlapping literature categories that represent the ironic role of the artist as commercialized producer and that celebrate the artist as a brand-managing supremo/culturepreneur (O’Reilly 2005; Schroeder 2005b).

As Holbrook (2005) claims, the art-versus-mart theme is a macromarketing issue that reveals much concerning the nature of the market itself. Indeed the problematic location of aesthetics within the broader political, economic, and social conjuncture or schema of mass culture has formed the basis for some of the most lasting analyses of modernity including the outputs of various canonical schools such as those associated with Frankfurt (Adorno and Horkheimer 1998), Chicago (Becker 1982), and Birmingham (Hall 1997). Meanwhile, this interest has been maintained within marketing and has traditionally been a focus with respect to the role of aesthetics within consumer behaviour. Of particular concern is the thread of work that seeks to analyse artistic objects with the goal of gaining insights into the nature of the consumer culture. It is with reference to such work that we launch our review of Damien Hirst’s For the Love of God, a piece described by various critics as “just a vicarious spectacle for money groups” (Hughes 2008), “a tangible exclamation mark at the end of this era of excess” (Self 2007), and “not merely an expensive work of art, but a great one” (Jones 2007):

It has a primitivism that renews art for our time just as Picasso’s discovery of African and Oceanic masks renewed art a century ago…. it promises that art in this century might yet become as new and as ancient as the best art of all ages (Jones 2007).

Ironic Role of the Artist

As Adorno (2002) posits, there is an internal contradiction in such terms as “culture industry” (or, we infer, “arts marketing”) because, at an axiomatic level, culture is broadly understood to be an unconstrained and inspirational expression of internal creativity, whereas industry infers rationalization and organization according to an external profit motive. Hence, artists are burdened with such terms as “sell-out”
when they are judged to be overly concerned with the commercialization of their artistic output. Yet, of course, artistic production – unless state subsidized (which, fundamentally, is just another type of market) – relies on commercial income in order for the artist to survive. Therefore, the artist is typically thrown upon various working alliances (Steinert 2003) and balancing acts (Bradshaw et al. 2006). Artists delegate to fellow artists as opportunities overlap (Cottrell 2004), and they scuffle to generate alternative forms of income to sustain their practice (Bradshaw and Holbrook 2007). Artists often shift between these categories according to their financial needs at any given moment.

Examples of such studies include Holbrook’s essays (e.g. 2005) on how the tension between art and commerce is represented in films presenting the careers of jazz musicians (reviewed by Holbrook 2009). Kubacki and Croft’s study of Polish musicians (2004) reveals work divided between market-driven labour versus pure artistry. Bradshaw et al.’s study of musicians (2006) suggests that the key issue is not how artists succeed in balancing these conflicting archetypes but rather how the tension is central to their self-identities as artists. Kerrigan and Freeman’s study of Australian visual artists (2007) found that this artistic identity was linked not to economic measures but to other notions of acceptance in the art world such as those involving peer acknowledgment and implicating the complex structures within which the art market exists. At an extreme level, via their case study of Chet Baker, Bradshaw and Holbrook (2007) reveal how expectations concerning the mythical roles of authentic artistic behavior can be imposed upon artists by audiences whose demands are sometimes satiated only by the self-destruction and literal death of the artist.

Culturepreneurs

Yet, not all artists seem averse to market opportunities, and they are sometimes viewed as brand maestros themselves. As O’Reilly (2005) comments, Damien Hirst provides such a strong example of marketing savvy that he might be regarded as a “culturepreneur” – a category of artists that emerges from their “adopted strategies of intensive media management in order to promote themselves as cultural or art brands, and thereby their own commercial success” (p. 583). Despite the irony of the art-versus-commerce contretemps, Schroeder (2005) demonstrates that such cutting-edge artists as Andy Warhol and Cindy Sherman might be thought of as exemplars of branding insofar as their work embodies such elements as brand control and identity. Further examples of such scholarship include a conceptualization by Fillis (2004) of the artist as an entrepreneur who also serves as a role model for understanding creativity in wider commercial practice; studies by Brown of various art stars ranging from Dan Brown (2006) to Madonna (2002) and from JK Rowling (2005) to James Joyce (Brown and Patterson 2001); and an apology by Washburne (2004) for the seemingly insufferable saxophonistings of Kenny “G” Gorelick on the grounds that, after all, his “Bad Jazz” constitutes a definable (if not canonical) form of “smooth jazz” that is admired or at least tolerated by millions:

Perhaps the most significant aspect of the smooth jazz phenomenon is that for the first time since the swing era a form of jazz is receiving wide exposure on commercial radio…. This is big business (p. 133).

Here, as elsewhere, a favourite rhetorical strategy labels anyone who does not appreciate “bad music” or “awful art” as elitist at best or, worse, as racist and sexist. Thus, Washburne (2004) concludes, however preposterously:

Who has the right and ability to judge?… Simon Frith [1996] points out,… “there are people who do claim that their superior knowledge, experience, and commitment give their judgments particular weight” [p. 9]. This is why when Pat Metheny, a well-respected musician, spoke out in a tirade against Kenny G, the rest of the jazz community did not question his authority, rather, they rose in huge numbers to support him…. Regardless of those presumably superior views put forth by Metheny and others, popular notions of what jazz is are indeed profoundly reshaping what jazz is…. As a result of this dynamic process, jazz (as a distinct musical style) continues to undergo a number of aesthetic and stylistic transformations…. In other words, marketing strategies, such as the ones employed for smooth jazz, may turn out to have a real impact on the actual aesthetic qualities of the
music, and thus cannot be readily discarded as irrelevant by the self-pronounced jazz elite (Washburne 2004, 140).

Yet, despite these historical observations and brand-superstar artists, warnings remain concerning the aesthetic perils of commercial success. For example, Schroeder (2005) temper the artist-as-brand-manager position via his case study of Thomas Kinkade, showing how an excess of market focus can lead to a paucity of aesthetic validity. Meanwhile, Holbrook and Addis (2007) review numerous studies showing a significant-but-weak relationship between critical acclaim and market success in the film industry, suggesting that – in the mass market for mainstream culture (before controlling statistically for the effects of commercial contamination) – a “little taste” phenomenon prevails. Further still, as Bradshaw and Holbrook (2008) argue, the wider consumer culture is literally loaded with artistically bereft offerings such as Muzak in ways that undermine the possibility of genuine aesthetic contemplation. For example, as they note, the conductor Daniel Barenboim wonders how his Chicago audience could possibly listen to a concert performance of the Brahms violin concerto with the appropriate empathy when the very same music is piped into the elevators of his hotel and other buildings across the city. Not just for consumption, such disputes of acceptance are also a major factor within the art world itself; for example Menger (1999) reveals the tussle for legitimacy within the art world and a constant tension between the value placed on novelty and innovation, and the emphasis on acceptance into the establishment of the art world. Indeed, this is an age-old tension not just visible in contemporary art but also with the French Impressionists’ own struggle for acceptance within the established art world (Farrell 2001, Wijnberg and Gemser 2000). Thus, it would seem that – when awkward considerations of refined taste and sophisticated judgment are introduced– we are returned to the art-versus-commerce binary divide, where only remote possibilities exist for aesthetic excellence amidst commercial compromises.

Hence, two conflicting conceptualisations of the art-versus-mart debate arise. First, a body of literature critiques the effect of market domination on artistic activity. Second, a contrasting view celebrates the performance of artists as commercial practitioners (though this celebration sometimes produces a sobering outcome in terms of aesthetic value and critical appraisals).

However, as this paper will argue, what is most significant about Damien Hirst is not his ability to thrive in the marketplace as a quintessential culturepreneur but rather how this market success is regarded as a or even the conceptual object itself. Thus – based on their analysis of the Young British Artist (YBA) movement, of which Damien Hirst is a prominent member – Lash and Lury (2007), echoed Baudrillard’s earlier discussion of the work of Warhol, argue that that the culturepreneurs are amidst a second wave of conceptual art. In the first wave, there was less of a focus on form and material than with ideas and concepts and, moreover, the art world itself had become the context, within which the artistic expression tended to comment on that context. But, in the second wave, the artists extend the logic whereby the art world is increasingly pervaded by the values of advertising and branding until they themselves become promotional tools whose value is subsumed under commercial concepts of financial worth: “They are objects or things themselves” – that is, “mediated things of the global culture industry” (p. 72). Within this economically determined framework the YBAs, for Lash and Lury, are very much the “children of Thatcher,” and this also entails a focus on the decomposition of social values and the transformation of boredom into action. As the art critic Richard Dorment commented (cited in Lyall 1999) about the Thatcher period: “there was no longer a public support system, young people were told not to accept handouts from the Arts council but to help themselves and there was a change in attitude. Young artists saw the rest of the country kicking to life in a capitalistic way, so they decided to put on their own shows and exhibitions rather than waiting for galleries”.

A further element of the YBAs attends the highly charged and often reactionary relationship between the tabloid media and the art world (painfully manifest every year when the media adopts its customary outraged bafflement at the shortlist for the Turner Award). The sensationalism of the YBAs seems to appear immanent within media and commercial frameworks in a way Lash and Lury suggest seems to deproblematize art and its institutions. This Second Wave provides an alternative framework that supports an oppositional reading of Hirst’s For the Love of God. Preceding this analysis, however, a further body of literature requires comment insofar as it concerns the reading of cultural objects toward the end of understanding consumer culture.
In the latter direction, Belk (1986) argues that artistic offerings can be used to gain fresh insights into consumption. An example of such scholarship appears in an illustrative interpretation of the film Out of Africa provided by Holbrook and Grayson (1986). However – subverting the capitalist ethos while embracing the spirit of JFK, Holbrook and Grayson (1986) contend that marketing scholars should ask not what semiotics can do for consumer research but, rather, what consumer research can do for semiotics. Pursuing aesthetic concerns, they interpret how symbolic consumption is used in Out of Africa to convey artistic meaning. Holbrook and Hirschman (1993) extend this perspective to other texts – including the TV series Dallas and the movie Gremlins. More recently, in a series of studies, Holbrook (e.g. 2005, 2008) returns to his Kennedyesque mission and pioneers a method of analyzing ambi-diegetic music in order to explore the use of soundtrack jazz in a film’s dramatic development. Brown (1997) contributes to this discourse by offering reviews of pulp fiction and by interpreting Harry Potter as a celebration of marketing activity (2005). Witkowski (2005) draws upon art as a means of understanding consumption history. Schroeder and Borger Son (2002) review the commerciality of Renaissance art, while Schroeder (2002) argues that people now consume aesthetic objects as part of an “image economy” that leads to an understanding of art within a much broader consumption scape – aspects of which are subsumed under Holbrook’s distinctions (1994, 1999) between social value (status, esteem) and hedonic value (play, aesthetics).

The idea that consumer researchers can contribute to the analysis of artistic texts results in the propositions that, viewed as a text, marketing is a cultural object and that scholars should regard this marketing text using a cultural lens. In this spirit, Schroeder (2002) argues the case for consumer researchers to be equipped with a knowledge of art history and, thus armed, provides an analysis of a Calvin Klein advert with reference to Dutch group portraiture and contemporary androgyny discourse. Elsewhere, literary criticism yields influential perspectives from Stern (1988), who argues that scholars can view advertisements as meaningful cultural artifacts. Hence, critical analysis of Ivory Flakes adverts reveals a complex portrait of the American woman as a consumer of products, advertising, and culture. Later studies from Stern include gendered readings of advertising texts as part of a postmodern feminist approach (1993); a discussion of the dramatic structure by which adverts achieve persuasion through the elicitation of empathy and sympathy (1994); a discussion of the extensive use of myths within advertising texts (1995; Johar, Holbrook and Stern 2001); and the literary-psychoanalytic reading of a Paco Raban print ad (Holbrook and Stern, 1997; Stern and Holbrook 1994). Meanwhile, Scott (1990, 1994a, b) deepens the conversation between consumer research and literary theory by revealing the role of musical and visual rhetoric in advertising (1990, 1994b) and also by adapting reader-response theory to consumer research (1994a). The consequence of such studies is that there is a well-established practice of analyzing cultural texts drawn from advertising and marketing to advance our understanding of consumer culture – and vice versa.

Damien Hirst and the Art Market

Despite the previously discussed concerns regarding the association of artistic production with a lack of commercialism, the art market has seen a boom in recent years that has entailed its rise as a global enterprise and as a key site for financial investors otherwise associated with stock markets and hedge funds. For example, in one two-day period during May 2007, the New York branches of the auction houses Christie’s and Sotheby’s saw combined sales of US$640 million (Thompson 2008). As might be expected, contributing to such huge revenues was the work of Damien Hirst whose Lullaby Winter sold for $7.4 million. Indeed, such is Hirst’s prominence that no discussion of the contemporary art market could be complete without some reference to his conspicuous activities.

Damien Hirst is surely the leading exponent of the epochal and conceptual Young British Artists (YBA) movement, mostly comprising graduates of Goldsmiths College from the 1980s such as Tracey Emin and Fiona Rae. Hirst’s works include the iconic Physical Impossibility of Death in the Mind of Someone Living which presents a shark, cut in two and suspended in a formaldehyde solution; Death of a Lullaby Winter, an assortment of pills on frames; a series of spin pictures that consist of paint splashed on a rotating surface; and dot paintings that present rows of small randomly coloured circles.

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Understanding how Hirst manages to fetch monumental prices for such creations requires a grasp of the relationship between Hirst and a number of prominent art-world personae – the great advertising magnate cum uber art collector Charles Saatchi, who “discovered” Hirst and is in no small part responsible for launching him into the center of the art market; the dealers Larry Gagosin and the White Cube Gallery, who carefully stage the sale of Hirst’s works; buyers such as the multi-billionaire hedge-fund manager Steve Cohen, who purchased Physical Impossibility of Death in the Mind of Someone Living and then loaned it to the Museum of Modern Art; and Sotheby’s Auctioneers, who on 15 September 2008 (the very same time that, in another part of London, Lehman Brothers announced their bankruptcy, sparking financial panics across the world) auctioned a set of new Hirst works. This was a revolutionary act as it by-passed the standard artist-dealer relationship and fetched prices that totalled over £95 million (Hoyle 2008). As Thompson (2008) argues, the collective interests of these art-world figures serve to legitimise Hirst’s outputs so that they operate as brands to produce and then to transfer value, where the interactions between the various intermediaries play a fundamental role toward encouraging the massive inflation in value of Hirst’s art. The convergence of these processes reinforces Hirst’s powerful position in the art world. As Searle (2005) comments, “Hirst’s power, such as it is, lies in a reputation impermeable to criticism, having enough money to live and make art as he wishes, and an unaccountable ability to fill more column inches than any serious adult could sensibly want.” In other words, Damien Hirst is to the paint brush what Kenny “Gi” Gorelick is to the soprano saxophone. (Elitists beware: Those who dismiss your objections as condescending will not be moved.)

As with Mr. Gorelick, a major part of the Hirst saga is his extraordinary relationship with the market and the series of sensational success stories associated with the large sums of money his art consistently fetches. For example, when the writer AA Gill failed to tempt the London auctioneers with his portrait of Stalin by an unknown hand, Hirst painted a red nose on Stalin and signed the portrait, leading to an auction price £140,000 at Sotheby’s in 2007 (Thompson, 2008). Another piece was purchased by the theatre director Sir Trevor Nunn for £27,000. When Sir Nunn later met Hirst in a theatre, their conversation was overheard and then published in the Daily Telegraph (Cleland 2007):

“Ah, Damien, so good to meet you. I have one of your spin paintings.” “Oh yeah? Which one?” The answer was something like “Squirly Hoops Touch My Nuts Peace and Love.” “How much did you pay for it?” said Damien. “Oh, er . . .” said Trevor looking away. “Go on, how much?” “Twenty-seven grand.” “Oh, right. Well that one was done by Keith’s son Alfie and my son Connor.”

At that time, Connor was two years old. As the Telegraph reported, “Trevor smiled loosely and went off looking white.”

This hyper-relationship between art and the market has produced its share of controversy. Commentators such as Thompson (2008) argue that the branding processes unleashed in the selling and sensationalism that surround artworks like For the Love of God or Physical Impossibility of Death in the Mind of Someone Living transform the valuation of art away from critical judgment and toward a logic of branding. In this brand-oriented episteme, the emergent art world becomes increasingly a domain of only the super-rich who can afford the astronomical prices – a context in which artistic value is grounded on economics rather than aesthetics and a site that, as Hughes (2008) argues, serves as no more than a “vicarious spectacle for money groups” and that depends on the disintermediation of such traditional intellectual leaders as museum directors and art critics. As the Guardian’s art critic Adrian Searle (2005) wrote, “Never has the art market been stronger. Never has money been so powerful. Never have so many artists got so rich, and never has there been such alarming stuff on sale. Never have critics felt so out of the loop.”

The implications of Hirst’s mastery over this art-mart relationship in a hyper-commercialized art world has been extensively discussed and debated, inspiring detailed inquiries into the elaborate machinations of this hyper-capitalized market (Thompson 2008; Thornton 2008). One exchange that addressed the hub of the issue was played out over the pages of the Guardian between the art critic Robert Hughes (2008)-arguably Hirst’s most vociferous detractor- and the social commentator Germaine Greer
Hirst is basically a pirate, and his skill is shown by the way in which he has managed to bluff so many art-related people, from museum personnel such as [the] Tate’s Nicholas Serota to billionaires in the New York real-estate trade, into giving credence to his originality and the importance of his “ideas”. This skill at manipulation is his real success as an artist. He has manoeuvred himself into the sweet spot where wannabe collectors, no matter how dumb (indeed the dumber the better), feel somehow ignorable without a Hirst or two. Actually the presence of a Hirst in a collection is a sure sign of dullness of taste. What serious person could want those collages of dead butterflies, which are nothing more than replays of Victorian décor? What is there to those empty spin paintings, enlarged versions of the pseudo-art made in funfairs? Who can look for long at his silly Bridget Riley spot paintings, or at the pointless imitations of drug bottles on pharmacy shelves? No wonder so many business big-shots go for Hirst: his work is both simple-minded and sensationalist, just the ticket for newbie collectors who are, to put it mildly, connoisseurship-challenged and resonance free.

To this, at least one of the present authors would respond, “Amen!” But Germaine Greer (2008) argues that Hirst’s “undeniable genius consists in getting people to buy them (his art)”: 

Damien Hirst is a brand, because the art form of the 21st century is marketing. To develop so strong a brand on so conspicuously threadbare a rationale is hugely creative – revolutionary even. The whole stupendous gallimaufrey is a Vanitus, a reminder of the futility and entropy. Hughes still believes that great art can be guaranteed to survive the ravages of time, because of its intrinsic merit. Hirst knows better. The prices the work fetches are verifications of his main point; they are not the point. No one knows better than Hirst that consumers of his work are incapable of getting that point. His dead cow is a lineal descendant of the Golden Calf. Hughes is sensitive enough to pick up the resonance. “One might as well be in Forest Lawn (the famous LA cemetery) contemplating a loved one”, he shouts at Hirst’s calf with the golden hooves – auctioned for £9.2m – but does not realise it is Hirst who has put that idea into his head. Instead he asserts that there is no resonance in Hirst’s work. Bob dear, the Sotheby’s auction was the work.

Extraordinarily, the New York Times also entered the debate in the form of an editorial (2007) condemning Cohen’s loan of Physical Impossibility of Death in the Mind of Someone Living to the MoMa: Mr Hirst…has gone from being an artist to being what you might call the manager of the hedge fund of Damien Hirst’s art. No artist has managed the escalation of prices for his own work quite as brilliantly as Mr. Hirst. That is the real concept in his conceptualism, which has culminated in his most recent artistic farce: a human skull encrusted in diamonds.

Within this argument, especially in Greer’s response and the New York Times editorial, we see the macromarketing significance of Hirst’s influence; not his ability to thrive in the marketplace but rather how this economic thriving is regarded as a or even the conceptual object itself. This analysis very much coheres with Lash and Lury’s (2008) conceptualisation of the second wave of conceptual art whereby the art world is so pervaded by the values of advertising and branding that the art itself becomes promotional and its value subsumed under the commercialistic concepts of value. As Greer (2008) argues, the price is not a function of the work but, rather, the work itself. The only issue that remains is to decide whether this holds any aesthetic merit.

Digression

We should note that the argument just cited – namely, that the economic spectacle itself constitutes the work of art – could be applied, in reverse, to the output of a serious traditional artist. In the latter case, we might argue, the aesthetic spectacle itself (in which magnificent displays of creative integrity are greeted with indifference and lack of popularity in the mass market) constitutes the real meaning of the work of art. From this perspective, cutting off part of his ear in frustration over his worldly penury – aggravated by
syphilis, epilepsy, and way too much absinthe – was Vincent Van Gogh’s masterpiece. Earning $13.31 in royalties during the last year of his self-destructively alcohol-besotted life was F. Scott Fitzgerald’s artistic triumph. And fairing so poorly on the cabaret circuit at the Algonquin hotel and at Concord Records that she ended her own life by jumping from her 16th-floor apartment on West 86th Street in Manhattan was Susannah McCorkle’s greatest claim to aesthetic immortality. Think about that, O ye daemons of the Wrathful Marketplace Gods.

Readers sympathetic to the logic just unfolded will note that self-ruination in the service of creative integrity (Plan A) provides a time-tested if painful alternative to the strategy of self-glorifying commercialism as practiced by Damien Hirst and others of his ilk (Plan B). Among the attractions of Plan B, we might list the possibility that one might expediently adopt this option, thrive, and live to tell about it.

Further Explication

Created subsequent to Lash and Lury’s text (2008), For the Love of God might well be regarded as an apotheosis of the second wave of conceptual art according to Plan B. Hirst’s For the Love of God – or, as it is commonly called, The Skull – has become by far the most expensive work by a living artist. It consists of a life-cast with real teeth from an 18th century human skull. The skull is covered by 8,601 diamonds with a total weight of 1,100 carats and features a large 52.4-carat pink diamond placed on the forehead, all by Bond Street artisans at an overall cost said to be in the region of between £12 and £15 million (Thompson 2008). This artefact was reportedly the largest diamond undertaking since the creation of the British Crown Jewels (Shaw 2008). The piece was entitled For the Love of God because these, supposedly, were the words uttered by Hirst’s mother on hearing of the project. Following a huge amount of media exposure, The Skull was exhibited at the commercial White Cube Gallery in a spotlight-lit room to ticketed members of the public who, in groups of five, were given limited periods of time in which to view the work. Or, if you prefer and as art critic Robert Hughes (2008) complained, it was “unveiled to a gawping art world amid deluges of hype.” Indeed, a huge amount of promotion met the exhibition launch; it was covered as a news piece on UK national television and was front-page news in such national broadsheets as the Independent and the Financial Times. A 76% ownership was reportedly sold to a consortium for £38 million, with Hirst retaining the remaining 24%, giving an overall valuation of £50 million and making For the Love of God by far the most expensive work ever by a living artist, breaking Hirst’s own previously held record (Thompson 2008).

(By the way, please note that the material costs for The Skull amount to about 30% of its alleged market price so that – as a relative proportion – the value added by Hirst’s creative labours represents a fraction of that typical of a true masterpiece, as established through moving through the secondary art market in the decades and centuries following its completion, in which the cost of oil paints and canvas contributes only a tiny percentage of the artwork’s overall worth.)

As Metzger (2007) comments, “We cannot afford to just look at (the Skull) as art, it needs to be seen in context with, for example, the Saturday supplement of the Financial Times titled ‘How to Spend It’ with its hyper-sumptuous ads for watches, cars, endless potentials for the very rich to amuse themselves.” Therefore, while it is surely safe to argue that the promotionality of the piece may well capture its conceptual intent, it is perhaps more risky to suggest that this creates a depoolerlization of art and its institutions. Indeed, the very name of the piece – For the Love of God, the words uttered by Hirst’s mother when she learned about her son’s latest project – already begins the process of critiquing the piece and its role in the art market. Notably Hirst himself (Hirst and Burn 2001) identifies his mother’s sudden understanding of his work as beginning of a crisis:

It started when my mum decided she understood my work when Saatchi bought it. And I had a choice. I could have either gone: ‘Well, that’s my mum. She understood my work because she understood it at that point.’ Or: ‘She understood it because Saatchi bought it.’ That’s what people do. So it was either: ‘All right, I’ll become “Damien Hirst”.’ Or I’d carry on being a child and try and question it (pp. 60-61).
Hence we see Hirst’s reflexivity over his identity as “Damien Hirst,” that is the branded artist famous for consistently achieving high prices, the man conceptualized above as going from “artist to hedge fund manager” (Editorial 2007) and the “master of the mark-up” (Campbell-Johnston 2007). To be sure, from the beginning Hirst excelled at the market. In 1988 he curated the iconic Freeze exhibition based on his Goldsmiths classmates work at the London docklands. Hirst organized the venue, selected the art, published the catalogue, raised corporate sponsorship, hosted the opening party, personally drove members of the Royal Academy to the exhibition and succeeded in luring Charles Saatchi himself (Lash and Lury 2007; Thompson 2008). Interviewed in 1992 when asked what he thought of the art market he responded:

I enjoy it. Completely. A lot of people have problems with it: questions of integrity somehow. But I’ve always thought that to be an artist and make something in your studio and wait for someone to look you up, then come along and take it away … made no sense whatever. So I’ve always…. Like, early on, I got a space and did a show and then … I find the money aspect of the work part of its life. If the art’s about life, which it inevitably is, and then people buy it and pay money for it and it becomes a commodity and manages to still stay art, I find that really exciting (Hirst and Burn 2001, p. 16).

By contrast, he was in 2004 to comment:

Art is about life and the art world is about money although the buyers and sellers, the movers and shakers, the money men will tell you anything to not have you realise their real motive is cash, because if you realise – that they would sell your granny to Nigerian sex slave traders for 50 pence (10 bob) and a packet of woodbines – then you're not going to believe the other shit coming out of their mouths that's trying to get you to buy the garish shit they've got hanging on the wall in their posh shops…. Most of the time they are all selling shit to fools, and it's getting worse (Jones 2008).

Notably, there is a journey from the “art is about life” perspective affirmed in his earlier conception to its eventual compromise by the market in the latter. However, his critique of the ‘hard sell’ approach evident within the art world is focused upon the ‘buyers and sellers’ rather than the producers, highlighting an awareness that art may be at once an art work and a commodity. By shunning the established route to market taken by artists, and selling his work directly in the secondary art market, Hirst undermines the separation which appears within the 2004 statement, that between art and mart. Within this context, it is surely significant that For the Love of God, described by Will Self (2007) as a “tangible exclamation mark at the end of this era of excess” and also as Hirst’s “enactment of the extreme and specialised ritual of money,” should comprise a skull (embodying death) and diamonds (embodying money). As Times art critic Campbell-Johnston wrote about the piece “when you get down to the bare bones, is it all about cash? Hirst, the master of the mark-up takes a hard look at our values. They glint from every facet of his death’s-head glitterball” (Campbell-Johnston 2007). For the Love of God can be read as a severe problematizing of the art-versus-mart polarity, and this is a reading arrived at by the art critic Dorment (2007) in his review entitled “for the love of art and money”:

If anyone but Hirst had made this curious object, we would be struck by its vulgarity. It looks like the kind of thing Asprey or Harrods might sell to credulous visitors from the oil states with unlimited amounts of money to spend, little taste and no knowledge of art. I can imagine it gracing the drawing room of some African dictator or Columbian drug baron. But not just anyone made it – Hirst did. Knowing this, we look at it in a different way and realise that in the most brutal, direct way possible, For the Love of God questions something about the morality of art and money. This is something I’ve often wondered about when I read of the fantastic prices private individuals pay for works by Picasso, Klimt and Warhol. How do these people sleep at night, knowing that the hundred million they just spent could have endowed schools, built hospitals, eradicated diseases and alleviated hunger? Don’t they think about the morality of pouring so much wealth into something as dead as a diamond necklace, a painting, a private jet? Once you begin to think in this way, Hirst’s title becomes ambiguous, for it is a phrase that can be said in exasperation – as in “For the love of God, what are we all thinking?” For the Love of God is a hand grenade thrown into the decadent, greedy
and profoundly amoral world where art meets money. But it is more. By ensuring that the price he is asking for the skull receives the maximum amount of publicity, Hirst has also made sure that whoever buys it will never be able to enjoy it. Like the Ring of the Nibelung, this glittering, deadly prize will prove at some level a curse to who possesses it. I can’t remember another art work that so perfectly embodies the cynicism and ambivalence successful artists must feel towards those who promote and collect their work.

Indeed, it might be difficult not to be cynical about the overall exhibition when we learn of the accompanying edition of 250 100cm x 75cm photo reproductions that were sprinkled with diamond dust and sold by the White Cube for $10,000 each. As Hughes (2008) spat out, “Given the tastes of the collectortiat, [Hirst] may well get away with this – in the short term.” Should we draw a line between a critique of the market and a mastery of the market? Does Hirst’s vast personal fortune undermine his credibility as an art market critic? As Yeats previously concluded “how can we tell the dancer from the dance?”

Beyond Art-Versus-Mart

These questions are further problematized by the reports of the aesthetic experience of the work itself. As mentioned earlier, during its exhibition The Skull, the White Cube Gallery allowed visitors to spend a two-minute period in a darkened room observing the work. Hughes (2008) dismisses the encounter as a “spectacle for money groupies” to be “mesmerised by mere bling of rather secondary quality,” and the Times critic Campbell-Johnston (2007) couldn’t help suggesting that, between the queues and the suited security guards, there was an overall resemblance to an Essex nightclub and that The Skull “looks more like something you might dance around at a disco.” The artist Gustav Metzger (2007) – in his lecture on The Skull – contrasted his opinions of the work before and after actually viewing it at the White Cube Gallery. Having outlined the outrageous nature of the media frenzy over the huge valuations of The Skull, Metzger described the viewing as follows:

You are taken along a darkened corridor which gets darker and darker. To the left are offices, normal offices with doors shut and then you are faced with a totally black, darkened chamber. You have no idea how big it is or if anybody is in there; it is just utterly dark. And then you have the Skull. It is that size (picks up a glass of water), glistening gloriously, glisteningly lit and that’s what I want to say. I was very critical of the Skull and I now realise that it has magnificence and it is important. It is important in so many different ways and it will go on being looked at and considered.

Similarly the Guardian art critic arrived at a comparably deep impression of the piece in his review: The darkness is a work of art itself. Perhaps it is the real work of art. The public visits that are carefully orchestrated at the gallery, with timed tickets and small groups and – obviously – draconian security, are restricted to two minutes. In two minutes your eyes can’t adjust to the darkness. In two minutes the iridescent object can only register as a dream of eye sockets that are blue-green pools sunk into a shimmering spectral mask. As you move closer the ghostly head bursts into all the colours of the spectrum…. and then the two minutes are up and you are escorted out of the building (Jones 2007).

Both reviewers remind us of a major issue that tends to be overlooked in the discourse generated in response to The Skull – that is, the experiential nature of aesthetic contemplation. As Holbrook (1994, 1999; Holbrook and Zirfin 1985) suggests, some of the most transcendent aspects of consumer experience relate to encountering beautiful art. Apparently, Hirst’s Skull is capable of generating such a powerful response. What appears to be absent from some discussions – Hughes, for example – is the experience of consuming the art work. By contrast, Metzger’s presentation on For the Love of God brings the relevant experiential aspects into the discussion. Prior to seeing the work, Metzger was engaged in the art-versus-mart rhetoric. He noted the attention paid to the artwork by the financial and mainstream press who focused on the monetary value of the work in financial (concrete) terms rather than its aesthetic worth in artistic (abstract) terms. But, once he viewed the work, his engagement shifted from more utilitarian to more hedonic. Hence, we are served with an important reminder of the danger in allowing mere economic evaluation to dominate the discourse. We are reminded of the rich conceptual resources developed in marketing when exploring such phenomena as
hedonic consumption and the experiential aspects of customer value and furthermore of the strait jacket that art-versus-commerce can become as a tool for interpreting art.

Discussion

Drawing on Lash and Lury (2008), we wish to advance discussions of arts marketing and consumption from the preoccupation with the art-versus-commerce dichotomy that has characterized much of the work in this area toward considering the possibility of a shift in art itself as it embodies, rather than succumbs to, the dichotomy. The existing art-versus-mart binary separation implies a passive role for artists; they can either reject the market in pursuit of artistic integrity or embrace the market at the expense of artistic integrity or perform delicate balancing acts that allow them to dance between the two poles. In either case, the art-versus-mart discourse appears as a dominating and inescapable landscape or negative dialectic. By contrast, the aforementioned second wave provides a basis for artists to achieve a greater degree of agency in seizing control of art-versus-mart and allowing their output to be the object rather than the subject of the process. Nevertheless, it would be overly hyperbolic to frame this agency as deproblematising the art-mart relationship. Hirst’s Skull ultimately seems to maintain a highly critical position. Meanwhile, various commentators remain unconvinced that the piece amounts to any more than an aesthetically void and ultimately cynical item of bling. Reflecting on the turn from the conceptual to the experiential, which can be likened to transforming from an economic to an aesthetic consideration of The Skull, evident in Metzger’s account of his engagement with the artwork, it would be interesting to learn how many of these commentators had viewed the art work in person. Putting this question aside, it is this very confusion between a banal work and a work about banality that lies at the heart of the YBA. As Lash and Lury (2007) comment, “At its best this sort of art participates in the ecstasy of contemporary communications. At its worst it gives us a set of idle references: a set of unproblematic cross-media utterances” (p. 75).

In any case, a defining aspect of For the Love of God is how alienated the discourse appears from aesthetic contemplation. The narrative of aggression to admiration presented by Metzger, as his contextual understanding of the piece shifted from media commentary to physical encounter with The Skull, reminds us of what an abstracted and alienated discourse art-versus-commerce can be and what a reductivist method it can offer for interpreting works of art.

A final consideration entails how tied the conceptual object has been to a period of economic prosperity. At the time of writing amidst the collapse of financial markets, it is far from clear if the credit crunch/recession/depression will create a further paradigm shift within the art-mart world. At this point, while prices have generally reduced, they still remain on what might broadly be regarded at an astronomical level and still the preserve of a financial elite. However time will tell the full significance of market shifts.

Consideration of For the Love of God, provides the ideal research context within which to explore this conceptual shift. The media discussions of the artwork illustrate the tensions at play between a focus on its conceptual underpinnings and its aesthetics. For the Love of God centralizes considerations of artistic commercialism. As we have shown, along with other YBA’s, Hirst has rejected the prevailing economic model of the art market and, therefore, does not fit the starving-artist model (Plan A). This resolve to benefit financially from the sale of their work through the secondary art market (one facet of Plan B) has focused discussions of the commercial/artistic value of art on this dichotomy, which distracts from the consideration of art in a holistic manner (another facet of Plan B). The Metzger narrative of moving from opposition to appreciation following an ultimate encounter with the physical piece itself reminds us of the need for recognizing holistic experience as part of this discussion. Theoretically, arts-marketing researchers may have found comfort in the art-versus-mart rhetoric, as much of the work privileges artistic considerations. In rejecting mainstream models of marketing as not applicable, the arts marketer has been able to stand apart from seemingly distasteful mainstream marketing with its focus on the profit motive. For this reason, the YBAs in general and Damien Hirst in particular provide a fitting case within which to examine the merging of the artwork in its intellectual and aesthetic manifestations with aspects of the marketplace within which this work is positioned.
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In 2008 the Macromarketing special session on Arts & Culture was cancelled due to lack of submissions. This cancellation marked a signal moment and a prompt to rediscover an arts and culture agenda within macromarketing. Indeed, such an inquiry is at least timely given the current conceptual and contextual framing of arts and culture. Conceptually, the turn towards interpretive and postmodern agendas has lead to renewed interest in art and culture which goes well beyond the traditional interest in arts marketing towards such areas as the consumption of art, marketing as art, art as marketing and marketing interpretations of art. Meanwhile contextually, the arrival of the internet and its ability to provide revolutionary forms of art alongside the astronomic prices that art works fetch at auction suggest macromarketing has much to contribute to understanding the contemporary age of art and culture.

To that end, we assembled a group of experts with established expertise to discuss possible macromarketing agendas in arts and culture. We intended the roundtable discussion to stimulate and inspire momentum that will generate new insights, new research and safeguard the continuation of exploration into arts and culture in macromarketing. To that end, discussion was intended to be exploratory and expansive as we acknowledge and comment on contemporary phenomena in the art and cultural world whilst considering contemporary concepts and their consequences. The roundtable sought to open new possibilities and ways of seeing for the benefit of generating future research in macromarketing.

The roundtable included Asim Fuat Firat (University of Texas–Pan American), Dominique Bouchet (University of Southern Denmark), Gretchen Larsen (Bradford University) Alladi Venkatesh (University of California, Irvine), Douglas Brownlie (University of Sterling), and Laurie Meamber (George Mason University).
Domestication, Political Economy, and the Control of Markets

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Extended Abstract

Among numerous contributions to macromarketing thought by Johan Arndt, two are highly relevant to understanding competition and markets. These are “Toward a Concept of Domesticated Markets” (1979) and “The Political Economy of Marketing Systems: Reviving the Institutional Approach” (1981). In many respects, the two articles appear to be oriented toward two different types of analyses. Domestication is described as theory development, and is connected with the broadened concept of marketing. It deals with the shift of exchanges from ad-hoc transactions to long-term administered relationships. Political economy is described as a mid-range integrative framework, and is connected with institutional analysis. It deals with sociopolitical forces and the exercise of power among market stakeholders.

Consequently, there is a tendency to view the two approaches as different tools for examining different aspects of marketing systems. For example Layton and Grossbart (2006) associate domestication with the issue of noncompetition, and associate political economy with the issue of out of market competition. The former is accomplished by such means as alliances, mergers, pacts and marketing agreements, while the latter is accomplished by shaping regulations and terms of exchange. These are indeed seemingly different analyses.

However, the present paper argues that they are related by the purpose of the actors, who simultaneously employ both domestication and political economy. Their purpose is the control of markets. This paper explores bases for a conceptual unity of the two. It also explores ramifications for consumer welfare.

Domesticated Markets

Domestication seeks to replace unrestrained competition and ad-hoc transactions with restrained competition and planned exchanges. “To an increasing degree, transactions are occurring in ‘internal’ markets within the framework of long-term relationships, not on an ad hoc basis,” Arndt (1979, 69). Such an internal market can be within the bounds of a single organization (such as by merger) or within a cooperative context created by several organizations. “The resulting administered markets may be referred to as domesticated markets since transactions are moved inside a company (when for instance buyers and seller actually merge) or inside the boundaries of a group of companies committed to long-term cooperation,” (Arndt 1979, 70). At the time of publication, it was noted that Arndt’s thesis was not new (Stidson 1979). What was new was the inclusion of such a numerous and varied set of activities under a single rubric.

Previous researchers tended to look at one means of suppressing competition in isolation from other mechanisms which had a similar effect. In contrast, Arndt demonstrated that horizontal integration, vertical integration, joint ventures, joint marketing contracts, joint distribution, and labor-management agreements were all stratagems for control of the market environment.

Motivating factors for domestication fall into three categories: reduction in uncertainty of operations, reduction of transaction costs, and synergies of combined operations. Cost considerations are clearly important, whether related to transactions or synergies. The present analysis, however, is concerned with uncertainty reduction. Three salient sources of uncertainty are actions of competitors, actions of
customers, and actions of network suppliers. That is, domestication concerns the predictability and tractability of market interactions.

Much of the impetus behind the domestication phenomenon involves attempts to reduce uncertainty in these three areas. For any given firm, competitors, customers and suppliers are part and parcel of the market. Hence attempts at domestication are attempts to control the market. The desirability of achieving such control is not new, and has been studied for a number of years. Indeed, the range of literature which supports various facets of domestication is quite broad, including oligopoly theory, monopolistic competition and marketing systems.

Oligopoly

Control of competitors, especially in the pricing area, is a principal objective of domestication. One straightforward means of controlling competitors’ actions is to buy them out. In The Theory of Business Enterprise, Veblen (1904/1965) noted the effect of horizontal mergers on concentrating market power and reducing price competition. Fewer competitors render price leadership more likely and destructive price wars less likely. This occurs with or without overt collusion by the actors. In Absentee Ownership, Veblen (1923/1964) argued that the rise of oligopolies shifted competition from a contest between firms to a contest between firms and consumers. This is a shift from horizontal competition to vertical competition, in which consumers come out worse. Veblen viewed oligoplies as comparable to cartels, trusts and other arrangements in terms of acquiring and maintaining market power. Such power would then be used for the gain of the firm at the expense of consumers.

In the field of industrial organization, number of competitors has long been a key analytical variable (Scherer and Ross 1990). When an oligopolistic situation has been achieved, new entrants present a destabilizing force. In other words, uncertainty of competitive actions would increase. For this reason, oligoplists have an incentive to raise barriers to entry in order to maintain control (Bain 1956). It may also be the case that fewness of competitors is a byproduct of domestication. That is, a domesticated market may serve as a barrier to entry for potential competitors (Redmond 1989). Limiting entry preserves the stability of the system but may, of course, have adverse consequences for consumer welfare.

Monopolistic Competition

Through product differentiation, firms may achieve a degree of control over customer actions in the marketplace. Distinguishing properties of certain brands lead customers to prefer one brand over others. The phenomenon now known as brand loyalty was termed by Chamberlin (1933/1962) “brand habit” and the result is lowered sensitivity to price considerations. As is the case with oligopoly, monopolistic competition represents a strategy by firms to control the market. ”More and more is price competition evaded by turning the buyer’s attention towards a trademark, or by competing on the basis of quality or service,” (Chamberlin 1933/1962, 73). Firms that have a considerable number of brand loyal customers would also benefit from a stable and predictable sales volume.

The roles of product differentiation and customer segmentation are central to the analysis of markets developed by economic sociologists (eg. Davis 2005; Swedberg 1994; White 1981). White (1981) assumes that customer groups have distinctive wants and needs and that suppliers respond by producing differentiated offerings. In effect, the segment is like an ecological niche, to which the firm becomes adapted. Because segments are of differing sizes, firms have differing market shares. Also because of segment differences, firms produce distinctive levels of quality and technology. When each market actor has found a niche in the market environment, price competition is supplanted by relationship marketing (in business-to-business markets) and brand loyalty (in consumer markets). White and other economic sociologists see so-called competitors actively engaged in the suppression of price competition. This market ecology has room for only a limited number of firms: barriers to entry are of strategic interest in monopolistic competition as well as oligopoly. Chamberlin (1933/1962) also noted that the combination of oligopoly and product differentiation allows for considerable latitude in avoiding price competition.
Marketing Systems

The third aspect of control in domestication involves suppliers and distributors. Fisk (1967) observed that even loosely organized coalitions of firms behave as marketing systems when they engage in cooperative actions and complementary specializations. Rather than buying and selling on a short-term transactional basis, many markets are characterized by long-term relationships and planned exchanges. That is, firms form durable relationships with suppliers and buyers that form networks of interdependent market actors. In this case, pricing is not the main objective, but rather stability and predictability of operations through long-term relations, planning and control.

In their analysis of marketing systems, Layton and Grossbart (2006) note that uncertainty is an aspect of the system environment. Domestication is an attempt to control environmental uncertainty. One element of domestication is information flow (Layton 2007). This is an expected outcome between networked relationship partners, in contrast to ad-hoc market transactions. Information flow is a key element of uncertainty reduction. Forecasting is more accurate and planning is less subject to uncertainties. Coordinated activities, such as JIT procedures, are only feasible for business partners with close working relationships and long-term commitments. The same is true of automated information-sharing activities. Reaction to unanticipated events is also improved by close market relationships.

Political Economy

In discussing the application of political economy, Arndt (1981) contrasted three basic systems of economic control: markets, politics, and hierarchy. These were introduced as ideal types; the analysis subsequently turned to “perversions” of control systems, which constituted a blurring of boundaries between the three ideal types. One such was domestication, being a perversion of the pure market type of control. A parallel perversion in the political type of control was seen in “mixed public administration,” in which corporate interests come to influence the regulatory role of governments in economic activities.

Competitors have a number of interests in common, hence an incentive to cooperate on those matters. For example, competitors have a common interest in the growth and stability of the market, in the maintenance of networks of suppliers and various specialist advisors. The formation of alliances such as trade associations reflects a workable level of trust among competing firms. Of particular interest for the present discussion is the fact that competitors also have common interests in shaping the rules which govern activities in the marketing system. Consequently they cooperate to lobby legislators and influence regulators. Power and control are basic issues of the polity (Arndt 1981).

Governments and quasi-governmental bodies promulgate a large number and variety of rules which regulate the actions of market actors and otherwise govern transactions in the marketplace. Market actors have considerable self-interest in the content of such rules and consequently devote time, energy and money to managing relationships with legislators and administrators. Stern and Reve (1980) analyzed the polity as consisting of internal and external aspects. The external polity being the sociopolitical system within which the marketing system operates, also known as the parallel political marketplace (Hutt, Mokwa and Shapiro 1986). The attempt by market actors to control the market is a two-part undertaking: first gain influence on the rule-making process in order to influence the rules, which subsequently govern activities in the market. “Control mechanisms are the external means of influence for affecting internal decisions and actions,” (Arndt 1983, 49). Hence the perversion in question is a partial substitution of legitimate political control by marketers’ control.

The ability of market actors to influence the rules of the marketplace highlights an ecological characteristic of marketing systems: in addition to adapting to their environment, the actors attempt to adapt their environment to themselves (Samuels, Schmidt and Shafter 1994). Such adaptations are not necessarily optimal for consumers, for example where regulations restrict the range of products offered, or limit retailers’ hours, or rely on industry-supplied data for determinations of health and safety issues.
Control of Markets

Control of markets means creating and maintaining market conditions conducive to the interests of the controllers. Meade and Nason (1991) note that one focus of macromarketing is an investigation of how culture and institutions combine with economic interests to both structure and control exchange systems. In this context Arndt (1979: 1981) may be seen to draw attention to institutions in order to assess control issues. The argument here is that Arndt’s works on domestication and on political economy represent two facets of marketers’ larger strategy of exercising control over their markets. Despite differences noted above, the two articles contain substantive similarities. Both recognize markets as systems of interdependent actors, both examine political aspects of marketing behavior, and both assess the exercise of power in goal attainment.

Another area of similarity lies in the mechanisms by which these ends may be attained. Both articles note the role of such interpersonal or inter-firm skills as negotiation, cooperation and coalition-building. Falkenberg (1996) refers to such skills as “behavioral assets” and observes that they constitute the only durable long-term advantage for firms. Such behavioral assets are equally valuable in managing a coalition of networked exchange partners in a domesticated market as in a coalition of competitors in political economy.

Whether classified as noncompetition or out-of-market competition, the point is the same: effective control of markets. Market control has a number of benefits for the firms involved, including market stability and firm profitability. From the standpoint of consumer welfare, the suppression of active competition offers few benefits. Open acknowledgement of this last point, however, would carry real political risks for marketers. This irony was not lost: “Hence, a paradox of capitalism is the fact that the individual market actor may reap substantial benefits from eliminating competition, while at the same time professing to be a true believer in free competition,” (Arndt 1981: 42)

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Property Rights Design and Market Process: Implications for Market and Marketing Theory

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The paper highlights the influence of property rights on economic decisions, i.e. the design of contracts or transaction arrangements. Property rights enable and constrain the achievement of the actor’s objectives and unfold their dynamic force on the market process even beyond the time period in which a transaction takes place. Property rights theory transcends the established goods-services distinction or undermines its importance. The paper discusses consequences of property rights design for market theory and elucidates the implications for S-D logic that can be derived from a property rights perspective. Property rights theory provides a different but compatible viewpoint from that of S-D logic on service.

Introduction

From the perspective of property rights theory, property rights bundles (or resources-property rights bundles) are exchanged for property rights bundles (or resources-property rights bundles). From the perspective of service-dominant logic (S-D logic), service is exchanged for service. Starting from different points of origin, both views attempt to transcend or even overthrow the established neoclassical “goods-dominant logic” (G-D logic). An obvious question is if, and to what degree, both perspectives harmonize and what property rights theory could contribute to S-D logic. We will argue that property rights theory offers a new “logic” of economic thinking that is compatible with that of S-D logic; in addition, based on the property rights theory’s analysis, we aim to contribute to its discussion.

The S-D logic\(^1\) is a lively theory-building and re-building project which has its origin in the field of marketing theory. S-D logic is not a theory in a strict sense\(^2\), i.e., it is not a recorded or systematized body of knowledge. It is, at least from our point of view, a catalyst of rethinking the available body of knowledge in the field of marketing theory and even beyond, as well as means of reflection, and of collecting and discussing new (and sometimes not so new) strands of thought within the social sciences (including economics)\(^3\).

S-D logic takes a critical stance on the economic foundation of marketing theory, at least with respect to neoclassical economics and developments based on it which have contributed to what S-D logic designates as “goods-dominant logic” in marketing theory. In our paper, we focus on the property rights approach which has been mainly developed by new institutional economics, and market process theory which has its origin in Austrian economics. The connecting piece of both approaches is our treatment of economic organization. This involves the idea that all activities in markets as well as organizations (e.g., firms or households) are in need of being organized in the form of transaction arrangements, and that they are undertaken in order to create value that exceeds their costs. In the second section of our paper, we particularly discuss the role of property rights in market economic organization. From our point of view, the

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1. As Vargo (2007a: 56) clarifies, the term “logic” is best understood in the sense of a “framework” or “mindset for organizing the micro-theory building taking place throughout marketing and elsewhere.”
2. It would not fall under the definition of the concept of theory in the philosophy of science. See, for example, Suppe (1977) and Balzer et al. (1987).
3. In this sense, we understand Vargo’s (2007b: 106) characterization of S-D logic as operating at “a paradigmatic level of analysis.” See also Maglio/Spohrer (2008: 19), who propose that “service-dominant logic may be the philosophical foundation of service science,” and Ballantyne/Varey (2008: 11), who highlight that SD-logic has “succeeded in applying different scholarly thinking to old themes with synergistic results.”
need for economic organization is best expressed in the Coasean strand of new institutional economics. Coasean analyses concerning this matter can receive further substance from the works of the “old” institutionalist John R. Commons on transaction arrangements and property rights. We thus harken back to a relatively new development within economics and the new perspectives on economic activities made available by it. With reference to Commons’ work, we also point out the social-theoretical dimensions of the property rights approach and transaction arrangements. In addition, we emphasize the connecting lines between (new) institutional economics and economic sociology which thereby become apparent.

In section three, we discuss how property rights exert influence on the design of economic activities, particularly transactions and relationships between economic actors. Based on different compositions of property rights bundles, we present a two-dimensional typology of contracts. By this is shown how transactional design and market process are driven by the attempt of the actors to identify, negotiate for, and realize their options for action.

In section four, we first introduce the Austrian perspective on the processes of economic organization and compare it to the new institutional economics’ focus on the design of institutional regimes. As we will argue, market process theory and new institutional economics highlight different phenomena that have their source in the market process, i.e. the attempts of economic actors to cope with the complexity of social reality in order to achieve their ends. Second, we introduce a dynamic perspective on the design of transaction arrangements which addresses learning processes and subsequent changes of the “made” institutional order, i.e. the property rights regimes brought about thereby.

The fifth section is devoted to a clarification of conceptual differences, on the one hand, and misunderstandings, on the other, as well as to a discussion of the potential contributions of property rights theory to S-D logic. For this reason we refer to the revised version of S-D logic’s foundational premises and comment on them from a property rights theory perspective. We thus argue for the implementation of property rights based thinking into SD-logic: From a micro marketing perspective, property rights or the knowledge about the pertinent property rights bundles required for the achievements of the actors’ ends are among the most important operant resources. From our point of view, property rights theory is an important component of a theory of service economies.

The Perspective of Property rights Theory on Economic Activities

Property rights are part of the institutional structure of an economy. They are classified into two groups: economic and legal property rights. Economic property rights relate to the presuppositions and possibilities of individuals to make use of resources; legal property rights relate to the granting and enforcement of economic property rights by the state (Barzel 1997: 90). Economic property rights are delineated within a given, though changeable, social and legal order. The exchange and integration of resources in an economy is both facilitated and confined by them. Illegal or socially not accepted uses of resources are not covered by the concept of property rights. As regards to the determination of what is “acceptable” or even “legal”, there is, however, a range of interpretation due to different cultures, norms, or routines. Even within one society, there is no certainty with respect to the range of allowed uses of resources.

Ownership of Resources, Ownership of Rights to Resources

The property rights theory draws on the distinction between four types of property rights to a resource (Demsetz 1998, p. 144; Eggertsson 2005, p. 34; Furubotn/Pejovich 1972, pp. 1139): (1) the right to use it (“ius usus”), (2) the right to appropriate the returns arising from exploiting it (“ius usus fructus”), (3) the right to change the form, substance, and place of it (“ius abusus”), (4) the right to transfer all or some of the above-mentioned rights to that commodity to others (“ius successionis”). Despite the widespread use of

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4 Based on Commons’ concept of transaction, there is no need to exclude transactions from the class of relationships.
5 This opens a link to the subject matter of responsibility and marketing ethics which is not explored here.

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the term “property” or “ownership” in economics, there is no unified definition of these concepts. From the perspective of property rights theory, one can identify “ownership of a resource” with a state in which an actor holds all four types of property rights mentioned above (Haase et al. 2008: 21). Ownership in this sense does not exclude up to three of the four above-mentioned property rights being made available to other actors: without giving up ownership of a resource, “ius usus,” “ius abusus” and “ius usus fructus” can be transferred by the owner to other actors if this transaction is regarded as economically reasonable (see section 3). In this case, the property rights to a resource are “attenuated,” i. e. the ownership of property rights – not of the resource – is divided. As we will discuss below, though being a source of transaction costs, divided ownership of property rights is an important presupposition, condition, and consequence of economic action.

Property rights theory sheds new light on the outcome of the actors’ co-creation of value, as well as on the actors’ incentives regarding their involvement in a transactional arrangement. Early neoclassical theory has been heavily influenced by Walras’ characterization of economic relations as “person-good relations” (Walras 1969). Later developments in game theory or institutional economics have changed this view for the conception of person-person relations. In early neoclassical thinking, the “good” is conceived of as something brought to the market in a completed, finished state that is demanded by a buyer in this form. That means, if one disregards, as was later done in information economics, the assumption of perfect information, it may be in need of inspection by the buyer in regard to its attributes, no co-design, co-creation, or co-disposition is required. In this sense, “property rights” is a relational concept. Compared to what is called service economics (Maglio/Spohrer 2008: 19) or service marketing (Lovelock/Wirtz 2007, Gronroos 2007), property rights theory does not address the distinction between goods and services. It can be conceived of as an overcoming of G-D logic which made no effort to implement a concept of service in its conceptual framework. We will discuss in more detail in section five that this does not imply that property rights theory is committed to a G-D view. It also does not imply that property rights theory is silent on problems identified by service economics or service marketing.

From the perspective of property rights theory, not the “good” or its attributes are of importance but rather how an actor can make use of them, or how the attributes serve him or her. Whether or not a good or its attributes are of use for an actor depends on the property rights to the good. This amounts to a characterization of the economic good as a relation: something that is configured, negotiated for, and realized in the course of the interactions taking place throughout a market transaction and also constrained as well as enabled by the legal framework. In effect, until the transaction is completed, the buyer will not know what he or she gets. And what he or she gets depends more or less on the cooperation of the other party. 

From this derives a change of view on the subject matter of exchange, the transaction object. It is not only characterized by its physical attributes but also – and mainly – by the options for action which are offered to the economic actors on the basis of the property rights related to it. As Barzel (1997: 64) has emphasized, resources are many-attribute assets. Which attributes are searched for, identified, and valued by the economic actors depend on their contribution to the actors’ ends. Thus, from the customer’s point of view, the transaction objects – products as well as services – are exchanged for monetary equivalents because they are regarded as contributions to problem solving. And these contributions are derived from the exercise of the property rights assigned to them. From this perspective and in accordance with S-D logic

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6 This was also considered by Walras but discarded with respect to his equilibrium model (Walras 1969: 63). An economy characterized by person-good relations: “phenomena that are manifestations of the human will, i. e. human actions in respect to natural forces,” and an economy characterized by person-person relations: “phenomena that result from the impact of the human will or of human actions on the will or actions of other men” (ibid.) are ruled by fundamentally different laws or social mechanisms (Bunge 2004).
7 For this reason, economics is a social science and no “social physics” (Iberall 1985).
8 At this point, we restrict the analysis to a dyadic perspective or what we call collaborative or integrative production (Haase 2000, Haase et al. 2008), respectively. The transaction’s termination coincides with that of integrative production.
(Vargo/Lusch 2004a), utility derived from products and services is not fundamentally different: utility resulting from products or from some of their attributes depends on the options for action for which the product or its attributes are immediately available or mediate means. Transaction objects are thus announced and consist of outlined activities or combinations of such activities with physical resources (both tangible and intangible as, e.g., goods, skills, or knowledge) are identified. The effective economic good is thus the expected contribution of the transaction object to the achievement of the actors’ ends. This contribution and achievement – which from our point of view is identical with the meaning of “service” within S-D logic – is determined by the physical attributes of the resources involved in this process as well as by the property rights bundles related to them, and the joint value-creation process undertaken by the supplier and customer of the transaction object.

The Social Theoretical Dimensions of a Transaction

It is perhaps due to the mainly historical and descriptive character of Commons’ work on the development of property rights in the US (Ward 1966: 187; Furubotn/Richter 2008: 16) that his contributions to the economic analysis of transactions did not attract as much attention as Coase’s work on transaction costs and property rights (Coase 1937; Coase 1960). In the meantime, Commons’ conviction that transactions are characterized by a transfer of legal control has found its way in economic as well as business-economic analyses. Commons provided substantial contributions to the understanding of the transaction as the unit of economic analysis: He made the transaction “the ultimate unit of economic investigation, a unit of transfer of legal control. This unit enabled me to classify all economic decisions of the courts and arbitration tribunals under the variable economic factors involved in transactions as they actually are made” (Commons 1959: 4).

According to Commons, and quite contrary to the understanding of the term “transaction” elsewhere in services marketing (Vargo/Lusch 2004a: 12; Vargo/Lusch 2008a: 31, Vargo 2009), transactions are “really trans-actions instead of either individual behavior or the exchange of commodities” (Commons 1931: 652). The actors involved in transactions interact with each other in order to accomplish their ends. Even though markets can be conceived of as exchange mechanisms, exchange presupposes or entails “collaborative activity at many levels of business” (Ballentine/Varey 2008: 13). These interactions are executed by individuals who act according to their interests, which are not totally harmonious with each other and which are directed at the configuration and accomplishment of action opportunities. Conflicts emerge throughout the course of a transaction and are to be regulated or solved by the transactions parties’ joint efforts. Commons’ (1931) characterization of the transaction by means of the terms “conflict,” “order,” and “mutuality” applies.

Property rights are action enabling rights that, together with other resources, emerge within a social context. As pointed out by Schmid (2005: 7), a Robinson Crusoe economy is not in need of property rights: “A property right is not something a person has independent of the relationship that person has to others.” The transaction object itself, its subjectively estimated value, or expected utility depends on the relationship of that person to other people and to society in general, as well as on the structure of legal property rights and the manner an individual can influence this structure. On this note, “small-scale interpersonal relations and

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9 This subsection draws mainly on Haase et al. (2008: 10 f.) and Haase (2008: 684 f.).
10 Property rights have particularly attracted economists’ attention after the publication of “The Problem of Social Cost” (Coase 1960).
11 Williamson (1985) explicitly refers to Commons’ whereas Coase (1984: 230) has commented rather negatively on his works. The reason for Coase’s negative judgment is mainly descriptive, i.e., a nontheoretical character of the works of the “old” institutionalists.
12 As Furubotn/Pejovich (1972: 1139) point out, “property rights do not refer to relations between men and things but, rather, to the sanctioned behavioral relations among men that arise from the existence of things and pertain to their use” (italics in the original).
13 From an S-D logic point of view, service is exchanged for service. This focus on exchange carries the potential to dismantle processes of co-operation and their coordination. Cp. section 5.
culture” (Zelizer 2007) can gain influence in economics. Against the background of property rights theory, Zelizer’s proposition applies: “Institutional economists have plenty in common with institutional and economic sociologists: awareness of organizational processes, concerns about contract enforcement, openness to culture, and more.”

Managerial and Bargaining Transactions

In new institutional economics, as Furubotn/Richter (2008: 16) emphasize, institutional order or the institutional framework of an economy “became the object of research, and attention was devoted to considering the implications of given institutional arrangements for economic behavior. In this respect, the focus was on “made orders” (or constructed organisations) as opposed to “spontaneous orders” (spontaneous social organisations14).” Williamson (1985: 18) named the transaction the smallest unit of economic organization. It is the unit of analysis where advisements about the ends and means of activities, the interests of the involved parties, the condition and composition of the involved resources, as well as the property rights assigned to them, the legal order of the economy, ethical considerations, etc. are brought together. Thus, all resource-related decisions, usually discussed in terms of scarcity, ultimately appear in changes of the property rights structure of commodities. As a unit of analysis, a transaction is characterized by institutional arrangements, as well as organizational and technical arrangements related to factor combinations, and by the communications between those economic actors involved in this procedure.

According to Commons’ terminology, market transactions are “bargaining transactions” which can be characterized by the agreement of legal peers on the transfer of property rights to physical items and services (Commons 1931: 652, Schneider 1995: 243 et seq.). They are palpably reflected in contracts of purchase, employment, work and labor, service and others (Plinke 2000: 8, Schneider 1995: 243). Thus market transactions may not be confused with “managerial transactions” serving to produce products and services through the appointment of legal superiors. “Managerial transactions” occur within hierarchical relations (Schneider 1995: 243 et seq.) and serve to accomplish market transactions and to fulfill the obligations of the exchanging parties.15 “Bargaining transactions” change property rights structures, whereas “managerial transactions” result from these changed structures. In section 3, we present different types of contractual regimes, or institutional orders, which result from different types of economic activities aimed at by economic actors.

Market Transactions as Transfer of Property Rights

Within the framework of market transactions, the form and execution of the exchange of property rights initially depends on the allocation of property rights to a certain resource and a certain economic actor. In property rights theory, resources are not homogenous entities but rather bundles of features with numerous – yet partly unknown – areas of use (Barzel 1997: 4 et seq., Haase 2000: 60 et seq). Thus, the respective property rights can be concentrated or attenuated to various degrees. The full concentration of property rights means that all property rights to a resource are allocated to one economic actor. On the contrary, attenuation means that various actors hold the property rights to certain features and thus can exercise the resulting options.

Thus, in the most “simple case,” the seller gives away the property rights to the ownership of a product in exchange for the property right to the monetary equivalent of the product. But in many cases –

14 Note that Austrian market process theory, particularly in the works by Hayek, is the origin of theories of spontaneous orders.
15 “Managerial transactions” always take place within a framework set by the applicable legal system as well as the relevant market transactions. The example of a dependent employment relationship illustrates this perfectly. Through the work contract – a “bargaining transaction” on the labor market – a company or a superior obtains within the framework of the applicable labor legislation including the right to issue directives to another employee to conduct certain actions. In an enterprise, these actions – as “managerial transactions” – serve to create the products or services the enterprise is bound by contract to deliver to its market partners.
especially in service businesses – it is not ownership of resources but also, or mainly, other property rights that are of interest for the customer and therefore transferred. But in any case, such an exchange will only be carried out if the buyer as well as the seller of products or services come to the conclusion that the property right bundles they receive are of higher value than of the one they give away.

The Impacts of Economic Ends on Property Rights Structures

The property rights structure of a certain resource at a certain point in time is consequently the result of (1) a property rights structure assigned by the legal system and (2) all further market transactions that have been conducted concerning these property rights up to that moment. This structure shows up in a more or less strong concentration or attenuation of the property rights to the resource, i.e. their assignment to one or more actors (Barzel 1994 for the reasons leading to these decisions, Barzel 1997, Foss/Foss 2000, Ullrich: 145 et seq., 176 et seq.).

Which property rights are transferred in a market transaction, and in what form this is done, is the result of the make-or-buy considerations of the particular actors. There are two options in two directions (Ullrich 2004: 172 et seq.):

- First, the economic actors can acquire ownership of the resources they want to make use of or they can leave it to another actor.
- Second, they can perform all activities associated with the use of the resource themselves or let them be done by others.

The combination of these options results in four cases shown in Figure 1.

**Fig. 1. Differentiation of make-or-buy decisions (translation of Ullrich 2004: 173)**

<table>
<thead>
<tr>
<th>Actors conduct activities on their own (residual rights of control, successionis and abusus, usus, usus fructus)</th>
<th>Actors are owners and users of resources (residual rights of control and successionis)</th>
<th>Actors are not owners but users of resources (usus, fructus)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 1</td>
<td>“buy and make”</td>
<td>Case 3</td>
</tr>
<tr>
<td>“rent and make”</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Case 1 (“buy and make”): The actors (want to) perform the desired activities by themselves with their own resources. In order to do this, they must inevitably possess ownership of the respective resources or acquire them.
- Case 2 (“buy and let make”): The actors want certain activities to be performed with their own resources not by themselves but by others. For this – as in case 1 – not only the possession or

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16 For a discussion of “Non-ownership” within services marketing see Lovelock/Gummesson 2004 and Lovelock/Wirtz 2007.
acquisition of ownership is required, but also the power of disposal over those human resources which are to perform the activities to be done.

- Case 3 (“rent and make”): As in case 1, the economic actor performs or wants to perform the activities by him/herself. But in contrast to case 1, he or she is only interested in “ius usus” and/or “ius usus fructus”, but not in being or becoming the owner of the resource. This is why they do not need to own or acquire it.
- Case 4 (“rent and let make”): Activities are performed by others with external resources that are yielded for use. The actor deciding for this option has to have the legal disposal of the rights to use of all other resource owners as well as the property rights to the human capital of the persons acting on his or her behalf.

Thus, depending on the characteristics of the make-or-buy decision, an actor needs to hold a different set of property rights with regard to the physical and human resources he or she uses. If the actor does not dispose of these at a certain point in time – for whatever reason – she or he needs to conduct market transactions with other actors in order to acquire the missing property rights. This is possible because at every point in time there might be other owners of property rights who assess their resources differently (Foss/Foss 2000: 6). Therefore, they are ready to assign them for a limited or unlimited time to those who want to acquire them – typically in exchange for property rights to other resources.

**Four Types of Options for the Design of Contractual Regimes**

Depending on which and how many property rights are transferred, designs of exchange have to be chosen or shaped. Four basic ways to achieve the aspired exchange of property rights can be found (cf. Figure 2):

*Fig. 2. Exchange and types of contracts in relation to “buy,” “make”, “rent” and “let make” (translation of Ullrich 2004: 175)*

- The contract of purchase expresses the institutional dimension of the transaction for realizing the “buy” option of resources, i.e. the purchase of non-human, physical and intangible capital goods. As a result, the buyer receives the unattenuated “ius successionis” – and thus all other property rights – to the resource, while the seller receives the “ius successionis” to the payment.
• Rental, leasing, and hiring contracts translate into the “rent” case. The customer acquires the limited “ius usus” to the concerning resources, while the provider receives the “ius successionis” to the revenue, i.e. rent, lease, or the like.
• Contracts of employment put the “make” option into operation. The provider of manpower receives an “ius successionis” to the remuneration (wage/salary) entitled to him/her. In order to perform the job, he or she also receives the “ius abusus” to the necessary resources of the customer, i.e. the employer. In return, the employer receives “ius usus” to the human resources of the employee.
• Finally, the case “let make” is realized through contracts of service or contracts of work and labor. The provider receives the “ius successionis” to his or her remuneration. In return, the customer concedes the unlimited “ius usus” to human capital, which provides the service or creates the work.

The previous views show that the choice or the development of a certain form of contract is the result of make-or-buy-considerations as well as the underlying determination of the optimal owner of resources or rights (Ullrich: 176 et seq.). Furthermore, only in the case of a contract of purchase are all property rights to a resource transferred, whereupon the “ius successionis” is of decisive relevance. Numerous forms of contracts exist in which certain property rights to the relevant resources remain with the provider. Thus, after the conclusion of a contract, the lessor still remains the owner of the rental objects and the employee keeps his or her human and civil rights when signing an employment or work and labor contract. From the provider’s point of view, property rights to the relevant resources are attenuated within the framework of a transaction. The owner transfers at least the “ius usus” on the rental object to the tenant, and employees or contractors concede to their employers or clients rights of access or scheduling with regards to their working hours.

Whenever it comes to such an attenuation of property rights to a resource, its aspired use cannot be realised without the mandatory contribution of the provider. In such cases of what we call collaborative market transactions, the customer needs to allot his or her part of the property rights and the provider the remaining part of the same.

A Conclusion in Between

As an initial provisional result, it can be noted that collaborative market transactions of the types “rent”, “make” and “let make” always involve an attenuation of property rights to a resource brought into the transaction by the provider. Thus, within such kinds of transactions, a joint planning addressing the resource integration process and its constituents, i.e. the relevant resources which are to be supplied by provider and customer, is always necessary. During the course of the transaction, specified property rights (“ius usus”, “ius usus fructus”, “ius abusus”) are temporarily transferred from provider to customer, while the right of ownership (“ius successionis”) remains with the original owner, i.e. the provider (Ullrich 2004: 187 et seq.).

From a property rights point of view, this characterization specifies very well types of resource and rights utilization and paves the way to an analysis of the processes by means of which resources are brought into a transaction by both provider and customer. Although not the focus of this paper, the customer has also to insert resources into the transaction in order to realize the value of the temporarily attenuated ownership of property rights transferred to him or her from the provider. In order to integrate the customer’s resources into the operational processes of the joint value-creation process with the provider, an additional temporary transfer of property rights from customer to provider is necessary. For instance, an object like a car, a bicycle, or a computer can only be repaired by a provider of a repair service if “ius usus” and “ius abusus” are temporarily granted by the customer. An external training measure can only succeed if the participants –

17 The answer to the question of who the optimal owner of certain property rights is may change with the progress of market processes leading to new transactions and property rights combinations. Cf. Ullrich p. 190 et seq. See section 4.
18 Since the abolition of slave work, the „ius successionis“ to human resources no longer exists.
limited in time and degree – hand over their right to carry out their own time management to the provider of such a measure.

Thus, from a property rights perspective, collaborative market transactions are characterized by both the temporary attenuation of property rights to the resources brought into the transaction by the provider and the temporary attenuation of property rights to the resources integrated into the co-creation process by the customer (Kleinaltenkamp 1997b: 99, Kleinaltenkamp/Haase 1999, Fließ 2001: 20). This means that the related property rights to the resources from both transaction partners are always attenuated bilaterally. Through this bilateral attenuation evolves a – often complicated – net of activities of alienation, retrocede, and safeguarding of property rights with partly far-reaching consequences for the initiation, enactment, and control of transactions as well as the accompanying production process in a narrower sense (for resulting consequences, see Fließ 2001: 94 et seq., passim.).

But as mentioned before, the property rights structure of a resource at a certain time is not “timeless.” “History matters” since the given structure is the result of all market transactions related to the property rights in the past. And the “shadow of the future” also has an impact, as all these transactions have been undertaken with regard to the expected options for actions that are connected to the property rights in this regard.

For this reason, we introduce a dynamic, market-process theoretical perspective on the process of economic organization by means of transaction arrangements in the next section. This allows us not only to show the embeddedness of single market transactions within the market process but also to link the micro level of analysis (transactions) with the macro level of analysis (markets). Market process theory emphasizes change and the role of knowledge in this regard, and, points to invisible-hand processes. Throughout the paper, against the background of property rights theory, we have addressed the role of the visible hand or “made order” on the one hand, and of transaction-based knowledge on the other, for the market process. As we will see, market process theory and new institutional economics are different, since the one highlights spontaneous and the other made orders; nevertheless, they meet each other in their interest in market processes and the mechanisms which drive them. It is Hayek’s conviction that there are intended as well as unintended action consequences. If we also take into account that humans can only try to grapple with the enormous complexity of social reality, we believe that spontaneous orders as well as made orders are of importance-

**Property Rights Theory and Market Process Theory**

As an approach with its source in marketing theory, S-D logic has paid attention to the historical development of “marketing thought”, or economic history, or the theory of markets and marketing (Vargo/Lusch 2004a, Vargo 2007a). The rebuilding of “marketing thought” along the lines of S-D logic has given rise to a debate about the origin and development of these concepts and conceptions, which are subject to criticism and are to be particularly accessed through the goods-dominant logic and its roots in neoclassical economics (Vargo 2007a: 55). Below we sketch three lines of market theory in economics and discuss the role of transactions and transaction-related knowledge for the market process.

**Market Theory from the Perspective of Neoclassical, Austrian, and Institutional Economics**

As has been pointed out several times by marketing scholars, marketing theory presupposes market theory. The market theory of neoclassical economics draws on the Walrasian equilibrium model, which has its analytical merits but addresses only person-goods relations in a static framework of analysis. Walras was interested in the development of an abstract model of the market as a means of economic analysis but not in a dynamic analysis of the market process. In economics, Austrian economics has perhaps paid the most attention to the market and the market process. In particular, it did so from a quite different perspective than neoclassical economics (Mikl-Horke 2008: 207 ff.). This is not by chance. Two main proponents of market
process theory, Schumpeter and Hayek, were students of Friedrich Wieser, whose “work shows influences from historical economics and introspective methods as well as from sociology” (Mikl-Horke 2008: 204).¹⁹

The interest of market process theory lies not in an abstract model of the market or in equilibrium analyses based on it. Austrian economics has provided answers to the question of what a market is (according to Menger and Hayek, an institution) and, therefore, also to the question of what the subject matter of a (general) theory of the market is. Even though we believe that this answer, from the perspective of today’s economics, needs qualification, we are convinced that this answer is still of importance. As was typical for economics until Coase’s seminal work on the theory of the firm, or on marketing or coordination costs, i. e., transaction costs, Austrian economics has no theory of the firm (Foss 1997; Dulbecco/Garrouste 1999).²⁰ For this reason perhaps, Hayek has equated “economy” with economic organization, i. e. “organization or arrangement in which someone consciously uses means in the service of a uniform hierarchy of ends” (Hayek, quoted by Mikl-Hauke 2008: 208), whereas “‘market’ or ‘catallaxy’ conveyed for Hayek the spontaneous order that comes into being through individual actions” (ebd.).²¹ That economic activities, even market activities, require organization, though admittedly to very different degrees and manners, is pushed aside by Hayek and assigned to a diffuse entity, the “economy.” If marketing thought took over this kind of distinction, what it calls “micro marketing” and “macro marketing” would collapse into one concept. In addition, transaction costs (and benefits) and with this, an important incentive, or factor of influence of economic activity, would disappear from economic analysis.²²

At about the same time²³ that Coase made his thoughts public about the transaction costs (marketing costs) of economic activity and what this implies for economic organization, Commons (1931) provided a conceptual framework for the analysis of economic activities in both markets and firms, based on historical analyses and social-theoretical concepts like “order,” “conflict” and “mutuality.” Due to the theories on which the concept of transaction is founded, social-theoretical and economic thinking was linked and the drivers of the market process became discernible to a higher degree than in Austrian economics.

If one compares Austrian economics and new institutional economics, one could say that both are very similar in their emphasis on the “market as an institution” (Coase 1988: 7, Mikl-Hauke 2008: 207 with respect to market process theory in general). According to Coase (ebd. 7 f.), “in economic theory which assumes that transaction costs are nonexistent, markets have no function to perform and it seems perfectly reasonable to develop the theory of exchange by an elaborate analysis of individuals exchanging nuts for apples on the edge of the forest or some similar fanciful example.”

With an eye on Hayek and his characterization of the market process as a knowledge-generating device, critics could complain that the Austrians are neglecting transaction costs whereas Coase is neglecting the role of knowledge. There is some truth in this objection, though it does not completely grasp the

¹⁹ Mikl-Horke (2008: 204) adds that Wieser’s “‘The Theory of Social Economy’, which appeared in 1914, reads in great part like economic sociology.”
²⁰ In this regard Austrian economics, which is often put into the “heterodox” corner (Mikl-Horke 2008: 210), is very mainstream. As Coase (1988: 5) observes, “Why firms exist, what determines the number of firms, what determines what firms do (the inputs a firm buys and the output it sells) are not questions of interest to most economists. The firm in economic theory, as Hahn said recently, is a ‘shadowy figure.’” Two pages later, he added: “Although economists claim to study the working of the market, in modern economic theory the market itself has an even more shadowy role than the firm” (Coase 1988: 7). Frank Hahn is known for his work on general equilibrium theory.
²¹ Furubotn/Richter (2008: 16) contrast this, what they call the invisible-hand approach, with the “visible-hands approach to institutional economics. Whereas the invisible-hands approach plays a role in Austrian economics, and also in some strands of game theory in institutional economics, the visible-hands approach addresses “made orders” and transactions costs.
²² “Without the concept of transaction costs, which is largely absent from current economic theory, it is my contention that it is impossible to understand the working of the economic system, to analyze many of its problems in a useful way, or to have a basis for determining policy” (Coase 1988: 6).
²³ As Coase (1993: 34) notes, “the ideas to be found in ‘The Nature of the Firm’ (...) must have crystallized in my mind sometime in the summer of 1932.” “The Nature of the Firm” was published in 1937.
differences between both strands of theory. We haven’t investigated this issue in detail yet but believe that it can be analyzed along the following lines: All activities of economic actors, be they within or for organizations (like a firm or a household), or in a market or between markets, need economic organization (mainly discussed throughout this paper in terms of bargaining and managerial transactions). All forms of economic organization are driven by knowledge and experience. Austrian economics focuses on knowledge processes that lead to economic organization or change in the manner it is pursued, as well as on changes of knowledge resulting from these activities. The Austrian idea of the market as “society-in-acting” (Mikl-Hauke 2008: 217) is in line with that of the institutional economics, though the latter conceptualizes the “acting” in terms of transactions.

Knowledge and information processes are directed at the particulars within this framework; in the new institutional economics, they are spelled out in more detail than in Austrian economics and bound to transaction (cost) analysis. Property rights is one of the most important subject matters within this framework; their inclusion into economic analysis has transformed the nuts-and-apple based analysis into one referring to action opportunities, for “property rights define the opportunity set open to individuals” (Furubotn/Richter 2008: 17). It is not by chance that Furubotn and Richter, in the quote above, refer to the historical and dynamic strand in new institutional economics: Action opportunities as options for action, however, depend on future developments, expectations, and uncertainty (or risk) – as emphasized by some of the main proponents of market process theory (Lachmann 1976, Shackle 1972).

That notwithstanding, there is a difference between new institutional economics and market process theory which is important. According to new institutional economists working in the dynamic strand of the field (North 1990, Eggertsson 2005), institutions are Janus-faced, i. e., they are a source of uncertainty as well as a means to cope with it.24 However, many economists working in the new institutional economics tradition lay primary stress on their uncertainty-reducing “function.” We doubt that this is in line with the Austrian view on uncertainty as a positive factor of market dynamism (Mikl-Hauke 2008: 217).25 We share the Austrian view that uncertainty is not just an evil but also an important motor of the market process if it is seen as a factor of influence with which economic actors actively strive to cope.

### Market History, Institutional Change, and Knowledge

*Commons* has already pointed out the transaction as the linkage between individual action and institutional change. Each transaction undertaken against the background of a market’s “history” gives rise to a subsequent change of that market’s history and will lead to a different point of departure for the solution of the decision problem concerning the property-rights structure of the subsequent transaction. A given property-rights structure is thus a restriction of an economic actor’s action opportunities. The actor can, depending on the ends of a prospective transaction, the time available, and other cost generating factors related to a reshaping of the property-rights structure in a given market, decide to act within the given framework of property rights, i. e. choose to act on the basis of the given property-rights structure. If the ends and other action opportunities afford it, the actor can also strive to change the available property-rights structure and order, i. e. direct his or her attention at the establishment of an adequate property-rights regime before becoming involved in a bargaining transaction on the basis of it.

The change of the property-rights structure is thus forwarding the proper transaction or is an intermediate end for it. The availability of resources, as well as the structure of property rights assigned to them, is then a consequence of previously conducted transactions within and across markets. Therefore the made order is not independent from the course of the market process. Resources and property rights can be composed in several ways which will meet the requirements of the market participants. Against the

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24 Furubotn/Richter (2008: 18) emphasize that “it is recognised by North that institutional change can be destabilising and, therefore, need not be either peaceful or orderly.”

25 As Mikl-Horke (2008: 217) points out, “As a result of the uncertainty under which individuals must act in markets, errors are unavoidable; this in the Austrian view is not proof of the inadequacy of the market system, but necessary to drive the market process to even new frontiers of knowledge discovery.”
background of the consequences of previous market processes, i. e., the market’s “history”, the transaction partners will interact on the precondition of specific contract regimes which have emerged in order to fit the requirement of both transaction partners.

Economic property rights, which are not part of the institutional framework of an economy, are the proper subject to negotiate and change for the transaction partners. The bundles of property rights discussed in the previous sections and the reasons for their specific design are first the result of the kind of problem which is to be solved or the needs which are to be met by means of a transaction; second, they result from the market process and its intended as well as unintended results. However, as emphasized several times throughout our paper, the made order – the order generated by economic actors – reflects that, partly in spite of, partly because of the absence of the opportunity to learn, actors actively need to cope with uncertainty related to the current as well as future value of their property rights, and thus action opportunities.

Transactions, uncertainty, and institutions

The fundamental consequence of the understanding of a transaction as a transfer of property rights lies in the uncertainty of the future value of the property rights as well as in the question of how to safeguard them. As mentioned before, there are two ways in which property rights are transferred in a transaction:

- Temporarily transferred property rights:
  - “ius usus”, “ius abusus” and/or “ius usus fructus” to the internal resources of the provider used by the customer during the transaction, as well as
  - “ius usus” and/or “ius abusus” to the customer’s external resources that are integrated throughout the process of co-creation of value (during collaborative production).
- Completely transferred property rights:
  - “ius successionis” to the remuneration that the customer owes the provider and is usually paid at the end of the joint value-creation process, as well as
  - “ius successionis” to the internal resources of the provider which, after the end of the joint value-creation process, are a part of the result of the creation process (in which the customer gains ownership) or are transformed into it.

Not all property rights that are of relevance for the execution of a transaction are transferred to the other transaction partner. This concerns the “ius successionis” to resources of the customer (external resources) as well as the „ius successionis“ to the provider’s resources (internal resources), that remain the property of the customer or provider, respectively, after the completion of the transaction.

Thus, a great difference exists between “simple,” meaning non-collaborative, and “complex,” meaning collaborative, market transactions: In a “simple” transaction, the property rights to a standardized good are exchanged with the property rights to a respective remuneration. Compared with this, a collaborative transaction is, or has to be, shaped by a mostly intricate net of intertwined exchange processes of property rights. In the sense of the principal agent theory, each transaction partner plays the role of a principal and the role of an agent with regard to the rights to be transferred (Kaas 1991, p. 10, Kleinaltenkamp 1992: 815). The particular “role allocation” depends on whether the co-creation process itself is regarded or its results. According to the typical principal-agent constellation, the provider serves as agent and the customer as principal in relation to the results of the co-creation process. If, for the realization of a certain outcome, the integration of external resources is necessary, the provider is to be regarded as principal and the customer as agent, who influences the scope of activities of the provider by placing external resources (Kleinaltenkamp 1997a: 86).

The more specific the agreements need to be to meet a single case, the higher is the uncertainty perceived by the transaction partners and the transaction costs resulting from the desire to control or reduce this uncertainty (for details and a comprehensive view cf. Fließ 2001: 166 et seq.). In either case,
Institutional regulations for the execution and settlement of transactions have to be found. Such institutions are characterized by (cf. Figure 3):

- their capacity to influence or steer the behavior of the transaction partners involved, and therefore
- their capacity to reduce a transaction partner’s uncertainty with regard to the behavior of the other transaction partner (Jacob 2002: 51 et seq.).

Institutions unfolding this effect typically comprise three elements (Jacob 2002: 58 et seq.; cf. Figure 3):

- a rule or rules stating the consequences of a certain behavior,
- a sanction or several sanctions describing consequences of behavior not abiding by the rules(s) as well as
- a guarantee or guarantees securing the enforcement of a penalty.

![Diagram](image)

From this institution theoretical point of view, it becomes clear that the task of marketing is not only to shape a product or a service or a product-service bundle as the object of agreement that is offered to a customer. Another and sometimes even more important and challenging task of marketing is to find or shape the right transaction design as an institutional setting that facilitates the exchange of property rights.

**The transaction as node and hub of the market process**

From this perspective the actors’ sphere of influence is connected via transactions with the market sphere as shown in Figure 4: Each economic actor is at a certain point of time an owner of property rights allowing him or her certain actions in the future. But as the future is uncertain and the actors are characterized by bounded rationality they ‘only’ have expectations on their future options of acting which

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26 As Furubotn/Richter (2008: 17) state, “institutions act to reduce the uncertainty of human interaction and, thus, the costs of co-operation.” The Janus-faced character of institutions is not overlooked within this analysis. In made orders addressing a transaction, or a series of transactions, actors face the opportunity to learn and to immediately react to expectations which have proven to be false.
are mainly driven by the given knowledge on results of past transactions. Starting from this background the actors transact with other actors. The transactions themselves are agreements on the exchange of property rights comprehending the transfer and hedging of property rights and causing transaction costs. These costs are evoked by the fact that the transactions are embedded in the given property rights structure which, on the one hand, provides a certain order and principal-agent relationships, but also causes dependencies and conflicts. To overcome these conflicts and make transactions possible, screening and signaling activities are necessary.

As a consequence, two things follow from these transactions as intended but possibly also as unintended results: First, as a direct effect of the exchange of property rights, new concentrations or attenuations of property rights arise. Second, as an indirect effect, the individual or organizational actors gain knowledge about several things:

1) They learn something about the value of their own property rights and those of their transaction partners. Here especially the comparison of the ex ante and the ex post appraisal of the value of the property rights is of interest. If an actor comes to the conclusion that his or her estimation of the value before the transaction is not affirmed by the value after the transaction – which is the “value in use” of the resources to which he or she now holds the property rights – this will surly have an impact on his or her buying or selling decisions in the future. And this may not necessarily affect only those kinds of contract subjects which are equal or similar to those that were exchanged in the special transaction.

2) They experience the behavior of their transaction partners concerning their co-cooperativeness and fairness.

3) They learn how high the transaction costs were to transact business.

4) They experience the usefulness of the institutions that were used to process the transaction.

Fig. 4. Interrelation of economic actors, transactions and the market process

All of this knowledge gained may confirm the estimations the economic actors had before a certain transaction, but may also lead to new or adjusted appraisals. On the basis of this confirmed, new, or modified knowledge, the actors head for their next transactions with the same or other transaction partners.
So far, we have emphasized the role of property rights, and therefore property rights theory, for the analysis of markets, and therefore for marketing theory. In the next section, we discuss S-D logic’s foundational premises (Lusch/Vargo 2007) against the background of our analysis.

S-D logic and Property Rights Theory: New Perspectives for Market and Marketing Theory

In this section we address some of the main issues for a comparison of property rights theory with S-D logic. We attempt to make the differences as clear as possible because only a clear outline of the starting points can provide a sound basis for a comparison of and linkage between both lines of thinking.

Exchange, Access to Resources, and the Division of Labor

S-D logic’s first fundamental premise states that service is the fundamental basis of exchange. According to property rights theory, property rights are the “fundamental basis” of exchange.” Only the disposal of property rights to resources makes these resources useable for economic actors; property rights open up the options for action, which is the main reason for the actors’ economic activities. Thus, from an economic point of view, resources can only “serve” – in the sense of S-D logic – if actors get access to them. In a market economy, this is only possible through an exchange of property right in whatever form (see Chapter 3). So, from a property rights perspective, the exchange and (re)allocation of property rights is a necessary prerequisite for the exchange of service in the way it is seen in S-D logic. And service (singular) then is the realization of the action opportunities given by the property rights that an actor holds. So if S-D logic wants to make a contribution to a market theory, or even wants to be market theory itself, property rights and their exchange have to be integrated into it.

But “exchange” provides only a very limited characterization of what the subject matter and objective of a transaction are. This is even true for bargaining (market) transactions: from the perspective of economic theories which have been developed as market theories, “exchange” (besides “production”) has to carry the main meaning of “economic activity.” The concept of exchange is deeply rooted in early stages of economic theory development which barely addressed phenomena of economic organization or the design of transaction regimes, not to mention organizations. For this reason, with regard to economic organization, one of the first organization theorists in the new institutional economics, Oliver Williamson, has referred to the transaction as “the smallest unit of analysis” (Williamson 1985: 18). This implies that there are other units of analysis as, e.g., organizations or networks.

Furthermore, if all actors are resource integrators, there is a need to understand how the actors get access to each other’s the resources. Property rights theory clarifies what forms of access to resources exist and what economic problems are related to them. Through this, property rights theory also enables an economic understanding of the “modern” ways of division of labor. Typically, these comprise forms of non-ownership access to resources. But ownership and non-ownership have an impact on the behavior of actors. Non-ownership results in an attenuation of property rights, leading to specific risks for the holders of property rights that need to be handled. Non-ownership forms of access to resources are in need of specific transactions designs. The finding and/or shaping of such transaction designs are important tasks for marketing besides the creation of product/service offerings. As we have shown, from a property rights perspective, it makes a great difference whether or not the user of a resource is also its owner, which means whether the property rights are attenuated or not. To ignore this fact means to overlook or not to take into account the partially dramatic changes in the division of labor that have taken place and are still taking place mainly in the business-to-business sector. Many of these processes of restructuring show up in sometimes complex property rights structures that have one thing in common: that the end user of a resource is not its.

27 With this formulation, however, we do not want to suggest that there is, independent of the theoretical perspective, an ultimate reason for economic activity. As our discussion highlights, the neoclassical, the new institutional-economic and the S-D logic viewpoints on this issue are often quite different, and they are different because of the differences in the theoretical conceptions that lie behind these views.
owner. Following this understanding, the property rights view of transactions can easily be combined with the market process theory, and thus opens up the opportunity for an integrated theory of markets and marketing.

The Goods-Services Distinction and Service

Property rights theory undermines the goods-services distinction, even though it pays no attention to services. Nevertheless, as outlined in this paper, property rights theory has proved to provide an interesting perspective on service economies and the problems appearing therein. New institutional economics, of which property rights theory is a part, has questioned the restriction of the older strands of neoclassical theory to person-good relations. In its place, it has brought person-person relations into the focus. This becomes apparent in the idea of what Commons has called a bargaining transaction. This exchange that takes place on a market is a process of cooperative value-creation which depends on the joint efforts of both parties (Barzel 1985, Haase 2000: 135). The outcome of such a transaction, and the distribution of the benefits accruing from it, are sensitive to the efforts made by the actors and the manner in which they negotiate for and finally enforce their interests.

That economic activity is driven by self-interest seems no longer to appear in today’s characterizations of “service,” the “common denominator of exchange” in S-D logic (Vargo/Lusch 2006: 282). Interestingly, the former definition of “service”, which was equated with “the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another party or the entity itself” (Vargo/Lusch 2004a: 2, our italics; cp. also Vargo/Lusch 2004b: 326), has been reduced to a formulation-like “process of doing something for someone” (Vargo/Lusch 2006: 282). It is not clear if this formulation amounts to the implementation of other-regarding preferences, or altruism, or if it has simply changed, perhaps somewhat inwardly, its status from a definition to a normative statement expressing a kind of regulative idea on the objectives of economic activity.

The interpretation of “service” in the sense of “the process of doing something for another party” (Vargo 2007a: 56; cp. also Ballantyne/Varey 2008: 11) suggests that there is something addressed that transcends the surface of exchange regimes, or is more basic than the economic characterization. If it is a reference to social theory, then it is shared with a comparative appeal in property rights theory. The social-theoretical perspective is an important basis of marketing theory, but is in need of a complementary economic perspective. The social-theoretical perspective alone is too broad in order to guide marketing theory, as shall be highlighted by the following example: “Doing something for another party” implies that there is another party, but is silent on just how much the other party is involved in the process of doing. If one compares business-to-business transactions with business-to-consumer transactions, there are very different degrees of involvement. In other words, “Doing something for another party,” if amended by the idea of co-operation, is a symmetric relation; however, “symmetry” is silent on the kind and number of activities involved. We therefore conceive of division of labor as the ultimate reason for “doing something for another party” and discuss service (singular) in an economic framework with regard to the interactions required in order to bring about resources-rights bundles. In this regard, our paper interprets service economies in the light of (what we believe is an apt and fruitful strand of) service economies (cp. Maglio/Sohrer 2008: 19).

Property rights theory also provides a basic common denominator of exchange in terms of action opportunities. Action opportunities are opened up by the idiosyncratic bundle of rights to resources that an actor holds. “Action opportunity” has a much broader connotation than “utility”. However, it does not mean that actions are ultimately directed at the achievement of utility (benefit) stemming from consumption

As Vargo/Lusch (2008c: 255) point out, this is not by chance: The introduction of services into marketing theory and thus the establishment of many of the sub-disciplines of marketing, such as business-to-business marketing, services marketing, and international marketing is a response of the limitations and lack of robustness of G-D logic as a foundation for understanding value creation and exchange.”

Note that utility does not necessarily have to arise from consumption.
or production, as assumed in neoclassical economics. The actors’ intent can also be directed at completely different ends than consumption and production as, for example, coping with uncertainty. In any case, the effective economic good is the expected contribution of a resources-rights bundle to the actors’ ends. As Vargo has been pointed out several times, consumption does not destroy value (Vargo 2009: 7). From a property rights theory point of view, consumption can be conceived of as a particular form of realized action opportunities (or as a part of a process related to this). As mentioned above, the realization of opportunities takes often place after the transaction is terminated; for this reason, the customers have to realize their action opportunities by themselves or perhaps in interaction with others – but, if the transaction is finished, usually not with the co-creator of the respective resources-property rights bundle. From the perspective of property rights theory, the service that one actor can provide for another one amounts to his or her support (in terms of resources and rights) directed at the opening up of the other actor’s action opportunities. There is no altruistic or normative appeal to this analysis which addresses cooperation problems faced by actors having in part harmonious, in part disharmonious interests. However, in transaction cost analyses within the framework of new institutional economics, it is rather seldomly made explicit that transaction costs and benefits are to be compared and that both measures are dependent on the behavior, in particular the willingness to cooperate, of both transaction partners. To this relates the characterization of the transaction object as a relational entity from the perspective of property rights theory.

Co-creation of Value and Transaction

The property rights theory’s concept of co-creation does not contradict that of S-D logic. Property rights determine the transaction object and, thus, the action opportunities and the degree to which the actors’ ends are expected as being achievable. For this reason, the action opportunities that are related to property rights shape the “prolongation” of the bargaining transaction into the organizational decisions and structures of firms and households.

So it seems useful to distinguish between two periods of co-creation of value in terms of bargaining transactions, on the one hand, and managerial transaction on the other. Whereas the bargaining transaction is an entity of the market by means of which the interactions of the actors involved are framed, managerial transactions are organizational units that put the results of a concrete market (bargaining) transaction into practice.30 This takes place within the legal framework and within organizational boundaries and with more or less cooperative efforts of those who act for or in favor of an organization, such as a firm, or corporation, or household.

S-D logic states that the customer is always a co-creator of value. From our point of view, this formulation can be made more specific. If one only regards the interactions of two concrete economic actors – one provider, one customer –, one can state that both are involved in a value-creation process which is limited by the time spanned by the beginning $t_1$ and the end of the bargaining transaction $t_2$ between provider and customer: it may be described by the tuple $(t_1, t_2)$. The managerial transactions performed in consequence of the stipulations, having their source in the bargaining transaction between both actors, also take place within $(t_1, t_2)$. However, the outcomes of the period of production (PP) and those of the period of utilization (PU) can, or cannot, coincide. In other words, there are outcomes of the PU that lie completely within $(t_1, t_2)$, and there are others whose utilization takes place after the end of the bargaining transaction $(t_{2;i}, \ldots, t_{2;n})$ ($i = 1, \ldots, n$) (Fließ/Kleinaltenkamp 2004; Moeller 2008). This difference results from different ends of the economic actors involved in a transaction, and is expressed as well as realized by the idiosyncratic structure of property rights assigned to the transaction arrangements designed by them.

From our perspective, the co-creation of the parties in a bargaining transaction ends at the time the bargaining transaction ends. By definition, all processes or activities that have been carried out in order to realize or produce the transaction object have then been accomplished, too, as well as the co-creation of value between provider and customer in terms of co-production of output. Nevertheless, the realization of

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30 Managerial transactions are not in the focus of this paper’s discussion which highlights the market processes.
action options and, with it, the expected benefits from a bargaining transaction, usually extend the time period a transaction requires.\(^3\)

It will probably give rise to interactions or processes of co-creation with other actors. The customer may also be further involved in interactions with the supplier of an output, for example, as a member of a user group. An understanding of the expression “co-creation of value” in the sense that the well-being of the customer, insofar it is related to the utilization of outcome, depends on the customer’s individual ability to make use of the output, particularly of the property rights assigned to it. In the case of PP\(\neq\)PU, the full bundle of property rights is transferred throughout the bargaining transaction, particularly “ius successionis.” If we disregard that the provider holds responsibility for his or her part in the co-productive process as well as its preparation necessary for creating this outcome, and thus for the potential options for action related to it, we can state that it is the customer who, throughout or after the end of the bargaining transaction, is in charge of realizing the action opportunities enclosed in his or her property rights bundle.

For this reason, we are also convinced that there are important “processes of doing”, processes of which it makes sense to describe in economic terms like “transaction” and “production” as well as to uphold the distinction between a period of production (PP) and a period of utilization (PU) of an outcome – even though both periods can overlap to a high degree, especially in the case of producing and delivering services (plural).

Conclusions

The subsequent discussion of S-D logic’s revised fundamental premises (Lusch/Vargo 2007) is based on a selection regarding their importance in the light of the property rights approach. For this reason, we neglected foundational premises 2, 5, 8 and 10 in our discussion.

### Table 1. Fundamental premises of S-D logic in perspective of Property Rights Theory

<table>
<thead>
<tr>
<th>Fundamental Premise</th>
<th>S-D logic</th>
<th>Property rights theory</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>FP 1</td>
<td>Service is the fundamental basis of exchange.</td>
<td>Action options opened up by property rights are the fundamental bases of exchange</td>
<td>Outcome can only be put into action or being made serviceable because of the property rights attached to it.</td>
</tr>
<tr>
<td>FP 2</td>
<td>Goods are distribution mechanisms for service provision.</td>
<td>Depending on the subject of the contract (resources or processes) and the contractual arrangement taken (“buy”, “rent”, “make”, “let make”), the outcome of exchange may be goods, services or – in most cases – a goods-services bundle.</td>
<td>A clear-cut distinction between goods and services is still not available. It can be overcome from a resources-rights point of view.</td>
</tr>
<tr>
<td>FP 3</td>
<td>Operant resources are the fundamental source of competitive</td>
<td>In addition: The ability to provide transaction designs suitable for the exchange of property rights to be executed.</td>
<td>According to S-D logic, operant resources are the fundamental source of competitive advantage. From the perspective of this paper’s analysis, we add a particular skill to the class of operant resources: the ability to design and...</td>
</tr>
</tbody>
</table>

\(^3\) Consider, for example, a haircut. The collaborative activities related to its production are accomplished if the customer leaves the hairdresser’s shop. However, the action options related to the customer’s haircut, perhaps resulting from an improved personal sense of well-being, are explicitly related to the time period after the bargaining transaction’s termination.
advantage | manage transaction arrangements suitable for the creation, negotiation, and transfer of economic property rights.
---|---
FP 5 |  
FP 6 | The customer is always a co-creator of value. In collaborative transactions, the customer always is a co-creator (co-producer) of value. As an owner of goods, the customer creates the value on its own. We admit but disregard here that the actor is always a member of a household or other organization, or part of a network, which can gain influence on his or her efforts to realize action opportunities.
FP 7 | The enterprise can not deliver value, but only offer value propositions by providing an exchange of property rights. FP 7 emphasizes that value creation either requires the cooperation of the customer or pertinent activities undertaken by the customer in order to tap the property rights’ full potential. Although value-creation is not an isolated undertaking by the provider, he or she is responsible for the potential value generateable by the collaboration between him or her and the customer. The negotiation process concerning property rights during the time a bargaining transaction takes notwithstanding, it is the task of the provider to think ahead of the utilization potential of particular property rights bundles offered to the market. In addition, the value created by and for both parties to a transaction is dependent on their willingness to cooperate throughout the time a bargaining transaction takes.
FP 8 |  
FP 9 | All economic and social actors are resource integrators. All economic and social actors are resource integrators and market transactions lead to new forms of resource integration. Transactions are the node and hub of the market process.
FP 10 |  

Summing up, we would like to state the following: From the point of view of property rights theory, resources and the rights assigned to them are important components for our understanding of economic activity. Division of labor and the subsequent division of resources and property rights implied by it are the reasons for the need of integration in order to create value for economic actors and societal prosperity as well. The actors will experience how the transaction object, the resources-rights bundle, and the particular transaction arrangement have contributed to the achievement of their goals. The actors’ reflection on the design of transaction arrangements, the learning processes that have their source in experiences related to particular transaction arrangements, and subsequent processes of evaluation and re-design are important motors of institutional change. From our point of view, it is thus the visible hand expressed in economic organization that provides the toehold and edifice for the knowledge processes emphasized by the invisible-hand tradition in Austrian economics.

The new institutional economics, in particular property rights theory, provides a capable conceptual framework for the analysis of service economies as subject matter of service economics, and thus a linkage between such social-theoretical issues as interaction, reciprocity, and communication, and such economic issues as transactions, property rights, and the economic order that is created by them. New institutional economics, and marketing theory in its fairway, argue for an analysis of economic organization and thus for a “visible-hands view” on service economies.
In economics, property rights theory has already introduced a new “logic.” From a rhetorical point of view, it tells a story about the overcoming of neoclassical thinking which is closely related to G-D logic. Though the story is told in its own theoretical language, we argue that this view is highly compatible with that of S-D logic, at least as we understand it. S-D logic is not a straight theory-development project on a clear course; at the given point of time, it is similar to an open source project, taking on board more and more people who are attracted by the opportunity to discuss fundamental issues of theoretical and practical concern in their respective fields of study.

S-D logic is now characterized by this debate about fundamental issues. It was the aim of our paper to compare S-D logic’s discourse with that based on property rights theory, and to emphasize how property rights theory-based problem identifications and solutions could inform and inspire S-D logic. Finally, we would like to express that S-D logic’s emergence in the field of marketing theory has proved to be a source of reflection and inspiration for other approaches, even in the field of economics.

References


Monopolies. Competition forces the firms to be on their toes and look for ways in which to reduce the input international value chains.

Andreas Wyller Falkenberg, University of Agder, Norway

Well functioning markets and competition are essential to economic development. Normally, participants in a market seek to engage in exchanges, which make them better off from a Pareto perspective. That is, if markets are properly regulated and allowed to function well. Since 2000, unprecedented "bubbles" in the markets for food, fuel and finance (stocks and real estate) have been followed by the rapid deflation of the same. The trip up may be agreeable for some, but the subsequent downfall is uncomfortable for all. Powerful political, economic and marketing interests have created asymmetric, non reciprocal and slanted institutions resulting in hardships for some, and benefits for others. The purpose of this paper is to look at some of the institutions governing the markets for fuel, food and finances to see if they have indeed resulted in an adverse allocation of burdens and benefits.

Introduction

At the end of the first decade of the 21st century, we are facing a number of challenges in our increasingly interdependent global economy, which affect marketers in most countries.

Food price bubble: food prices were increasing until the summer of 2008 and we faced starvation in some poor countries. During the last few months the prices have plummeted.

Fuel price bubble: oil and other raw materials prices were at an all time high during the summer of 2008 which affected the use of energy in poor as well as in rich countries – and then the bubble burst.

Financial bubbles: Stock markets peaked in late 2007 and home markets peaked in mid 2006. Both subsequently went south. 1

Many countries are therefore experiencing a crisis in their financial institutions and their key industries and have sought to pass the losses on to future tax-payers. These developments affect the international value chains of which marketers are an integral part. Whereas many of these developments are interrelated, it is useful to look at each one of them in light of the ideals, which should govern competition and well functioning markets. Many of these developments are due to institutional failures at the country (mezzo) level as well as at the international (macro) level. Local politicians and regulators have put mezzo institutions in place, which may shift burdens and benefits to parties not participating in the transactions. International organizations like the EU and the WTO have also created macro institutions, which interrupt the normal functioning of competition and markets. Perhaps we have lost sight of what kinds of regulations are needed (and not needed) to have well functioning markets?

Markets and competition

The justification for promoting markets and competition is that, when properly functioning, they will be more efficient than other resource allocation mechanisms, most notably, superior to public or private monopolies. Competition forces the firms to be on their toes and look for ways in which to reduce the input required and at the same time increase its output i.e. become more efficient. In traditional neoclassical

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1 See the appendixes A through F for the “price bubbles” in the markets for corn, soybeans, oil, stocks, currencies and homes.
economics, one assumes output homogeneity, i.e. the output of one producer is a good substitute for the output of another producer. In marketing, we have relaxed this assumption, and instead focused on efficiency and effectiveness. Effectiveness implies that the offered products consist of a set of attributes desired by a particular market segment. Thus the functions of marketing is not only to provide different market segments with the lowest possible prices, but also the desired bundle of product attributes at the lowest possible price (= the best value). Hunt’s (2000) theory of competition includes both efficiency and effectiveness at its core. The most successful firms will provide superior relative resource produced value (effectiveness) at a lower relative resource cost (efficiency). This focus on effectiveness is also found in the theories related to channels of distribution whose functions it is to sort products (e.g. on quality), provide a useful product assortment (grocery stores for all your food needs), provide break bulk-, time-, place- and possession utilities – all suitable to the demand of a particular market segment, with its unique and identifiable needs and desires.

The goal is for all the participants in a market to behave freely and independently and seek out the exchanges, which maximizes the utility of each individual actor. In well functioning markets, the consumers (and the voters) are free to choose, free to vote with their money, for the seller who offers the best value as defined by the buyer. The alternative to this kind of decentralized sovereignty, where I make important decisions in my life, is to leave some- or all of this decision making to a centralized authority, such as a government, or a monopoly (sanctioned by a government) or perhaps a religion which has the ability to change ones behavior (= power) through a variety of (social) mechanisms. Interference in the individual choice processes imply limiting the choices available to the individual as one seeks to maximize ones individual happiness. In totalitarian states, many important choices are made without the consent of the governed, thus maximizing ones flourishing becomes difficult. This is also the case with some of the institutions affecting the “world markets” for food, fuel and finance as we shall see below.

From an ethical viewpoint, one must make sure that the institutions in place indeed promote flourishing in an Aristotelian perspective, and if not, perhaps marketers should hesitate facilitating certain exchanges. Three approaches can be used to ascertain if institutions are inadequate: 1) basic principles of utilitarianism (e.g. John Stuart Mill, 1863), 2) basic human rights (e.g. UN Human Rights declaration 1948) and/or 3) justice: survival, equal moral value and the maxi-min principle for income distribution (Falkenberg 1996). Some of the institutions in place in the food, fuel and financial markets may be inadequate from an ethical viewpoint. As we shall see below, properly regulated markets tend to promote more total flourishing than “markets” plagued by inadequate institutions or imperfections. Improperly functioning markets tend to result in adverse distribution of pleasure and pain (flourishing). For example, a tariff may benefit the local producers at the expense of local consumers and foreign producers/employees who can provide the market with more value (efficiency and effectiveness) than local producers. Adam Smith (1776) was adamant about interferences into the freedom that each person should have to use his/her skill, dexterity and judgment to make a living for him/herself.

*The property, which every man has in his own labor, as it is the original foundation of all other property, so it is the most sacred and inviolable. The patrimony of a poor man lies in the strength and dexterity of his hands; and to hinder him from employing this strength and dexterity in what manner he thinks proper without injury to his neighbor, is a plain violation of this most sacred property. It is a manifest encroachment upon the just liberty both of the workman, and of those who might be disposed to employ him. As it hinders the one from working at what he thinks proper, so it hinders the others from employing whom they think proper. (Adam Smith, 1776, p 124)*

If the institutions are indeed slanted in a way, which makes it difficult or impossible for someone to pursue survival and flourishing lives, then these institutions may indeed be unjust and/or inadequate. This is indeed the case in some of the regulations (institutions), which affect the production- and trade of food, fuel and finances. Appropriate regulation is a prerequisite for the promotion of flourishing lives in poor as well as in rich countries, thus making it an ethical issue, and not just a local political issue.
In a well regulated market, one should be free to keep on exchanging until no-one can be better off without making anyone else worse off.

*We will say that the members of a collectivity enjoy maximum opheilimy in a certain position when it is impossible to find a way of moving from that position very slightly in such a manner that the opheilimy enjoyed by each of the individuals of that collectivity increases or decreases. That is to say, any small displacement in departing from that position necessarily has the effect of increasing the opheilimy which certain individuals enjoy, and decreasing that which others enjoy, of being agreeable to some, and disagreeable to others.* (Vilfredo Pareto 1906/1971 p. 261)

This requires absence of slanted institutions as well informed participants and the availability of accurate and relevant information for those who are about to engage in an exchange. This places a great responsibility on marketers to ensure that the prospective buyers are sufficiently well informed, especially in situations with asymmetric information. A car-maker generally knows more about the car than a car buyer, and a mortgage lender may know more about the finance- and housing markets than the his client, the home buyer. Marketing communication (advertising) has been justly criticized for providing inadequate and perhaps misleading information to their prospective customers.

Furthermore, markets do not work well if the buyers do not have anything to offer in the exchange. One may be hungry (have a need for food), but this is of little help in a market if one does not have money. Market transactions cannot solve all problems and it is important to keep this in mind as well. Some times markets must be replaced with donations if one seeks to avoid starvation and promote flourishing.

Let us review the prerequisites for well functioning markets. It is imperative that the regulators (FTC and the like) intervene should these principles be threatened. Otherwise we will experience adverse effects and not reap the benefits of a market-based economy. Table 1 shows the items that can be included in such a list.

**Table 1. Conditions Under Which Markets and Competition Will Provide Efficient and Effective Exchanges**

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Comments/issue/s</th>
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</thead>
<tbody>
<tr>
<td>a) Mobility of resources:</td>
<td>free market entry and exit (marketing strategy)</td>
</tr>
<tr>
<td>b) No market power;</td>
<td>No ability to control prices, no monopolies/cartels or super-profits (marketing success = market failure?)</td>
</tr>
<tr>
<td>c) Well informed parties regarding the consequences of the exchange</td>
<td>good and accurate information e.g. advertising; Pareto optimality</td>
</tr>
<tr>
<td>d) Products are good substitutes for one another</td>
<td>multiple similar offerings inside each segment i.e. competition</td>
</tr>
<tr>
<td>e) Buyers with needs, resources and authority to exchange</td>
<td>e.g. markets vs. donations</td>
</tr>
<tr>
<td>f) Sellers with authority to sell;</td>
<td>e.g. ownership/kleptocracy/theft</td>
</tr>
<tr>
<td>g) Costs/benefits to be borne by the parties to the exchange</td>
<td>..and not by third parties such as tax payers, victims of externalities: e.g. pollution clean-up, bail outs</td>
</tr>
<tr>
<td>h) The parties to the exchange seek to maximize their utility</td>
<td>free to maximize flourishing</td>
</tr>
<tr>
<td>i) No external agents seek to regulate quantities, prices or qualities.</td>
<td>industry or government restrictions</td>
</tr>
</tbody>
</table>

Now we can look at the current challenges in light of the prerequisites of well functioning markets to see if we can gain insights into some of the problems facing international marketers.
Food

The prices of corn and soybeans have experienced unusual increases during the last 8 years. Corn went from about $2 per bushel in 2000 to over $6 in 2008. Soybeans went from $5 to $15 in the same time period. (See appendix) During the last six months, the bubble has burst and prices have so far dropped to about $3.75 for corn and $8.75 for soybeans. (February 2009). These crops are basic to a number of food items as they are important ingredients in animal feed as well as for numerous products in the food industry. The effects of price increases are especially serious in countries where foods are not subject to extensive processing such as in poorer countries, where the diet includes a large portion of raw materials – such as corn.

“High food and fuel prices can push 4.8 per cent of the rural population and five per cent of the urban population to the brink of starvation. The rural poor are more vulnerable because of their higher expenditure on food and cereals as a proportion of total spending.” (Srinivas 2008)

In wealthier countries, the input ingredients of raw materials, like corn, is a small percentage of the prices charged for e.g. corn flakes, hamburgers or pizza. From the viewpoint of markets and competition, we have serious impediments when it comes to item (i) in table one:

i) No external agents seek to regulate quantities, prices or qualities. (industry/govt. restrictions).

Government policies seriously affect current and potential actors in the markets for these commodities. Both crops receive substantial subsidies and protection from the EU and US governments. In addition, corn has been preferentially treated as a possible source of ethanol/fuel for transportation in the US. As an example, ethanol (alcohol) from Brazil face a tariff of 54 cents per gallon when entering the US (Adams 2005). On top of the tariff, ethanol gets a 51-cent exemption from the federal excise tax on gasoline that goes to fuel mixed with ethanol (Bandyk, 2008).

In addition, several US states have put regulation in place, which mandates that a certain percentage of the fuel sold be mixed with ethanol. These regulations have also affected the kinds of crops that are planted, thus creating reduced production of other crops affecting soybeans and wheat in particular. These institutions have resulted in increased demand of corn and soybeans, which have pushed the prices to new highs.

In addition to governmental intervention in the corn market, we have also seen two additional factors, which help explain the increased prices. First, more people in the world are able to demand meat as a result of increased income, thus increasing the demand for corn as animal feed.

Secondly, because of the subsidies in the north, US and EU farmers have produced more than they otherwise would and the US/EU have insisted that their trading partners (e.g. in Africa) accept imports of these commodities substantially without tariffs. This means that farmers in the third world have had to compete with subsidized food, and at times free/donated food, which has made life for third world farmers difficult and thus reduced their crops. The current shortage is therefore due to both the historical effects of low priced subsidized imports (=dumping) from the US/EU as well as the new demand for corn as fuel. Furthermore, third world farmers have not have access to the big markets in the north because of asymmetric trade restrictions, which further limits their potentials.

The current round of WTO negotiations collapsed on July 29th 2008 (Castle and Landler, 2008) and did not result in a plan to substantially reduce these subsidies, much to the disappointment to the third world.

“In the case of the United States, which grants agricultural subsidies of between seven and eight billion dollars a year, the draft text would authorize it to spend 14.5 billion dollars, close to double the amount it now pays. The EU, which it is estimated will cut its subsidies to 12 billion dollars a
year by 2014, would be allowed under Lamy’s proposal to spend 22 billion dollars a year, Khan said.

And those government funds to support farmers “do not include an untouchable box of agricultural subsidies, the Green Box,” which includes forms of support for farmers that the WTO does not consider as distorting free trade, he said.

The EU is authorized to spend some 32 billion dollars a year in Green Box subsidies, and the U.S. is allowed some 50 billion dollars a year. These subsidies “are untouchable (non-negotiable), and can be given at any time,” Khan said.

ISPS news (2008)

Perhaps if markets and competition had been properly regulated (not protected and not subsidized) we would have seen more food production in Africa and Asia and somewhat less production in the EU and the USA. If we had not stimulated production of corn-based ethanol, we would have seen more production and imports of sugar-based fuels, which are more efficient. It takes 1 gallon of fossil fuels to produce 1.3 gallons of ethanol from corn, whereas the ratio for (e.g. Brazilian) sugarcane is one gallon of fossil fuels per 8 gallons of ethanol produced. Fuels made from sugarcane and cellulose emit fewer greenhouse gasses than corn based fuels. (Bourne 2007)

In addition to the subsidies, the US and EU also have restrictions on imports of foods in the form of both quotas and tariffs. The US has extensive rules against dumping – and if a country subsidizes its food production and then seeks to export it to the US then tariffs are imposed. This institution is hardly reciprocal. Insisting that Africa, India and China accept subsidized foods from the US/EU gives the appearance of an asymmetric, non-reciprocal and slanted playing field. It is clear that subsidies, non-symmetric trade barriers and government mandates in rich countries have contributed to the distortions and suffering experienced mostly in poor countries today. Pleasures and pains have been allocated to affected parties by mechanism other than the natural forces of well functioning markets.

From a marketing viewpoint, developing a competitive market strategy for products involving certain agricultural products (e.g corn/soybeans/ sugarcane/wheat/cotton) is to a large extent dependent on political variables and not the normal issues of developing efficient and effective production and marketing strategies. It seems easier to win market shares by seeking to influence the political processes than to compete in markets. An extreme example is provided by Norway, which has put in place import tariffs of some 400% on certain meat products, yet at the same time expect to sell fish without tariffs to its main export markets.

It is clear that the institutions that govern international exchanges in food products are geared to favor the few farmers in the north and make it very difficult for farmers in the south to make a living. In many African countries, the proportion of the population in the farm economy are between 70 and 85% whereas the proportion of the labor force in agriculture is below 5% in the expanded EU and below 1% in the US (CIA 2008). Flourishing for the few in the north comes at the expense of flourishing for the many in the south and is a direct result of market intervention. Political institutions block the proper functioning of markets and competition, particularly two of the tenants outlined in table one above, restricted mobility and the presence of external agents influencing the prices through subsidies:

\[ \text{a)} \text{ Mobility of resources} \quad \text{free market entry and exit (marketing strategy)} \]

\[ i) \text{ No external agents seek to regulate quantities, prices or qualities. industry or government restrictions} \]

As those whose flourishing is negatively impacted as a result of these institutions become cognizant of the reasons for their misery, they are likely to voice protests and international instability may result. This puts into question as to the legitimacy of the political processes in the nation states. Politicians are elected to
represent the interests of local groups for whom it has become acceptable to “vote with one’s pocket book”. If, in that process, they create institutions that adversely affect people in foreign countries, then there is no mechanism to remedy the injustice that such institutions represent. However, it can be argued that the world is better off in the long run if everybody is treated fairly and are given opportunities for flourishing. John Stuart Mill was perhaps more opportunistic than some in this respect:

Now there is absolutely no reason in the nature of things why an amount of mental culture sufficient to give an intelligent interest in these objects of contemplation, should not be the inheritance of every one born in a civilized country. As little is there an inherent necessity that any human being should be a selfish egotist, devoid of every feeling or care but those, which centre in his own miserable individuality. Something far superior to this is sufficiently common even now, to give ample earnest of what the human species may be made. Genuine private affections, and a sincere interest in the public good, are possible, though in unequal degrees, to every rightly brought-up human being. (Mill 1863, Chapter two)

Many argue that it is necessary to regulate farming in the areas environmental protection, erosion, food safety and water quality. These are appropriate domains for public regulation and do not result in a slanted playing field. However, crop prices, crop insurance and protecting farmers from competition, may have unintended and asymmetric effects on domestic and foreign markets and farmers. The combined intervention of regulators have created a very difficult and desperate situation for many of the world’s poorest. And it has created “bubbles” in the economies of the north, the deflation of which are now causing hardships in many communities. The high prices were good news for African farmers for a short time, however, now that the bubble has burst, farming in Africa is again made more difficult.

Fuel

The price of crude oil has gone from less than $ 30 dollars per barrel in mid 2000 to over $ 135 dollars in mid 2008 (see appendix B). As of February 2009, the prices have come back down to $ 40 per barrel. This has major effects on citizens all over the world. On the demand side, the recent success of the Chinese- and Indian economies have increased world consumption of oil dramatically. At the same time many of the suppliers of oil have experienced political instability and unrest.

As the price of oil went up, the US dollar lost much of its value, so that the price increases of oil in other currencies were not as dramatic as the numbers above indicate. For members of the Euro area, the oil prices rose by a factor of 2.62 from 2000 to the middle of 2008, whereas the prices in US dollars rose 4.33 times.2 During the second half of 2008, the dollar showed new strengths as many economies went into recession and the demand (and prices) of many raw materials collapsed. The increase in oil prices (and the prices of other raw materials) resulted from an overheated economy, mostly in the US, and mostly as a result of public policy. A combination of low interest rates, heavy deficit spending and lower taxes along with higher consumer debt sent the demand higher than it otherwise would have been – forcing the raw materials prices higher. These specific policies would not be recommended if one were to have well functioning markets:

i) No external agents seek to regulate quantities, prices or qualities. industry or government restrictions

Another issue which affect the oil markets have to do with the legitimacy of the main sellers of crude oil. From table one, we recall:

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2 End of June 2000: 1 Euro = $ 0.9545, end of June 2008: 1 Euro = $ 1.5748 (source: Spot exchange rates, Federal Reserve). For members of the Euro area, this means that oil went from Euro 31.43 in 2000 to Euro 82.55 in 2008
f) Sellers with authority to sell; e.g. ownership of the transacted products

On the supply side, we find that most of the world’s oil is located in countries with high levels of corruption (see appendix E). The oil is owned by large state oil companies, which are in turn controlled by kleptocratic governments, which use the oil revenue to stay in power and for personal gains. In most countries, the laws specify that the oil belongs to the people of that country, and as such one would expect that the oil revenues be used for the benefit of the population for projects like education, infrastructure, improved health etc. That is not the case in many of the oil rich countries. One could say that the oil revenues have been “stolen” from the people by the government, and that what is being offered to the international oil buyers are “stolen goods”, which is at odds with properly functioning markets. Kleptocratic governments market their countries’ resources internationally and keep finding willing buyers for oil that they have essentially stolen from their populations (stolen in the sense that the oil revenues are not included in the national budgets nor used for the benefit of the population at large).

This causes political instability in many of the oil rich countries. One of the key prerequisites for well functioning markets is a well-developed sense of property rights; that the sellers do in fact own or have the right to sell what is offered for sale. Property rights as well respected and regulated in domestic transactions, but not when it comes to trade with kleptocracies.

We can also look at the way much of the oil reserves are controlled by monopolies in different countries and are not subject to free entry and exit from markets.

a) Mobility of resources: free market entry and exit (marketing strategy)

Compared to the large state owned oil companies, Exxon Mobile is a relative midget. Exxon Mobil only controls about 6% of the oil reserves compared to the reserves that are controlled by the Saudi government through Aramco. (see appendix D) Exxon Mobile ranks as the 14th largest oil company in terms of barrels controlled. All the larger companies are monopolies, state owned and controlled top politicians. Poor and corrupt governance in the oil rich countries have rendered the countries unstable and unreliable suppliers, and “energy independence” has become a desired goal for the US.

The large price increases as well as the inherent instability of the oil suppliers cause headaches for marketers not only in the oil business, but also in other industries that are dependent on oil. Travel, tourism, transportation and distribution is more expensive and many of the location decisions that have been made on the assumption of low transportation costs may have to be remade, not to mention the impact on the manufacturers of cars and trucks. Then there is the impact on real estate prices and city planning which have been based on low cost fuels in the past. The cost of oil also affects the costs of fuels and fertilizers for farmers, adding to the problems described above. Commuters with low paying jobs find it hard to get to work, especially in rural areas. The jolt in gas prices in 2007 and 2008 created havoc for the US automakers, which over night found themselves selling quantities far below break even and asking for public assistance from future tax payers.

As we return to the prerequisites for well functioning markets, it is clear that many governments have sought to affect oil consumption. Many governments have sought to stimulate alternative sources of energy by subsidizing energy production from plants, sun, wind and water, while placing restrictions on nuclear, coal and gas based energy providers. Some democratic governments have also placed restrictions on oil exploration for environmental reasons. These kinds of regulations may be in line with the ideals behind well functioning markets as we seek to avoid passing externalities on to future generations. From table one:

g) No external agents seek to regulate quantities, prices or qualities. (industry or government restrictions).
On the other side, many countries use tax payers’ money to subsidize gas prices to keep them artificially low, which contributes to increased demand. In some countries a gallon of gas is still less than one US$ per gallon, whereas in other countries, a gallon is now priced at over US$ 10. (see the appendix) China, India, Egypt, Venezuela, Iran and many others keep the prices artificially low. In Europe, on the other hand, gas is heavily taxed, so that the latest increases in crude prices have not impacted the gas prices as much (as a %) as in countries with lower gas taxes.

The Chinese recently hiked prices from about $2.82 to $3.29 a gallon, according to various media reports. India also raised prices, although remains about 30 percent below market rates. (Hargreaves 2008)

Also, many of the kleptocrats have come together in the oil cartel OPEC and sought to limit production in order to gain super profits, another circumvention of the prerequisites for well functioning markets:

b) No market power: No ability to control prices, no monopolies/cartels or super profits  
(marketing success = market failure?)

If the prerequisites for markets and competition were to characterize the fuel market, one would probably see higher economic and social development in the oil rich countries, less political instability in the oil rich areas of the world, especially in countries like Nigeria, Angola, Iraq, Iran and Saudi Arabia. Much of the current war on terrorism may not have taken place if the oil revenues in oil rich countries had been equitably used by their governments to improve the quality of life for their populations.

It is also interesting to note that the countries which have had a heavy fuel tax for several years were not as affected by the sudden surge in gas prices as the countries with low gas taxes. In the high fuel tax countries, cars and driving habits had already adjusted to the higher prices and the percentage increase in gas prices as a result of the expensive oil only added some 20% to the already high price. In low prices countries the gas bill for a car did in some cases triple from $ 1.50 to $ 4.50 per gallon, which had a large effect on commuters and automakers alike.

Finance

During the past year, we have witnessed severe problems in the financial markets, much of which started as a consequence of “subprime lending” in the housing market. Simply stated, banks and mortgage companies marketed loans to customers who were not prime borrowers (=subprime). This means that the borrowers who would normally be considered unable to handle their debt either because of low equity or low ability to service the debt. However, this could be done as the politicians and the regulators had encouraged home ownership and made it possible for the lenders to assume the full risk of bad loans.

The Community Reinvestment Act pressured banks to make loans in poor neighborhoods. Banks (and I was a banker under the CRA) figured that making some bad loans was just another tax, a cost of doing business as a regulated company. In 1995, the Clinton administration revised the CRA to increase pressure on banks to make more loans to risky borrowers. In 1997, the first pool of subprime mortgages was securitized by Bear Stearns! (Conerly 2008)

This may have been ok as long as home values were on the rise, as the customers could bail out after an expected value increase and still come out with some revenue. In most countries, debt is secured by an individual as well as by an asset. In the case of many jurisdictions in the US it is possible to walk away from ones asset (the home) and then be free of the debt personally. This makes it easier to take go into speculative debt and let the tax payers pay the bills if the gamble does not pan out. This would be against

g) Costs/benefits to be borne by ...and not by third parties such as tax payers, the parties to the exchange victims of externalities: e.g. pollution clean-up, bail outs
Due to years of deficit spending, tax cuts and low interest rates, the markets for stocks and homes had experienced a pricing bubble, which predictably burst, and left large parts of the economy in a depressed state which seems to be worsening as this is written (February 2009). From a marketing view point, it seems puzzling that so many people went into so much debt fully informed about the possible consequences of their transactions. It seems that there must have been a breach of item c:

c) Well informed parties regarding the consequences of the exchange

good and accurate information
e.g. advertising; Pareto optimality

It is hard to understand why mortgage marketers would push products that could ruin their customers. An explanation could be that the incentives for the marketers involved were centered around the volume of business created, not the long term profitability. The financial institutions profited in the short term as did their loan officers. And there was the willingness of regulators to encourage and absorb losses, which eventually snowballed into a world-wide disaster. At the same time, the regulators had failed to regulate the investments banks, which were able to operate with higher risks than regular banks. This represents another example a market regulated in a way, which reduces flourishing.

When big financial losses have occurred in the past, it was repeatedly decided that the harm from bankruptcies would be so large, that the governments should use tax payers’ money to bail out the poorly run houses of finance. However, rather than allowing the owners and employees of the firms to face the results of their poor decisions as would be normal in a competitive market system, their interests were sheltered and the losses were passed on to the tax payers and the unfortunate customers. This seems to be another violation of item g above:


g) Costs/benefits to be borne by ...and not by third parties such as tax payers,
the parties to the exchange victims of externalities: e.g. pollution clean-up, bail outs

In the case of the financial houses, they have collected the gains and passed the losses on to the rest of the population. Unfortunately, this is a well established precedence since the 1970’s thus allowing the bankers to take higher risks and gamble on the help from the government if things go sour. The bail out represents a “subsidy for risky behavior”:

A federal bailout of shaky subprime lenders would amount to a ‘subsidy for risky behavior,” says Christian Stracke, a senior credit strategist at the research firm CreditSights. “You would encourage future risky lending and borrowing by signaling that in extreme circumstances, the government ... will bail out bad lenders,” he says. “Bailing out the lenders is unconscionable,” agrees Kathleen Day, spokeswoman for the Center for Responsible Lending, a nonprofit research group based in Washington, D.C. “They made buckets of money on these subprime loans, and now they need to suffer the losses. In a free market, you should feel the pain” and pay for your mistakes, she says. (Weiner 2007)

An alternative would be for the government to take over the institutions, write off the equity, inject new equity and sell the “new” company to new investors. If the share holders knew that they could in fact loose all their money, they might have an incentive to establish governance mechanisms which would keep the bank’s officers from taking unreasonable risks – such as lending money to people who cannot be expected serve their debts. The subprime crisis also spread to financial institutions and investors in other countries, where bundled financial products were sold, some of which included poor loans, thus inflicting losses on investors and taxpayers in many countries. Thus in turn diminished their ability to flourish. Were these investors fully informed? Perhaps not, in which case there would be another breach of item c:


c) Well informed parties regarding the consequences of the exchange

good and accurate information
e.g. advertising; Pareto optimality

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Conclusions

It seems that three of the major problems facing the world economy are in large part a consequence of political institutions, which keep markets and competition from giving us efficient and effective products. The problem is not that markets do not need regulations in order to work. They do need watchful regulators in order to give us the benefits of well functioning markets along the principles listed in table one. However, the regulation of some markets have been inappropriate and are in part to blame for the current problems.

The Benefits and Burdens of these ill conceived market regulations are shifted from what they might naturally be, were markets and competition to work properly. The benefits in the food industry are shifted to the few farmers in the USA and the EU and perhaps to local consumers. However, it is also the local consumers who also pay the subsidies and who are barred from the benefits of imported foods from low cost producers abroad. The current regime also puts unreasonable burden on poor countries by creating poverty and starvation in the main sector of the economies in most third world countries.

The benefits of the illegitimate institutions in the oil market flow to those who control the big state monopolies in the producing countries, the kleptocrats, and the burdens fall on the poor populations in the same countries. Additional burdens flow to the victims of terrorism emanating from these unjust regimes, as well as to consumers of fuel who may from time to time be paying a premium for fuel as a result of poorly functioning oil markets.

In the area of finance, the benefits of the sub-prime problems may have gone to the mortgage bankers whose bonuses were tied to volume, as well as to the owners who benefitted from these markets for a long time and who now benefit from the tax payer financed bail out. The losses are born by the tax payers, the under informed borrowers whose families lost their homes as well as the under-informed buyers of the bundled financial products.

Marketers as exchange facilitators play a major role in the markets for food, fuel and finances, and to some extent they are “response-able” for some of the good and bad consequences in these markets. The biggest failures may be that –

a) The parties to exchanges may not have been well informed in the sale and purchase of financial instruments in particular.

b) Assisting in exchanges of raw materials from Kleptocracies.

c) Assisting in exchanges, which have adversely affected innocent third parties

d) Seeking to obtain subsidies and protection from competitors,

e) Seeking to obtain regulations mandating practices, which exclude competition

One can ask if it is incumbent upon an economic agent, like a marketer, to preserve protect and defend efficient markets and fair competition. After all, one does have a fiduciary responsibility to ones employers/owners to do what is in their interest. Or does one have a higher responsibility ones fellow man in general? Domestic or international?

Promoting practices, which erode fair and productive competition will, in the long run, also affect those who seek short cuts. Some times the shoe ends up on the other foot, and one gets to experience the pain of a poorly functioning markets. When bubbles burst, everybody’s wealth is affected at home and abroad. Prolonged slanted playing fields cause poverty internationally along with “illegal” migration, unrest and conflicts.

Is it acceptable to seek privileges and protection at the expense of other firms or industries or countries? In athletics, one does not accept performance enhancing drugs. One wants competition to be fair so that “the best may win”. These ideals are also supposed to be present in markets, however, is seems acceptable to circumvent fair competition in these arenas. Free markets are not the same as “anything goes” and “each man for himself” or “make money, honestly of you an, but make money”. Free markets means
that anyone (in the world) may participate and compete for the favor of possible customers, within a set of well conceived rules of fairness, just like in athletics.

If the competitors do not uphold fair standards of competition themselves, we do need a good set of umpires who can conceive and enforce a set of useful rules so that we may all benefit from well functioning markets: efficient and effective solutions that satisfy customer needs. The current problems in the areas of food, fuel and finances are good examples of markets that were not allowed to function properly, which resulted in an unfair distribution of benefits and burdens on the way up as well as on the way down.

Table 2 contains a summary of the some of the inadequacies of the institutions involved:

<table>
<thead>
<tr>
<th>a) Mobility of resources: free market entry and exit (marketing strategy)</th>
<th>Food</th>
<th>Fuel</th>
<th>Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited</td>
<td>Country monopoly</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) No market power; no super-profits (marketing success = market failure?)</td>
<td>COO Monopolies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Well informed parties regarding the consequences of the exchange (e.g. advertising; Pareto)</td>
<td>Limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Products are good substitutes for one another (at least inside each segment)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Buyers with needs, money and authority to buy (markets vs. donations)</td>
<td>Free food/Starvation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f) Sellers with authority to sell; e.g. ownership</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>g) Costs/benefits born by the parties to the exchange (externalities/bail outs)</td>
<td>Consumers/Taxpayers Third world populations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>h) Cost/benefits born by the exchange parties to maximize their utility: maximize flourishing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) No external agents seek to regulate quantities, prices or qualities.</td>
<td>Subsidies Tariffs Quotas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>j) The parties to the exchange seek to maximize their utility: maximize flourishing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>k) Finance induced housing bubble</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Corn: http://futures.tradingcharts.com/chart/CN/M

Soybeans: http://futures.tradingcharts.com/chart/SB/M

Oil: http://futures.tradingcharts.com/chart/BC/M

Stocks: http://futures.tradingcharts.com/chart/DI/M

$/Euro: http://futures.tradingcharts.com/chart/EC/M


Appendix A: The corn bubble

http://futures.tradingcharts.com/chart/CN/M (February 18th 2009)
Appendix B: The soybean bubble

Source: [http://futures.tradingcharts.com/chart/SB/M](http://futures.tradingcharts.com/chart/SB/M) (February 18th 2009)

Appendix C: The oil bubble

Source: [http://futures.tradingcharts.com/chart/BC/M](http://futures.tradingcharts.com/chart/BC/M) (February 18th 2009)
Appendix D: The stock bubble (Dow Jones Industrial)

Source: http://futures.tradingcharts.com/chart/DI/M (February 18th 2009)

Appendix E: The housing bubble

Home price index from 1988 to 3rd quarter 2008

S&P/Case-Shiller U.S. National Home Price Index from Jan 1987 to Oct 2008

<table>
<thead>
<tr>
<th>Index</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>2000</td>
</tr>
<tr>
<td>140</td>
<td>2003</td>
</tr>
<tr>
<td>180</td>
<td>2005</td>
</tr>
<tr>
<td>190</td>
<td>2006 (6)</td>
</tr>
<tr>
<td>150</td>
<td>2008 (10)</td>
</tr>
</tbody>
</table>

Source: http://www2.standardandpoors.com/portal/site/sp/en/us/page.topic/indices_csmahp/0,0,0,0,0,0,0,0,0,0,0,1,4,0,0,0,0,0,0,0.html
Appendix F: Development in exchange rates Euro/US$

Source: [http://futures.tradingcharts.com/chart/EC/M](http://futures.tradingcharts.com/chart/EC/M) (February 18th 2009)

Appendix G: Corruption and the world’s biggest oil companies

<table>
<thead>
<tr>
<th>Country</th>
<th>Corruption (1)</th>
<th>The World's largest oil and gas firms (bill. barrels of oil equivalent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.4</td>
<td>Saudi Aramco</td>
<td>300 (State owned)</td>
</tr>
<tr>
<td>2.5</td>
<td>NIOC (Iran)</td>
<td>295 ”</td>
</tr>
<tr>
<td>2.3</td>
<td>Gazprom (Russia)</td>
<td>237 ”</td>
</tr>
<tr>
<td>1.5</td>
<td>INOC (Iraq)</td>
<td>135 ”</td>
</tr>
<tr>
<td>6.0</td>
<td>Qatar Petroleum</td>
<td>120 ”</td>
</tr>
<tr>
<td>2.0</td>
<td>PDVSA (Venezuela)</td>
<td>100 ”</td>
</tr>
<tr>
<td>4.3</td>
<td>Kuwait Petroleum Corp.</td>
<td>98 ”</td>
</tr>
<tr>
<td>5.7</td>
<td>ADNOC (United Arab Emirates)</td>
<td>70 ”</td>
</tr>
<tr>
<td>2.2</td>
<td>Nigerian Nat. Petr. Co.</td>
<td>45 ”</td>
</tr>
<tr>
<td>3.0</td>
<td>Sonatrach (Algeria)</td>
<td>42 ”</td>
</tr>
<tr>
<td>2.5</td>
<td>Libya Nat. Oil. Co.</td>
<td>40 ”</td>
</tr>
<tr>
<td>2.3</td>
<td>Rosneft (Russia)</td>
<td>38 ”</td>
</tr>
<tr>
<td>5.1</td>
<td>Petronas (Malaysia)</td>
<td>25 ”</td>
</tr>
<tr>
<td>7.2</td>
<td>Exxon Mobile</td>
<td>(sales: 359 bn$ in 05) 20 (Privately owned)</td>
</tr>
<tr>
<td>2.3</td>
<td>Lukoil Russia</td>
<td>19 ”</td>
</tr>
</tbody>
</table>

(1) Scale 1 to 10. A low score indicates extensive corruption, a high score indicates low levels of corruption

## Appendix H: Gas prices in different countries: from high taxes to high subsidies

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>US$ price per gallon</th>
<th>Rank</th>
<th>Country</th>
<th>US$ price per gallon</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Highest prices:</td>
<td></td>
<td></td>
<td>Lowest prices:</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Eritrea</td>
<td>9.58</td>
<td>1</td>
<td>Venezuela</td>
<td>12 cents</td>
</tr>
<tr>
<td>2</td>
<td>Norway</td>
<td>8.73</td>
<td>2</td>
<td>Iran</td>
<td>40</td>
</tr>
<tr>
<td>3</td>
<td>UK</td>
<td>8.38</td>
<td>3</td>
<td>Saudi Arabia</td>
<td>45</td>
</tr>
<tr>
<td>4</td>
<td>Netherlands</td>
<td>8.37</td>
<td>4</td>
<td>Libya</td>
<td>50</td>
</tr>
<tr>
<td>5</td>
<td>Monaco</td>
<td>8.31</td>
<td>5</td>
<td>Swaziland</td>
<td>54</td>
</tr>
<tr>
<td>6</td>
<td>Iceland</td>
<td>8.28</td>
<td>6</td>
<td>Qatar</td>
<td>73</td>
</tr>
<tr>
<td>7</td>
<td>Belgium</td>
<td>8.32</td>
<td>7</td>
<td>Bahrain</td>
<td>81</td>
</tr>
<tr>
<td>8</td>
<td>France</td>
<td>8.07</td>
<td>8</td>
<td>Egypt</td>
<td>89</td>
</tr>
<tr>
<td>9</td>
<td>Germany</td>
<td>7.86</td>
<td>9</td>
<td>Kuwait</td>
<td>90</td>
</tr>
<tr>
<td>108</td>
<td>USA</td>
<td>3.4</td>
<td>10</td>
<td>Seychelles</td>
<td>90</td>
</tr>
</tbody>
</table>

Countries (155) surveyed between March 17 and April 1, 2008. Prices not adjusted for cost of living or exchange rates.

Source: U.S. gas: So cheap it hurts By [Steve Hargreaves](http://www.cnnmoney.com), CNNMoney.com staff writer

Last Updated: July 15, 2008: 4:24 PM EDT
Good and Fair: Power and Perceptions of Justice in Corporate-Nonprofit Partnerships

Nicola Mutch, University of Otago
Robert Lawson, University of Otago

A corporate social responsibility (CSR) activity for many companies has been to enter into social alliance partnerships with nonprofit organisations. Despite the prevalence of the practice, questions have been raised regarding the fairness of the exchanges underpinning the partnerships. Such concerns have been raised in relation to a potential power imbalance of the partnership, widely perceived to favour the corporate partner, which draws upon broader issues around how power is distributed within the marketing system. This paper reports on the results of a case study into a corporate-nonprofit partnership. It explores how the cross-sector context influences what is understood as an appropriate exchange. It examines how participants have experienced power in the partnership, looks at the justice outcomes and explores how participants judge a fair exchange. Thereby, the study addresses concerns described in organisational justice literature and places them within a macromarketing and corporate social responsibility context.

Introduction

Since 1982, when American Express attached a donation to restore the Statue of Liberty to every transaction made with its card and called it a marketing campaign, corporate-nonprofit partnerships have been a growth area both in practice and academic consideration (Andreasen and Kotler 2003; Austin 2000; Berger, Cunningham, and Drumwright 2004; Varadarajan and Menon 1988; Wymer 2003 p247). Such highly visible, high-value partnerships include cause-related marketing initiatives – such as the American Express-Statue of Liberty example – as well as sponsoring and visible joint venture programmes (Wymer 2003). In Australasia they include New Zealand’s long-running alliances between Mainland Cheese and the Yellow Eyed Penguin Trust, and the Australian Rugby Union and the Prostate Foundation of Australia. Corporate-nonprofit partnerships are now well established as among corporate organisations’ marketing strategies and broader corporate social responsibility (CSR) programmes.

Corporate-nonprofit partnerships therefore provide an important context for exploring justice within areas of the marketing exchange. Not only does marketing provide a rationale for the existence of corporate-nonprofit partnerships, the partnership itself represents an agreed and ongoing exchange; its existence is a market-based transaction. Thus marketing represents both the content and the structure of a corporate-nonprofit partnership or social alliance. This paper explores the intersection of these two aspects of marketing. It concentrates on the importance of corporate social responsibility as a context for this research and asks how, while pursuing such reputation-enhancing initiatives, power and justice are experienced by partners within the exchange. It then reports on the findings from a single case study in which power, dependency and justice are examined.

A driving inquiry for macromarketing is the question of how marketing operates as an exchange activity within a social system (Dixon 1984). Questions of power and justice in exchange are central to this pursuit; it has been argued that distributive justice may be regarded “one of the fundamental ethical tenets to be considered when evaluating the social dimensions of marketing practices” (Laczniak and Murphy 2008, p5). A critical issue remains, however, in the difficulty of establishing both principles and measures of justice and fairness. This paper identifies disparities in principles of justice in corporate social responsibility literature. It recognizes that it is possible to treat the question of justice from a broad society-wide perspective, asking how powerful agents, such as corporates, should do business with those in weaker institutional positions and/or in pursuit of social or environmental missions. Rawls, whose approach to justice is preferred by some macromarketing scholars (Hill 2005; Klein 2008; Laczniak and Murphy 2008) would argue that this should ensure any inequities in the process benefit the most needy (Rawls 1972).
However, other approaches to interorganisational justice are also identified, focusing on fair processes, good behaviour and achieving satisfying returns for each party. In focusing on a single case study, the paper touches on an important challenge for macromarketing scholars – the question of how to relate broad ‘macro’ theories of justice to specific ‘micro’ contexts.

**Power and How to Get It**

Power is the ability to effect change in another’s behaviour (El-Ansary and Stern 1972; Gaski and Nevin 1985). Thus, by definition, power is an inherently relational concept (French and Raven 1959), recalling Emerson’s comment that “to say ‘X has power’ is vacant, unless we specify ‘over whom?’” (Emerson 1962, p32). The relationship between power and dependency has been established as orthodoxy since the work of Emerson (1962). Power dependency theory is based on the premise that social relations generally involve “ties of mutual dependence” between parties, making it critical that parties are able to influence one another’s actions (Emerson 1962, p32). That power balance goes hand in hand with issues of exchange has been long identified in sociological literature, including Peter Blau’s *Exchange and Power in Social Life* (Blau 1964, see also Emerson 1976). Its application to partnership contexts is also well recognised: Pfeffer and Salancik devote a significant portion of their text on resource dependence to the question of how to manage the vulnerability, or exploit the strength, that comes with entering into partnerships (Pfeffer and Salancik 1978).

Researchers have attempted to deconstruct the concept of power in a variety of ways. Their efforts have yielded appreciation of dimensions including the multiples sources of power (Pfeffer 1992); bases of power (French and Raven 2001) and distinctions between coercive and noncoercive power (Etgar, Cadotte, and Robinson 1978). Other scholars have expressed concern about attempts to carve power up in such ways, arguing that it becomes construct- and measurement-focused, and defeats an understanding of the interwoven experience and overall theoretical concept (Clegg 1976; Hardy and Clegg 2006). The negative emphasis of power-dependency theory has also been critiqued in favour of a view of power as a positive, productive phenomenon (Hardy and Clegg 2006). The overriding principle among many analyses, however, is that one’s power is drawn from resources and situations. “Even being downtrodden, voiceless and marginalized is to possess a power source which can be exploited, if and where the circumstances allow” (Buchanan and Badham 1999, p49).

**Justice**

The link between power and justice is widely seen as axiomatic. Both share common roots in social exchange theory. Discussions of justice – either directly or indirectly – invariably invoke the concept of power, and vice versa (see for example Hingley 2005; Molm 1997; Muthusamy and White 2006). However, it is observed that few studies examine this relationship in depth (Fortin 2008; Molm, Quist, and Wiseley 1994).

Organisational justice scholars have developed the field of justice research considerably in the context of intra-organisational and employment relationships. Organisational justice is not concerned with normative evaluations; rather it explores perceptions of fairness. Research has explored distinctions between experiences of distributive (perceived fairness of outcomes), procedural and interactional justice; and includes rules used by individuals to evaluate fairness, including equity (Adams 1965), equality and need (Leventhal 1976). It also recognises the tendency for favourable personal outcomes to be more likely regarded as fair (Greenberg 2001). Organisational justice literature has informed research on business-to-business supply-chain partnerships (Brown, Cobb, and Lusch 2006; Luo 2007). It is argued its application could be broadened further, addressing all stakeholder relationships (Fortin 2008; Hosmer and Kiewitz 2005). As experiences of power and justice are explored in corporate-nonprofit partnerships, insights from organisational justice become relevant for marketing and macromarketing.
Corporate-Nonprofit Partnerships: A Special Case?

Despite the considerable variety in how corporate-nonprofit partnerships are structured, cross-sector collaborations differ from corporate philanthropy in that, at their heart, they involve an exchange: the corporate partner provides funds, while the nonprofit organisation provides access to the moral and social values it may be seen to stand for. The scope of the exchanges that occur in nonprofit-corporate partnerships can vary widely, and will depend on the level of organisational integration being pursued through the partnership (Austin 2000). Exchange partnerships between corporate and nonprofit organisations have sometimes been characterised as social alliances, although definitions vary and are problematic within an analysis of justice in exchange. Andreasen and Kotler stipulate that within social alliances, “the corporation is not fully compensated for its participation” (Andreasen and Kotler 2003, p247) while Berger et al minimise the exchange dimensions of such partnerships altogether, requiring only that the nonprofit and company both have strategic goals for the partnership and both embrace a non-economic objective focused on improving social welfare (Berger et al. 2004).

It is noted in organisational justice literature that context plays an important role in evaluations of justice, although the lack of investigation into this variable is lamented (Ambrose and Schminke 2003; Fortin 2008). Corporate-nonprofit partnerships provide an important context for justice in exchange to be explored. In the past two decades, CSR literature has identified partnerships as a mechanism for achieving pro-social and strategic goals. Given the emphasis placed on issues of power and justice in theoretical exchange literature, it is perhaps surprising that so few studies have examined this in a corporate-nonprofit context. This is striking for several reasons. These include: (1) the politically sensitive nature of the CSR agenda; (2) the presence of power-imbalancing conditions; (3) the lack of agreement as to what would constitute a ‘fair’ CSR partnership; (4) empirical evidence pointing to real-life power issues in corporate-nonprofit partnerships.

Firstly, CSR is a politically and ethically charged field, in which credibility lies at the heart of the legitimacy of the endeavour. The premise of many CSR programmes is to communicate reputation-enhancing activities to a potentially sceptical stakeholder community (Brammer Millington, and Pavelin 2006; Docherty and Hibbert 2003; Marx 1999). Suspicion of corporate motives has led to a questioning by some of the integrity of corporate-nonprofit partnerships being pursued (Webb and Mohr 1998). Within the cynicism directed towards corporations, the business division that comes under perhaps the strongest criticism is the area of marketing (Hunt, Chonko, and Wilcox 1984; Vitell, Paolillo, and Thomas 2003). Despite this, research into consumer attitudes towards corporate-nonprofit marketing programmes such as cause-related marketing finds, by and large, positive views of the practice (Chaney and Dolli 2001; Dean 2003/4; Ellen, Webb, and Mohr 2006; Mohr, Webb, and Harris 2001). However, studies have confirmed that credibility and integrity are important to their acceptance (Gupta and Pirsch 2006). It is argued that the concern around strategy, altruism and commitment are really concerns for justice. In the absence of knowledge about how the nonprofit organisation is treated, these are the conditions that indicate to consumers that the partnership is sincerely and properly founded, and likely to be just (Mutch and Aitken forthcoming).

Secondly, the stage is set for power imbalance. A useful framework for considering dependency, and thus power, may be drawn from supply-chain distribution literature. Heide and John (1988), in their examination in the context of buyer-supplier relationships, identify a range of variables influencing dependency, including the investments each party makes and the expectation each party has for the future of the partnership. They conclude that dependency is affected by:

1. Importance of resource, that is, the magnitude of the exchange
2. Degree to which outcome of the relationship is better than outcomes of alternative relationships
3. Number of alternative sources available
4. Difficulty of replacing exchange partner.

(Heide and John 1988, p23).
The “magnitude of the exchange” is a judgment relating to the value each party assigns to the contributions they make and receive. Conditions exist within social alliance partnerships that suggest reasons why a nonprofit may assign greater value to the exchange than their corporate partner. This includes the structural position of the partnership within the operations of the corporate and nonprofit organisations: for the corporate, the exchange serves marketing and corporate social responsibility goals, with indirect benefits to organisation bottom lines and core business. For the nonprofit, however, it contributes directly to revenue-generation; income received by the nonprofit has a direct relationship with its ability to pursue its mission. Further, the partnership involves the exchange of items where the level of commensurability is difficult to establish. It is recognised in value exchange literature that tangible items such as money are privileged in terms of representing value than abstract, less-easily quantified notions of goodwill, reputation and social benefit, due in part to deeply-rooted institutional and accountancy biases (Garcia-Ayuso 2003).

Thirdly, there is a lack of clarity as to how CSR activities should reflect corporate power in society. The extent of the divergence among literature on CSR is provided by Garriga and Melé (2004, pp63-64), who summarise the dominant CSR theories as belonging to one of four categories: instrumental, political, integrative and ethical. The competing theories are driven by widely different worldviews of participants in the debate, and fundamentally different ambitions for the CSR agenda. This includes different perspectives on issues such as the nature of the institutional change taking place across corporate, NGO and public sectors; the role of CSR; and how organisations should execute their CSR programmes. In turn, these differing views of a corporate social responsibility fundamentally inform what is perceived to be a fair exchange between partners. Broadly speaking, instrumental and integrative theories have a strongly managerial focus, and may include enthusiastic claims for win-win solutions (Adler 2006; Bloom, Hussein, and Szykman 1995). Exchanges are understood through perspectives including resource dependence theory, which provides a functionalist account of power (Pfeffer and Salancik 1978). However, those espousing political theories would argue that the partnership needs to recognise the inherent social power that businesses hold (Hamann and Acutt 2003). Ethical theories, meanwhile, place a demand that actions are driving toward achieving betterment of society and the common good (Garriga and Mele 2004; Rawls 1972). By these views, it is inadequate for businesses to simply receive value through the partnership commensurate with the assets it provides. Thus businesses should operate in a way that is ethically correct, and this principle should override organisations’ tendencies to maximise gain from a partnership.

This disagreement is reflected in occasions where power relations are acknowledged in the context of cross-sector partnerships. This includes speculation that the power held by nonprofits may improve when they enter alliances with a corporation as compared with simply receiving charitable donations, as it requires their assets and expertise to be explicitly acknowledged (Tracey, Phillips, and Haugh 2005). Any such view is treated with scepticism by Somers and Bradford however, who argue that such attitudes fail to take into account the complexities of how institutional (in their case governmental) power works, and the nuances of social structures and practices (Somers and Bradford 2006).

Empirical studies into corporate-nonprofit partnerships acknowledge the potential for, and experiences of, imbalanced power dynamics. In James Austin’s case-study based exploration of the attributes of successful partnerships he concludes that “If the exchange gets significantly out of balance, it can erode the dominant benefit provider’s motivation to continue investing in the relationship or tempt it to exercise undue influence over the recipient partner, a concern cited in resource dependency theory” (Austin 2000 p80). Likewise, Berger and colleagues’ study describes the experiences of those involved in highly integrated collaborations (Berger, et al. 2004). Mismatches of power and failure to fully acknowledge of the contributions of each party were identified as problems arising from the partnership. While they affirm predictions from the literature that the nonprofit partner generally holds the weaker position, they note that this is not always the case. In Berger et al’s research, two of the 11 cases were identified as having greater power resting with the nonprofit organisation. Although power issues are noted in these studies, they are discussed in a broader context of overall experiences and value creation processes of the partnerships. In neither case is it used as a central lens. Thus, while it is acknowledged that power imbalance is an issue, the question of why it matters – what role it plays in shaping the outcomes of the partnerships – remains unanswered.
A recent issue of *Journal of Macromarketing* (2008, 28, 5) called for renewed attention to be given to the issue of justice in the marketing system. Likewise, special issues of *International Affairs* (2005, 81, 3) and the *Journal of Business Ethics* (2004, 53, 1/2) have taken stock of debates within and contributions to CSR literature and considered ethics-based development of CSR institutions. They challenge scholars to examine the “moral quality of institutional arrangements” (Zsolnai and Fekete 2004, p1), and “raise the banner of critical perspectives” (Prieto-Carron, Lund-Thomsen, Chan, Muro, and Bhushan 2006, p979). Michael Blowfield makes a particularly blistering attack on CSR research, regarding most existing studies as only providing a functional-level critique of CSR practice. He calls for issues including ethics and power to be among the “pivotal theories for a new analytical framework for CSR” (Blowfield 2005, p174).

Case Study Method

In recent literature reviews, strong calls have been made for qualitative research in both organisational justice (Fortin 2008) and partnership dynamics (Salk 2005). This study reports on a single case study (Flyvbjerg 2006) of a recently-terminated partnership of four years’ duration. Four members of the corporate organisation and three from the nonprofit took part in one-on-one, semi-structured interviews, with interviews each approximately one hour in length. The study included participants at governance, CEO, and marketing/sponsorship management levels to understand how the partnership operated at different levels of authority, and to achieve greater reliability in the responses. It included both current and past members, ensuring the duration of the partnership could be encompassed in participants’ reflections. Additional case study material, including partnership guidelines and promotional material was also provided. Anonymity was assured to the organisation and individual participants, and commercially sensitive material was removed. The interview questions were worded directly and indirectly as appropriate, to cover areas of power, dependency, corporate social responsibility, distributive, procedural and interactional justice and perceived fairness. Responses in each of these areas were collated using the qualitative software package NVivo.

The case study approach was seen as the most appropriate methodology for this exploration, given the need to probe deeply into issues from multiple perspectives and appreciate the specific context of the partnership. However, the limitations of case studies in producing generalizable findings are acknowledged.

Results and Discussion

Context of CSR

From the corporate perspective, exploring this partnership as an example of corporate social responsibility reveals inconsistency and confusion in the language used and concepts described. Different corporate participants described the relationship somewhat differently. The more senior corporate staff members, and those involved at earlier stages of the partnership, were less likely to try and calculate the value and measurable outcomes of the partnership. Their rationale was based in commercial terms, but took a big-picture approach, seeing the partnership as helping to fulfil broad reputational, relationship-building and social objectives. Even at this senior level, staff experienced mixed organisational buy-in and felt under considerable pressure. The senior manager who established the partnership recalls:

“Really the most difficult thing was… getting that whole package over the line with my own senior manager then of the senior management team was a really serious bit of corporate pushing. It always surprises me when I think about it because [then-CEO] let me go down this route and gave me a bit of free rein… He took a lot of convincing. I actually had tears in my eyes. I remember just, “Everybody else can see this. Why can’t you?”

He concludes:
“I should have also done a better job of the [communications]. Internally particularly I think. Understanding that it’s important to build and maintain the constituency within the business is something that just passed me by. It felt a bit boring to have to do it.”

More junior and recent staff members who, due to changes in personnel and restructuring of roles took over day-to-day responsibility for the partnership, expressed greater concern about achieving measurable value from the partnership. However, despite their more transactional approach, they continued to describe the partnership as being “definitely part of our CSR programme”, “more than chequebook charity” and “not just an exchange of dollars and logos”. Attempts during an interview with a recent, more junior sponsorship manager to seek clarity about the concepts were unsuccessful. His comments relating to the nonprofit partner featured in the study at one point employed “giving” language, suggesting the corporate should be involved in the partnership as a reflection of its privileged status in society:

“I was very clear in this in the strategy that it’s imperative that we have a charitable partner. I think it kind of goes with the territory of being a big organisation that you should be giving something back and be seen to be giving something back as well.”

Later, he emphasises the transactional, return-on-investment nature of the exchange. This perspective underpins most of the interview.

“We make donations, but sponsorship is not a donation. That’s the critical difference. In a sponsorship you’re looking for a return. It’s not a financial return, but in the long run it would be hopefully.”

Later again, he moves from the concept of sponsorship to expanding on a partnership ethos:

“A charity shouldn't expect to receive funding nor should a corporate expect that a charity will do everything. Because if you've got a sponsorship, one will do more than others. If you've got a partnership, then you're working to do things together. I think that's a really, really important difference.”

The inconsistent use of language suggests a complexity in corporate-nonprofit partnerships. If the nature of the partnership is not well understood, it is difficult to establish appropriate expectations for it. However, in the context of a lack of clear expectations, both sides expressed dissatisfaction in aspects of their partner’s performance. This ultimately led to the deterioration of the partnership.

The nonprofit organization sought to downplay social responsibility as a rationale for their corporate relationship, preferring to engage with their partner on commercial terms where their offerings would be judged on its merits.

“You can't just assume that you can go to [the corporation] or anyone and else to say 'Hey, you've got to sponsor us'. It has to be from their point of view, some legitimate fit, something that suits their business aims. You've got to be realistic and practical about it, otherwise no-one's going to be interested when you turn up with your briefcase and unroll your story.”

To some extent, the background context of corporates being seen to “do good” by supporting a charity is regarded both positively and negatively by the nonprofit. While the nonprofit recognises that this context supports its tradeable asset of providing access to moral good and social benefit, there was a strong desire for the partnership to be based on commercial imperatives. This was identified as important to the nonprofit’s credibility and desire to be taken seriously in the partnership. They also perceived this as increasing the likelihood of a stable, long-term arrangement.
Indications emerged that some corporate participants had pre-held perceptions as to the capability of NPOs. In this partnership, they also expressed concerns about their partner’s competency. It is not clear whether pre-held views influenced their interpretations of the partner’s abilities.

**Power**

In broad terms, the corporate partner could be seen to hold greater power in the partnership. They revealed less dependency on the partnership, and greater ability to effect change. The data from the case study describes a long journey from one party’s dependency and their partner’s actual ability to affect change, however. Firstly, power may be linked to dependency; however a partner’s ability to use that power is related to their belief that they hold this power. The findings from the case study revealed a poor understanding, particularly from the nonprofit perspective, of how valuable the partnership was to their partner organisation and thus their actual power within the partnership.

“I don’t have any sense of our worth to them... My judgment would be that it was more important to us than them, but I don’t have a way of assessing that.”

Further, partners may have beliefs about the amount of power they hold; how much of this power they will exercise depends on their ability and willingness to explore the limits of this power. However, the findings from this case study show that, at times, partners may choose not to seek change, possibly relating to an untested belief that the suggestion will cause offence or be rejected. For example, a corporate participant was also quite self-critical about the extent to which he had explored his own ability to call for changes that would have increased his satisfaction in the partnership. Asked whether he felt in a position to push for changes in areas where he was dissatisfied in the relationship further than he did, he replies:

“No I didn’t but I think that’s probably more about me than anything else. And maybe I should have been a bit bolder and more assertive about that.”

The nonprofit partner also demonstrated unwillingness to explore the boundaries of their influence, due to perceiving themselves to be in a weak position of power, when it chose not to seek a formal contract. The partnership had proceeded on an unwritten basis for some years, leaving the NPO in an undesirable position regarding its long term planning. Despite this, she says:

“I didn’t pursue a formal agreement. Principally, I guess it was a matter of judgment about the changes that were happening and I didn’t feel it was likely that they would commit to that.”

This is interesting in light of a comment made by a corporate counterpart:

“It’s not a case of ‘them’ and ‘us’ but if we weren’t appropriately communicating our expectations of outcomes then I’d expect [the NPO] to step up and say ‘right, well it’s in our interest that we set some goals and objectives and standards that we can measure’. So I just feel there was a lack of structure and we needed more discipline … in that regard.”

It could be interpreted therefore that the NPO’s unwillingness to pursue some greater structure for the relationship signalled a lack of competency and commitment to the partnership, and weakened the case for them being seen as a long-term viable partner. The perceived powerlessness demonstrated by their behaviour may have contributed to their actual powerlessness.

Finally, a party may have beliefs about their partner’s dependency, and be prepared to explore the limits of this power with their partner. However, their actual ability for that to translate into the change they want to effect depends on their partner’s capacity to enact that change. The findings here suggest that even a willing, dependent partner may not have the competency that would enable the exercise of power to be fulfilled. Reflections from corporate participants on their ability to effect change concentrated on the capacity of the NPO to enact these changes. These included:
“[Our chances of achieving the desired change was] Limited, I think. Because in the end we’re not there to run [the NPO].”

“I felt the intent from the team at [the NPO] was there, but the capability and the expertise wasn’t.”

“We didn’t realise how weak [the NPO] would be as an organization.”

Taken together, these experiences of power create a scenario of decreasing circles, within which a partner’s actual ability to effect change – their real power – is a potentially small subset of the total power being their partner’s dependency on the relationship. Each of these circles might be conceptualized perhaps like a balloon (of decreasing tensile). They can expand, but not beyond the limit circumscribed by the next circle.

**Figure 1. Partner A’s Real Power as Subset of Partner B’s Dependency**

This discussion has so far been limited to a directly relational view of power. However, another way in which corporate power was experienced by the nonprofit partner refers to the very positive view taken of the thrillingly enabling capacity of the corporate to achieve goals for the nonprofit it would have been otherwise incapable of achieving. This can be understood in relational terms: the ability to enable outcomes for the benefit of the partnership becomes a source of power for the corporate, in that it relates to the nonprofit’s dependency on the partnership. But the excitement of being in a partnership with a powerful party appears to be a qualitatively different experience of power than simply the feeling of being dependent (see also Clegg, Courpasson, and Phillips 2006).

The nonprofit pointed out that, over time, the corporate’s contribution enabled them to reduce their dependency on them, such that the eventual termination was more easily withstood. From the corporate perspective, this decrease in dependency also enabled their withdrawal from the partnership. This appears to relate to the ethical premise of the partnership and a concern the nonprofit’s wellbeing was at stake.
“While it was sad to leave the … relationship behind, we did it in the knowledge that we left it in pretty good shape. And that was good because we couldn't in good conscience leave a situation where someone was battling or they were in worse shape than when we started or something like that. That would be awkward.”

**Impact of Power on Justice**

In terms of the distributive justice, the corporate partner dictated the amount of money available for the partnership and the activities this would be directed towards, and maintained a high level of input into the execution of the activities, including hiring external professional consultants. They made changes to the value of the partnership, reducing the amount available, over time. The way in which this was experienced by the nonprofit organisation was predominantly positive. The overwhelming response was that the corporate was enabling activities to occur that simply were not otherwise possible. While the reduction in funding was disappointing, the net benefit was still vastly to their advantage. In addition to the agreed exchange that provided the backbone of the partnership, a number of informal activities took place. This included opportunistic promotion of the partnership, and ad hoc staff engagement activities. It is in relation to the informal activities that dissatisfaction was identified by both partners. Concerns expressed included a belief, on both sides, that the partner could be “doing more”. The nonprofit felt the corporate had not upheld promises it had made. The fulfilment of informal expectations is an area where the interrelated experiences of distributive and procedural justice become evident. It has already been noted that power was an issue in addressing this, as the nonprofit refrained from seeking a formal contract. Additionally they expressed frustration at:

“…feeling you don’t have the power… You’re the grateful recipient of this donation, if you like, and you don’t have the ability to push for a more mature relationship dynamic and outcome.”

The participant described this lack of power as having been demonstrated through attempts to introduce new initiatives into the partnership activity.

“…One of the things we did on at least two maybe three occasions was enumerate the things we could offer, in concrete terms, and the things we would want to explore with them. And there was never the time or the inclination, well I’m not sure if there was the inclination, but there was never the time to explore that and see whether there was a matching interest with [the corporate].”

At an interactional level, the feedback was highly positive on both sides. While some moments of friction occurred during periods of stress, it was emphasised these were rare. Therefore, it appears the experiences of satisfaction between distributive, procedural and interactional justice were highly interrelated. At the earlier stages of the partnership, both parties were satisfied with the agreement they had reached, the way in which they had reached the agreement, and the positive interactions between participants. As dissatisfaction emerged with the perceived value each party was achieving from the exchange, greater frustration was expressed about the processes available for addressing this, and these tensions were at times reflected in interpersonal exchanges. It has been argued that justice is not always best studied carved into its various components, but treated as a monistic concept (Cropanzano and Ambrose 2001).

An exception to this overall pattern is found at the end of the partnership. This refers to the period where the corporate had resolved to review its sponsorships, ultimately leading to the termination of the partnership. Procedural justice is often referred to as providing “voice” to affected parties in the decision-making process, leading to higher overall acceptance of the final distributive justice decisions (Folger 1977). As the corporate undertook a review of its sponsorship activities, however, the nonprofit was not provided with this opportunity to express its views or make a case to be retained as a sponsored organisation. Despite this, the period was identified as an example where the nonprofit experienced a positive sense of procedural justice, even though it culminated in a negative decision being made. The corporate was open about the fact it was undertaking a review, and the strategic drivers behind this. When it finally withdrew from the
partnership, the nonprofit appreciated “the care” the corporate took around the timing of the withdrawal: terminating the partnership immediately following their National Day, enabling the greatest possible time to seek a new partner for the following year’s event. At an interactional level, the sponsorship manager’s behaviour was described as “respectful”.

It appears that the corporate had moved beyond the point of wishing to improve the relationship. At this point, it was able to move into a change management mode involving communicating a clear, time-bound process in a professional and respectful manner. Negotiation and tension between partners to achieve a mutually satisfying partnership was no longer relevant. This suggests an alternative approach to regarding the impact of power on justice outcomes in a partnership. By this view, the exercise of power and the desire to shape justice outcomes can be seen as the demonstration of active interest in the partnership. The tension that may arise from this is the product of engagement in, and commitment to, the partnership. It may be that power and justice are necessary ingredients of active, living partnerships.

Was it Fair?

The previous sections identify that the corporate partner held the greater power in the partnership, and the power had some influence upon dimensions of justice. To understand how participants’ perceived this dynamic in terms of the equity of the overall relationship, they were asked whether they saw the partnership as fair. From the nonprofit perspective, the response was very positive. One nonprofit participant offers a Hobbesian analysis of fairness:

“Well I assume [it was fair] on the grounds of any two parties that enter into a partnership presumably have made their judgments. So yes I do think it was fair.”

He adds a rationale for judging fairness, which reveals a nonprofit perspective on CSR:

“But it's not fair if it doesn't work to the advantage of both. So I come back to this point that you can't go around saying to people, You can't go around saying to people, ‘Do good works. Give us money.’ Because there is a faintly self-righteous temptation to all volunteer organisations… There's a bit of a tendency to stick a gun in people’s ribs and say ‘You've got to give money to us because we do good works.’ And that's the wrong way to getting a serious relationship going.”

Some literature suggests individuals’ appraisal of fairness is conflated with benefit to self (Fortin, 2008). It is perhaps interesting that the opposite seems to be evident in the responses of the nonprofit members of this case study. As well as the philosophical approach of the participant (above), other nonprofit participants frame their responses to the question of fairness initially from the perspective of their partner. One responded to the question by citing their organisation’s attributes and how that would advantage their corporate partner. Another commented:

“Yes I think it was fair. Yeah. They got $xxx worth, you know, if you put that much money into something. I think they got way more than that amount of money in value. I don’t think they got as much value as they could have from it. But they did get value from it.”

She doubted the fairness of the exchange in terms of a balance of outcomes:

“We got much more from them than they got from us. But that’s because we didn’t need much to get what we needed.”

These responses point to two measures of fairness. One refers to fairness as whether one receives value commensurate with or greater than the contributions they have made. The other relates to fairness as whether each side of the partnership gained equally from the partnership.
From the corporate perspective, an equity-based judgment of fairness was invoked when discussing the size of their logo. The new sponsorship manager’s concern was that, despite being the principal sponsor of the nonprofit, their logo was depicted at the same size as other more minor sponsors on some collateral. His insistence on changing this was interpreted by the nonprofit as a shift in the underlying assumptions of the partnership.

“When [the previous corporate partnership manager] had always said, ‘Let’s go for the long haul’, he was never as worried about the size of the logo on things compared to the [another sponsor’s] logo and all this sort of stuff. And then that all became quite important when [the new corporate partnership manager] came on board. He was off out measuring logos.”

The corporate sponsorship manager’s predecessor also invoked his own organisation’s perspective on overall fairness.

“Yes it was [fair]. There’s kudos being involved in this kind of partnership.”

Another former sponsorship manager responded:

“Was it fair? I think it comes back down to the communication and the expectations of the relationship and then you’ll know whether it’s fair or not really. I think we got pretty hard on them because I don’t think we were always getting what wanted out of them in terms of responsiveness or quality of response.”

This reaction points to the issue around expectations partners had for each other and the partnership. As well as the fact these expectations were both unclear and shifting, a further difficulty related to the corporate’s ability to calculate an appropriate monetary value to exchange, or measure to contributions delivered by the nonprofit partner. This appears to have engendered a sense of never quite achieving enough.

**Conclusion**

The context of corporate social responsibility appears to have had a complicating effect on power and justice in the corporate-nonprofit partnership in this case study. It seems to have led to an unclear understanding of what kind of partnership was being sought through this relationship, and thus how it would be understood as successful. This left the partnership susceptible to shifts in understandings as personnel changed. Concern at being perceived as a less commercial, less professional organisation than a corporate appears to have influenced how the nonprofit aimed to present itself in negotiation: emphasising their commercial attributes appears to be a self-empowering move by the nonprofit. Some corporate staff members expressed preconceived ideas about nonprofit competency, and included the current partner in that criticism.

This environment, combined with the distribution of power in the partnership, appears to have had implications for overall outcomes. Centrally, the imprecise context of the exchange appears to have had implications for what is seen as a satisfactory delivery of each side of the bargain. On one hand, it was expected that the nonprofit should be delivering more than the agreement dictated, as a demonstration of their gratitude and commitment to the partnership. However, when additional, non-contracted items were delivered and offered, these were not included when the overall value of the partnership was evaluated. Similarly, when issues emerged around how the partnership was being measured and what steps could be taken to grow the partnership, dispute arose as to whose responsibility it should be to effect these changes.

In this context, the impact of power distribution on partnership outcomes struggles to fit neatly into the dimensions of distributive, procedural and interactional justice. Rather than distinct concepts, they are better understood as different faces of the same issues. While organisational justice explores the perceptions of fairness (Fortin 2008), power may be seen as the ability to act in accordance with one’s perceptions. Each party constructs a narrative explaining the progress, and the difficulties, experienced in the partnership.
However, the corporate’s understandings of events becomes the active narrative; it is their worldview of the partnership that is able to be translated into action. The weaker party is in a poor position for countering this, or proposing an alternative vision for the partnership (see similar findings with regard to spousal relationships, Cast 2003).

Deep caution must be applied when considering the findings from a single case study and relating them to general theories of justice. However, it is interesting to note that attributes that might be assigned to political or ethical theories regarding CSR are those that appear to have contributed to the instability of this partnership. Any envisioning of the nature and goals of the corporate social responsibility partnership as standing outside of normal commercial imperatives was problematic and subject to constant pressure. Over time, demands to produce measurable outcomes increased, and dissatisfaction was expressed as these failed to be achieved. This may point towards questions as to whether the marketing system – centring as it does on achieving value in exchange – is capable of supporting broad theories of social justice that involve adjustments to self-interested behaviour. In any case, it appears marketing exchange processes lend themselves more readily to examining organizational justice – and understanding whether, on their own terms, corporate-nonprofit partnerships are perceived to be fair.

Further Research

The findings of this case study reveal considerable scope for further research. This paper has taken an organisational justice perspective, focusing on perceptions of fairness. However, examining the outcomes of the partnership and the principles that informed them in relation to particular justice theories, such as that posited by Rawls, would make a useful contribution to justice research. In addition, there is scope for in-depth theoretical and philosophical exploration of models of justice most appropriate for corporate-nonprofit partnerships, and a detailed analysis of the extent to which partnerships should acknowledge both corporate power in relationship and corporate power in society. It was identified that some corporate staff members expressed preconceived ideas about nonprofit competency, and included the current partner in that criticism. The opportunity therefore exists for an experimental study exploring corporate views of nonprofit competency, and whether this influences their interpretation of the work quality.

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How to Compete Using Responsibility: French Sustainable Marketing as a Specific Tool

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Inventing a new responsible form of marketing is becoming a challenge for marketing managers. Compared to other functions marketing is late in addressing this topic. In fact, marketing remains without a real sense of responsibility because of the complexity of the moral issues involved. But how can companies deal with this quandary, whilst also developing a new competitiveness? In order to answer this question, and after describing the context, we present a study based on French multinational companies. We will see how a specific strategic marketing design can be applied and propose new ideas regarding pricing policies, products, distribution channels, and communication. We can allow a first draft of a responsible marketing mix.

Globalization and sustainable development appear contradictory. Should our approach to solving major problems, such as ecological disasters, be ‘global’ or ‘local’, or do local problems need coherent international responses? B. Stigson, President of the World Business Council for Sustainable Development (WBCSD) affirms that “behaving as a corporate citizen can help society to accept the changes brought by globalisation”. Empirical research has tried to establish a link between social progress and financial performances but the results are somewhat contradictory (Rowley and Berman, 2000; Roman and al., 1999; Griffin and Mahon, 1997; Preston and O’Bannon, 1997).

It is impossible to judge the impact of social trends on company results. Why should a company support sustainable development? The doubts expressed by certain multinational companies have various explanations. They have learned from experience the importance of sustainable development and of macroeconomic and microeconomic environments. Consumers have changed into “consum’actors”. They use their purchasing power to boycott brands denounced by non-governmental organizations. The transparency of a firm’s activities has become essential in our consumer society. Marketing, however, remains morally uncontrolled because of its complexity. Other functions in companies often assume the consequences of marketing decisions. Thus, pollution of a factory site by a subcontractor is not integrated into the cost of the final product and, moreover, it is not obvious that such additional cost would be acceptable to the consumer. The link that could exist between the social responsibility of companies and marketing decisions needs to be considered on levels which concern us, within our discipline and within companies.

Our paper proposes solutions to the following problem: How can French multinational companies manage their marketing mix in a responsible way in order to create a new tool for competitiveness? To answer this question we’ll develop successively three main points: the context, the study and a rough draft of a responsible marketing mix.

Analysing the Context

Studying sustainable development from a marketing point of view is not easy but is important. Marketing is late in doing so compared to other management functions: finance, human resources management or even production control. Academic research has been inefficient because various aspects need to be analysed at the same time. Firstly, a great deal of research is carried out on ethics. It focuses on the consumer and tries to understand his purchasing behaviour and to appreciate his reaction to the social commitment of companies. Secondly, the polysemic of the vocabulary used causes serious problems. New
concepts such as ecological and environmental marketing, philanthropic marketing, social marketing, cause-related marketing, and public marketing in the private sector are cropping up more and more.

Nevertheless, it is very important to underline the specific role of marketing when it comes to addressing the emerging global social responsibilities of MNEs. At present, there is really a kind of gap between the high level of the tools included in the CSR (Corporate Social Responsibility) and the lack of specific tools applied to marketing.

Moreover, it is not easy for multinational companies to develop operational marketing which respects the principles of sustainable development. States seem to want to intervene less and give more room to private initiatives (Capron and Quairel-Lanoizelée, 2004). New partnerships are emerging between the private sector and public authorities, for example: Lafarge is working with the World Worldlife Fund to safeguard the habitat of migratory birds in Scotland; Unilever is working with United Nations agencies and local schools in rural India to teach children to wash their hands. MNEs work in close collaboration with the United Nations Organization (UNO). For example, at the Johannesburg Summit, about 200 MNEs were present and their representatives showed the importance of their sustainable actions using brochures. They wanted to negotiate the best conditions for the development of their businesses. Some people try to promote sustainable development, known as ‘Business Social Responsibility’ in the United States, “Corporate Social Responsibility” in Europe, and ‘Business in the Community’ in the United Kingdom. Gabriel (2003) defends the idea that marketing can help a company to regain the trust of clients after a scandal or a crisis.

Books and articles are sometimes somewhat manipulative: for example, some companies have tried to use the ideas of the Green movement to commercial ends and are thus accused of "green washing". One often observes discrepancies between theoretical positions held by firms and their effective actions, for instance in the petroleum or chemical industries. Others are self-declared enemies of any type of marketing yet they forget to carry out elementary calculations of eco-efficiency. It is possible to show that, in certain cases, disposable products are less biodegradable than durable products. Washing durable products, compared to washing disposable ones, costs more in terms of consumption and pollution of water. Academic research has for a long time preferred to work on the product and on communication rather than on a global strategy. For example, in measuring the performance of marketing, external savings induced by more ethical marketing practices is not taken into account. Returns on investment, market shares and rate of transformation of contacts into sales are main indexes, but the environmental quality of products is not considered an index, even if it is mentioned.

The Specific Study

We studied the marketing mix of French multinational companies. We chose an exploratory study because we noted a lack of responsible marketing research, or, more precisely, we did not find any empirical studies on the link between French multinational companies’ operational marketing and sustainable development. Traditionally, only one variable of operational marketing is studied (either product or communication) and its contribution to sustainable development is observed. We compared the practices of three French multinational companies. We chose deliberately different cases and named them MNE 1, MNE 2 and MNE 3 in order to respect confidentiality. They belong to various industries: the food industry (MNE 1), the building trade (MNE 2), and a supermarket chain (mass commercialization) (MNE 3).

How each company relates to its customers is different and their commitment to sustainable development is specific to each one. One of these companies is perceived in France as an advanced, responsible, company because, as its Director admits, corporate management partially depends on company image. We studied all marketing mix variables after having analysed various documents. We used the internal and external sources of companies. We questioned how marketing proposed by companies is applied. Today, setting up a responsible marketing mix really is problematic...
We chose to present main trends. The importance given to the marketing mix variables is different for each company. Generally, communication is the most important variable, even if product is not underrated. This fact is neither new nor surprising.

The Evolution of Company Positioning

The relationship between marketing and sustainable development seems to require a new definition of company positioning. Company image depends partially on its communication strategy, but we must point out a real paradox. Even if companies have reexamined the contents of their positioning in order to integrate sustainable development, transposition to the communication level is problematic. The case of MNE 1 illustrates this.

In France, 16% of children are obese. MNE 1 understood that obesity is a major social problem. Nevertheless, MNE 1 chose to ignore the issue on the strength of a study by JP Morgan Bank which highlighted the fact that “80% of MNE 1’s products belong to the category of healthy products” (Laville, 2004). MNE 1 chose, regardless, to put ‘health’ at the centre of its positioning. One can say that MNE 1 did not completely think through the communication process. MNE 1 made various mistakes. It has had difficulties in creating adverts that reflect its values and responsible attitude. Two of its TV spots have been suppressed because of complaints by consumers, consumer associations and the medical profession. It is surprising that a multinational group chose such paradoxical TV spots. It is obvious that their marketing positioning (based on healthy practices) is incompatible with sportsmen who cannot resist cream desserts or with a child who, because he has a milky drink, is protected against germs!

MNE 2 has also tried to improve its positioning. It has gone from being a ‘producer of building materials’ to that of ‘supplier of solutions’, proposing a more complete and more global service. Such positioning is, we feel, becoming classic. Today, several companies (French companies but foreign ones like Shell or IBM too) claim to offer their customers solutions. Is this positioning really so new? Does customer satisfaction not depend on solutions that companies propose to solve their problems?

It may appear, at first, surprising that distributors’ Web sites abound in information and publicity highlighting company commitment to resolving social problems. After all, major distribution groups are usually criticised for their attitudes and actions (Audigier, 2003). Their argument, in order to preserve customer loyalty, is that they are defending people’s purchasing power. MNE 3 does not hesitate to choose a very commercial message: "Our raison d’être: to lower prices". In this way, improving purchasing power becomes a new commercial argument, though 82% of MNE 3’s regular customers’ discount card holders say that having a card has not modified their purchasing habits. Moreover, French people tend to collect the discount cards of every supermarket located near their homes, winning points in a random way (accumulating a few points on each card). They manage in the end to preserve their sense of consumer ‘freedom’!

Thoughts on Products

Promoting sustainable development requires having to define three very important concepts: eco-design, eco-efficiency, and durable goods. Eco-design is about focusing on the essential use and shape of a product (for instance the shape of a traditional knife) and on reducing external costs by avoiding unnecessary packaging. But we got no response on this topic from MNE 1, MNE 2 or MNE 3; they did not know what eco-design was.

As regards eco-efficiency, MNE 2 declared having invested in improved processes that have reduced pollution and water consumption. We note that MNE 2 has applied the same strategy as several other French companies. In France, important research on new organic gas has been carried out. Sometimes, companies imagine new materials and propose vegetal sources. This is surprising because companies are now rehabilitating plants, such as hemp, which were criticized only a few years ago...
Concerning durable products, we note a few initiatives. At an international real estate business show in 2006, MNE 2 presented a new generation of skyscrapers called “Hypergreen”, designed by French architect J. Ferrier and built with ecological materials. MNE 2 wants to boost building technologies (time and labour are reduced by using prefabricated materials) and to encourage eco-friendly behaviour. The Hypergreen tower produces 70% of the energy it consumes. Rain water is collected, filtered and used. The building’s components can be recycled. The durable building is now potentially ready for use, but to applaud the concept is not to buy it.

MNE 1 chooses to adapt its products to particular targets. For example it proposes yoghurt with added vitamins in South Africa. This product, called Danimal, corresponds to the specific problems of nutrition in this country and MNE 1 is not considering selling it in France. Danimal required a new marketing concept. Its price does not exceed 0.15 Euro. In order to achieve this price it was necessary to reduce various costs (no advertising, a simple system of distribution). Also, small shopkeepers are supplied by the trucks of this multinational company.

French supermarkets chains have opened their shelf spaces to Fair Trade products. This phenomenon is rather recent. In France, sales of these products have appreciably increased in 2004. The commitment of supermarket chains in favour of Fair Trade is surprising. They have multiplied actions in its favour: communication campaigns, creation of their own Fair Trade brands, participation in events in its favour, etc. This adherence to Fair Trade by the supermarket chains is unsettling. Let us consider the phenomenon more closely.

Although Fair Trade consumption has increased in rich countries, Fair Trade products are a negligible part of international exchanges. Moreover, in France the focus is placed on how these products are distributed. Independent shops such as Craftsmen of the World or Biocoop chose to sell on Fair Trade products. These products are directly competed by distributor brands at lower prices such as Alter Eco or Etiquable. Some people denounced a clever ploy by the supermarkets. Another paradox is denounced. It is difficult to believe that French distributors are genuinely interested in the living conditions of small producers in developing countries when, at the same moment in time, French producers are denouncing a trading system that is unsustainable in the long term. Relationships between distributors and producers/manufacturers are becoming more and more complex. (Colla and Dupuis, 1997; Manzano, 2000; Allain and Chambolle, 2003).

**Exploration of new distribution channels**

In South Africa, MNE 1 uses a retailing approach which is near obsolete in France. In dangerous or not very accessible districts, women employed by MNE 1 sell door-to-door. MNE 1 maintains that it is a good thing because it creates jobs and pays for education. Each lady employed by MNE 1 works in her community to develop a relational approach based on proximity. They are trained to make mothers aware of the problem of malnutrition. It is obvious that this sales method presents advantages in this social context. Products are new and it is necessary to present their qualities and particularities. Nevertheless, several criticisms, drawn from long-term observation of this method, can be made, for example problems may occur if the saleswomen and the buyers know each other. The usual risks of door-to-door selling (theft, threats, etc.) are increased in these countries (bribery, pillaging, sexual abuse, etc.).

In France, MNE 3 is exploring a new distribution channel in order to help the most unprivileged segments of the population. MNE 3 has signed a partnership with an association combatting social exclusion. Its Foundation brings the association financial help and rehabilitates new stores. Moreover, MNE 3 provides more than 60% of the products proposed in these stores, called ‘social stores’ because only specific products are sold (alcoholic drinks are not proposed for example).
Communication

Distribution companies repeat on their corporate communication Web sites the same slogans which we can read on posters in the streets. MNE 3’s communication programme is called “consume better”. Very recently, social responsibility seems to have taken a new orientation. More precisely, a new main line of communication has emerged: to preserve purchasing power. Is it serious commitment or only a communication policy based on image? Today the demarcation line between corporate communication and product communication is less clear. Is sustainable development not just becoming, in France, just a retailing argument? Recently, a new stage has been crossed. Signs are that there is a new found interest in communicating on the purchasing power of consumers.

The Difficult Creation of a Pricing Strategy

Each company promises to adapt its prices to the purchasing power of different targets. It is the reason why products are adapted to markets. Products are more or less sophisticated in order to reduce costs (production, advertising…). This position may generate problems of perception, for example the French reaction when Renault marketed the “Logan” in Eastern Europe; Renault reacted and now this same product is proposed in West Europe.

Briefly, we can say that the marketing conception of sustainable development is too restrictive. For example, an internal MNE 2 document defines how direction functions should integrate sustainable development and it summarizes rules of marketing through two main elements: to know emergent expectations of customers concerning sustainable development, health and security constraints, and to promote ecological buildings. Also, MNE 2’s marketing function tries to reconcile a reactive and a proactive logic. French multinational companies seem to be divergent and hesitate to define a responsible marketing mix. Is it necessary to wait for the reactions and demands of the interested parties or should we propose a new conception of operational marketing? Today in France the question is debated.

Draft of a Responsible Marketing Mix

The concept of ‘responsible marketing mix’ begs many questions. The idea even seems paradoxical. Indeed, marketing practices are often qualified as “anethical”. Its purpose is to encourage ‘favourable behaviours to the achievement of the goals of the organization’ (Lendrevie and Lindon, 1997, p. 12). In other words, marketing gets profit oriented intends (Biardeau, 2005). It is assumed that persuasion remains the aim of marketing. The French legislator has very often protected the consumer from the bad practices of unfair competition. There are various examples. For example, in France, the decree of February 9th, 1961, prohibits hard sell tactics. We propose various elements of thought.

Relationship Marketing Requires Rebuilding

CRM (Customer Relationship Management) ensures client relationship management through networking. Each consumer is perfectly identified and targeted through an offer which is presented in an exclusive form but is in fact intended for thousand. This is ‘individualized mass marketing’, or ‘one to one’. The risk of abuse is obvious because of the relevance of information systems. The consumer’s privacy is invaded. The customer is becoming more active in his dealings with a company, he is becoming more powerful. He no longer hesitates in showing his dissatisfaction and sometimes he even boycotts brands or products (Fournier, Dobscha and Mick, 1998). Today, relationship marketing and its traditional tools are denounced (Moller and Halinen, 2000; Marion, 2001). Few empirical studies are concerned with the effectiveness of consumer loyalty development programmes (Sharp and Sharp, 1997 and 1999; Benavent and al., 2000; Meyer-Waarden, 2002, 2003 and 2004; Leenheer and al., 2003, Mägi, 2003, Meyer-Waarden and Benavent, 2005) but all of them agree on their limited effects. Sustainable and loyal relations with customers don’t systematically increase profitability (Reinartz and Kumar, 2000).
This risk shows up in the strategic as well as in the operational plan. A strategy can be built on an artificial differentiation, and leads to very debatable policies of product, of price, of distribution and of communication. As for the responsible mix in question, its approach, being new, is not risk-free if a multinational company does not harmonize its different functions and its marketing variables.

Concerning surveys, it is necessary to rehabilitate more participative approaches, by using more respectful techniques. The accent can be put on "focus groups" and less aggressive qualitative techniques. It is our advice to work on movements that take into consideration the consumer rather than on segments and typologies in the search for average profiles, which are less and less revealing. A responsible form of marketing will have to borrow more and more from Sociology. Speech analysis, for example, via the generalization of new software, must be popularized and applied, as much to consumers as to decision makers. The results can be the subject of discussion and not just used by surveys departments. As regards information systems, the tools should not privilege short-term calculation, as sometimes happens in ‘call-centers’ and relocated factories, but the management of relations between all concerned. The tools of the CRM should be reexamined to better take into account the opinions of consumers. For example, to listen to net surfers’ opinions can prove to be both ethical and useful for marketing experts.

The Need to Include This Analysis in the Strategic Marketing Field

This seems to have been forgotten, but is rather easy to explain. The target is very wide: shareholders, employees, industrial suppliers and final consumers. The strategic nature is obvious, but the one and single message for everybody, plus the size of the target, both necessitate action that is as yet unclear. A basic marketing approach needs to use a specific language for a specific market segment.

The classic strategic marketing approach, built during the last ten years, founded a specific domain. American authors and European academics (Lambin, 1993; Trinquecoste, 1999) found a main difference between strategy and strategic marketing. The goal is ‘to overlook the hidden part of the marketing iceberg, i.e. the strategic choices on which marketing management decision must be based’. This emphasizes the need by the firm to consolidate its strategic marketing in order to base its activities on strategic options. The following pyramid sums up the state-of-the-art:

Figure 1. Pyramid of strategic marketing (according to Trinquecoste 1997)
We can find a lot of marketing advantages perceived by consumers and markets: product reliability, quality of service, industrial design, distribution channels and networks, sales methods, branding, packaging, pricing. Companies are finding it more and more difficult to bring out specific advantages, particularly in the immaterial field of services. Marketing actions can no longer avoid imitation. If the corporate image or products are traditional sources we must include new elements and develop a more integrative approach. The responsible marketing mix is one of them. Firstly we can use a new approach.

To adopt a No-sequential Process

For new products, it involves marketing of ideas preceding final demand and market assessment. Feed-backs can improve this non-sequential process.

Figure 2. A new process (Blanc 2003)

The role of the consumer is far from being passive (Blanc, 2003). The steps based on the offer, very often developed in industrial marketing, encourages a participation of the consumers. Methods of project management, with search for privileged actors in the environment, are completely transferable with problems of responsible marketing and this, in final consumption. In work on “Relevant Social Groups”, focusing on experimental rather than interrogative surveys, using a very early communication of the concept, can be found a new responsibility for producers and consumers.

As regards price, it is necessary to specify the concept of fair price, one that balances supply and demand, and induces new methods to calculate costs and calculate performance. For example, what is the social value created, and how can it be divided between those involved, if a consumer agrees to buy goods from factories employing disabled people? An important order will encourage the development of factories employing disabled people, but the industrial group will communicate readily on the ecological qualities of its products without considering its ‘added social value’.

It is also obvious that in wholesaling and retailing, alternative models are possible. For example, the commitments to Fair Trade, to traceability of goods, to easy-to-read labels are a good start.

Communication is often the most criticized variable. The use in recent mailshots of messages degrading to women or using images close to a form of pornography, which does not have anything ‘chic’, attests to this. In the same way, patronage remained for a long time the principal means to testify social responsibility. A study carried out in 1999 showed that the public judged this type of commitment highly inadequate because it was too limited. The companies were attacked from all sides on this point and, very often, justifiably so; But do they communicate on their responsibility?

To conclude, could lessons learned from French MNEs be generalized to other MNEs in other countries? We think that it is too early to generalize for several reasons. The approach of each company is specific because it develops its own strategy according to its degree of implication in favour of sustainable development. Today companies are searching new management tools for sustainable development. Companies are in a learning logic and there is no experience curve applied to sustainable development. All concepts are not considered. A responsible marketing mix does not really exist. Nevertheless, our study
contributes to a new research field. We must go still further. We are preparing a quantitative study which will broaden our thinking.

Beyond the concept of responsible mix to be applied in the future, it will also be essential that companies insist on the responsible marketing function. We must study and analyse relationships between strategy and structure. More equitable management must also be shown to be applied, inside the firm, by different forms of organization. The emergence of specific cells or even of specialized directions is to be noted, but creation of these services does not always mean their perfect integration into flow charts. It is clear that a new research field is opening up for managers in charge of marketing inside as well as outside companies. This is the direction we are heading in.

References


Contribution of Corporate Social Responsibility to Performance: The Approach of Solidarity Vacation

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Currently, companies are encouraged to develop their social responsibility in complement for their traditional economic activities. According to the principles of Corporate Social Responsibility, organizations must aim at the performance but it must be global and sustainable. Nevertheless conditions for compatibility of CSR with a sustainable economic performance are not easy to find. Even if at first sight, CSR can be considered as incompatible with economic performance, in fact, they go together. We propose to demonstrate this link with the example of solidarity vacations.

In the current economic environment, if profit is the key element of evaluation of companies, they are strongly encouraged to develop their social responsibility. Each organization is pushed to widen its responsibilities (environmental and social impacts) and not to focus on profitability and on growth. Corporate social responsibility (Corporate Social Responsibility is generally designated by initials CSR which are used in this paper) has caused a renewed interest in companies as well as within academic circles. This paper will follow a definition given in the green book of the Commission of the European Communities: "CSR is the voluntary integration of the social and ecological concerns of the companies to their commercial activities and their relationships to all internal and external parts (shareholders, personnel, customers, suppliers and partners, human communities...) and this in order to satisfy the applicable legal obligations and to invest in the human capital and the environment".

For many experts (Calisti, and Karolewicz 2005), CSR allows a better competitiveness the long term, constitutes a source of innovation, opens new commercial opportunities, can favour a better social cohesion and contributes to performance.

Our paper will try to bring brief replies to the following problem: Can the corporate social responsibility actions be combined with performance? We will take as an example the solidarity vacation. Under certain conditions, an employee takes part in a project of a human nature in Third World countries. Sometimes he shares the expenses caused by the mission with its company. In this case both are winners: the company mentions its assistance in its communication on CSR and the employee achieves its responsible projects.

The mechanisms of the relation between CSR and performance are first emphasized through the solidarity vacation. Secondly, following an empirical study, we will discuss the potential contribution of this last one to performance. Our main goals are to understand the kind of link between CSR and performance and to appreciate, in a general point of view, the impact of the first concept on the second. Our work falls under a cognitive approach of performance. We want to show that solidarity vacation is a real mobilization tool. Our contribution proposes a new axis of responsible communication.

International Solidarity Vacation: A Tool for Mobilization and a Vector of Performance?

Under pressure of its environment, the company tries to exert its CSR without jeopardizing itself. So far, the literature has given a detailed attention to the social aspect of CSR and more particularly to actions engaged by organization in favour of its employees. Conversely, academic researchers have not studied the possibilities for employees to make their company aware of a sustainable development. Today, the employee and the firm can coordinate their actions in favour of a sustainable development.
In spite of the difficulty encountered by the authors to understand under which conditions a company can exert its CSR without jeopardizing itself, many elements point toward simultaneous research of social and economic performance. Under pressure from its environment, the company tries to pursue both goals at the same time, at least in its rhetoric.

Many works put forward interest in CSR but many questions remain outstanding. Indeed, even if supranational authorities have defined CSR precisely, in reality its limits are not quite as clear (Sethi 1973; Davenport 2000; Capron and Quairel-Lanoizelée 2004; Becheur and Bensebaa 2004; Gomez 2004; Jameux 2005). Authors recognize the difficulties in defining CSR and in measuring the stakes of global and sustainable performance of company. Consequently, researchers study all aspects of the question of bond between CSR and performance.

According to the principles of CSR, the company must aim at performance but it must be global and sustainable. Performance of the company is global if it satisfies all interested parties. The company is obliged to analyze the expectations of shareholders, employees and customers (Pautard 2004). According to an empirical study of a hundred and thirty leaders of small and medium-sized firms, installation of a more responsible policy improves the global performance of the company (Barthel, 2004). If the main purpose of the company remains the same, namely to create value, it must respect social pressures. That changes the relationship the company maintains with performance.

Currently, there is no recognized instrument to measure global performance (Capron, and Quairel-Lanoizelée 2004). At best, works have led to endless lists of indicators to take into account to be able to assess it (Capron, and Quairel 2002). Each manager must learn how to define its own measuring instrument. Performance is sustainable if it respects interests of concerned parties now as well as in the future. By wanting to be sustainable, performance becomes a source of legitimacy for companies, "this new requirement generates more complexity, in the conflict decision-making more conflicts of priority and many difficulties of definition, measurement and evaluation" (Michel 2003).

The question of the compatibility of CSR with performance of the company is basic. Today, a responsible company seeks the most harmonious balance between economic prosperity, social justice and environmental quality (Capron, and Quairel-Lanoizelée 2004). But it is difficult to reach this balance (Elkington 1999). Even if at first sight, CSR can be considered as incompatible with economic performance, in fact, they go together. Practices of social responsibility often require important investments or changes. It may be expensive for the companies which set them up and are even likely to penalize them (Le Bas 2004). Also, certain authors constantly remain quite sceptical of the possibility of conciliating economic performance and CSR and underline the opposition of the two different frameworks: "financial" and "sustainable" (Martinet, and Reynaud 2004; Roopun 2005). That can be simply explained: responsibilities of company are multiple and often contradictory (Tixier 2004).

Boaasson and Wilson (2002) admit that exceeding this contradiction between CSR and sustainable economic performance requires a long process. Exercise of CSR is compatible with permanent search for economic performance but under different conditions. To date, two are clearly identified: temporal optics and the meaning of the relationship between sustainable economic performance and CSR.

A condition is the change of the company in its relationship to time. By recognizing its social responsibility, company is led to re-examine temporal optics of its economic performance. Long-term vision must override short-term one (Boaasson, and Wilson 2002). According to the Young Managers Centre it is necessary "to commit to another vision of performance which is more respectful of interested parties and less based on maximization of short-term profits" (Source : www.cjd.net ). This change of prospect is not without consequence. Leaders must return accounts to shareholders who become attentive to CSR while following evolution of capital. Consequently, while seeking to reach a sustainable economic performance, the company is exposed to a complete revision of its actions of financial communication. The firm must justify positive
impact of actions undertaken in the name of CSR on its financial performance (Perrin 1997; Michel 2003).
And that is when all the difficulty occurs because of the kind of conditions which as we have seen remains largely to be defined.

Nature of interactions between social performance of company and its financial performance remains largely unknown (Gond 2002; Gond, 2001). Empirical studies have led only to contradictory results (Rowley and Berman 2000; Roman and al. 1999; Griffin and Mahon 1997; Preston and O’ Bannon 1997). However, it seems obvious that the main objective is economic profitability and that the CSR must also contribute to it. CSR is not considered as a new priority which would come to supplant economic objective of performance. This opinion seems recognized more by academic circles than by agencies of council or European institutions. Indeed, "the first responsibility for a company is to be a source of profit (...). Changes related to CSR will always come about at intervals compatible with this requirement (Boasson, and Wilson 2002). Similarly for Vigeo, a notation agency, "social responsibility is not an additional exercise with the loads and obligations of the company. It does not modify economic purposes of them ". According to the European Commission, companies must understand "that they can contribute to sustainable development by managing their operations, on one hand to reinforce the economic growth and to increase their competitiveness and, in addition, to guarantee environmental protection and to promote their social responsibility, including the interests of the consumers " (Commission Européenne, La responsabilité sociale des entreprises. Une contribution des entreprises au développement durable, juillet 2002). It is the manner of creating the value which is changing. Going further, Capron and Quairel-Lanoizelée (2004) affirm that if the economic performance depends on the attention paid by the company to its social environment, it resorts to marketing to inform about and even to communicate its CSR.

Companies have been forced by consumers and authorities to engage in a more a responsible approach (Desreumaux 1993; Canel-Depitre 2001; Igalens and Joras 2002; Albertini et al. 2003; Audigier 2003; Pezet 2003; Dejean and Gond 2004; Capron and Quairel-Lanoizelée 2004). It is also that concept of sustainable development is integrated in marketing policies of many companies (Capron, and Quairel-Lanoizelée 2004; Vernier 2005) and more generally in complete strategy of company (Faucheux, and Nicolaï 2004).

Steps carried out by the companies in favour of the environment (recycling, sorting...) allowed important reductions of their costs of operation. In short social agreements contribute to economic performance because they generate a competitive advantage based on the costs (Martinet, and Reynaud 2004). Conscious of inherent difficulties of simultaneous control of specific activities of their trade and their social actions companies feel forced to be justified. Rhetoric becomes an extremely useful tool then. According to Tixier (2004), companies which still hesitate to take the step of external communication on CSR explain it by two arguments: dubious economic repercussions and incompatibility between a social part and its economic purpose.

Only Capron and Quairel-Lanoizelée (2004) established a bond between communication on CSR and level of integration of it in general strategy of company. Three levels are pointed out.

In the first case, companies do not mix their traditional economic activities and their social activities. The latter are independent and are organized by means of foundations, sponsorship or patronage. Such a separation between social activities and economic ones is useful for the level of the communication. Indeed, it makes it possible to insist on social actions during periods of growth and to remove them during periods of recession or important financial difficulties. All media, including Internet, respect this distinction and the pages devoted to CSR mention only defended social engagements.

In the second case, social actions are slightly connected to the general strategy of the company or relate only to marginal aspects of it. Companies insist on taking into account certain environmental or social aspects in their strategy of economic development. On Internet sites links are made, in general very briefly though, between the economic and the social activities.
In the third case, integration of CSR in general strategy is complete. This first influences the second and social actions of company relate to precise and important fields such as production. That is a lot to deal with for company. It manages its economic activities by respecting a social engagement often imposed by the State. On Internet sites, companies communicate changes which have occurred in management of their traditional activities and list technical process which is used.

*Responsible Company and Employees: A New Relation Design.*

Responsible communication is controlled and companies choose content and form of the information to be transmitted, and finally try to give employees responsibilities. On its side, personal engagements of this last one can exert a mobilizing role within the firm.

Empirical studies used different supports of communication and concluded that organisations prefer to communicate on many points of their human resources management (careers, training and in a lesser measure remuneration).

On the contrary, three other criteria are never studied (satisfaction of employees, hygiene and security and working conditions). Attarça and Jacquot (2005) undertook an automatic analysis of presidents' letters of eighty five French, German and English societies. Concerning employees, speech focused on two main sides: the human potential management (workforce, remunerations, definition of working notion...) and the social policy in the firm. So societies emphasize federative arguments: to develop abilities, to create jobs, to offer a training of excellence. The personnel is envisaged in the latter case as a means.

- **Responsibility of employee which carries on its job.**
  
  Wage earners are encouraged to reflect then to set up punctual actions in favour of sustainable development. Organization structures these last ones in a consistent general approach.

  Some managers of sustainable development pretend that initiatives of employees in favour of environment or solidarity exist but they are not coordinated. Manager integrates them in a well-considered strategy and organizes a process.

- **Men become sensitive to sustainable development.**

  A lot of leaders assert encouraging actions relating to CSR. It is important, according to them, that employees participate to responsible operations. Also leaders see farther, they want to contribute to the education. The wage earner is going to disclose speech which has kept him in the firm. Today employees want to push their organization to focus on sustainable development. Also they hope to keep an influence on external communication.

  Habitually, the required procedures to create sustainable development process seem to emanate from the top of the pyramid and to follow a downward logic. We want to represent the process like this:

<table>
<thead>
<tr>
<th>Table 1. The downward logic</th>
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<tbody>
<tr>
<td>Managers define the sustainable development policy</td>
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<tr>
<td><strong>strategic step</strong></td>
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<tr>
<td>Application of the sustainable development policy by concrete actions and presentation of the results to internal parts</td>
</tr>
</tbody>
</table>
Today the employee is presented as somebody forced to support responsible values of its firm. This approach is indeed wrong. In fact many works put forth interest in CSR and employees responsibilities. However, these two concepts are not studied at the same time (Sobczak, and Richebé 2004). If academical research is interested by the commitment of employees in organization, Men and their own sustainable development values are forgotten.

All responsible initiatives of employees are interesting because we can observe if and how business companies integrate them in their corporate communication. However different elements encouraged us to concentrate on solidarity vacation. First, the "responsible initiatives" designation is very general and put together all reasons defended (more or less actively) by employees. Secondly, employees and companies themselves are unaware of international solidarity vacations.

Employees who are interested by this last one must choose between different possibilities. They may leave during their paid vacation or take an unpaid leave or inscribe this mission in their personal training or prefer an solidarity vacation. Every person who has been working for one year in the same business company can benefit from a leave of six months to take part in a humanitarian mission. Support of the firm is financial or material.

Now we present the importance of solidarity vacation in the CSR communication of companies.

**Solidarity Vacation: Promising Axis of Communication Creating of Value?**

If solidarity vacations are very interesting for organizations, it becomes necessary to wonder which communication exists on this topic. In fact, a company may promote responsible actions accomplished by employees. To illustrate it we realized an empirical study. Companies concerned by solidarity vacation are observed. After the presentation of our postulate and our methodological step, we describe the main results of our study.

**Postulate and Methodological step.**

We explain the main postulate of our study and our methodological step.

Traditionally, employees are considered as a source of value for organizations. Many bosses establish a link between these first ones and company results. Also employees contribute to the performance on short and long term. The societies which associate CSR with global performance may enjoy solidarity vacations.

Responsible communication is controlled rhetoric and company chooses content and form of information to be transmitted and finally, defines “effects of directions” intended to influence recipients of messages (Charaudeau 1997). Nevertheless, companies cannot justify any decision by economic performance. Rhetoric if it is coherent becomes a means of increasing credibility (Pautard 2004) and consolidating legitimacy (Handelman, and Arnold 1999). In 2000, 55% of the companies considered that engaged in the name of their CSR contributed to creation of a competitive advantage. It is by taking into account the postulate according to which employees are source of value that we led an empirical study to organizations which certain members leave in international solidarity vacations.
The constitution of database was easier because we used the list proposed by the Planet Emergency association, organizer of missions of solidarity vacations. It makes the link between No Governmental Organizations and individuals. It gathers all the requests formulated by this type of organizations and proposes missions to employees.

The choice of Planet Emergency is justified because it updates regularly its Internet site and gives a list of the 278 partners firms. It means that these business companies have signed a convention with the association for the vacation of an employee (at least) since 1999. So, 42 companies developed a consistent partnership with Planet Emergency.

The choice of this database is problematic for several reasons. We haven’t created it but the file was offered not subjected to any analysis or interpretation. Using this list in our study cannot call into question its internal validity.

To discover if partners of the association Planet Emergency communicate on the topic of solidarity vacations, we analysed their Internet sites of corporate communication. Internet sites are dedicated by companies to their social responsibility although not having been subjected until now to a detailed attention on behalf of the researchers (Mouniq 2003). We choose to resort to this tool in this case because the Internet site is a medium extremely adapted to building a social image and to develop its rhetoric. Indeed Esrock and Leichty (1998) state four advantages for a company to resort to the Internet in such a context: the speed of diffusion of information, the accessibility for the public, the possibility of interaction with people and finally the possibility of building its social image. Moreover, organizations which are the most exposed to mass media prefer using the Internet to disclose information on their social responsibility rather than to insert them in their annual report (Cormier, and Maignan 2003).

We decided to realize a comparative between two different moments (October, 2005 and November, 2006). We want to compare the number of partners of the association and the communication accomplished by these companies on this topic. We shall try to emphasize the interest for solidarity vacation and modifications of communication which follow from it. Finally we shall think on the interest to associate these vacations to the performance of firms.

Results of the Empirical Study.

Let’s observe how companies integrate this commitment of employees into their responsible communication and if these vacations may be combined with the performance of organizations.

The whole file was not exploited. Indeed, some firms could not be identified, others had to be integrated in the groups to which they belong (the general the Internet site is mostly the same) and finally several companies do not have Internet sites or simply one page. These firms prefer not to use this media of communication and we excluded them from our study.

During the first consultation of our database (October 2005), it was possible to study only 119 firms out of 145 who had established a partnership with Planet Emergency. We had noticed that solidarity vacations had been forgotten. So the communication on this sort of vacations was not exploited enough although it is potentially a source of value and advantages for companies. More precisely, 1.66 % of business companies having concluded a partnership with this association mention their participation in commitments of solidarity vacations on their Internet site. Only two corporate of our database (not belonging to the same strategic business unit, but both exercising activities of services) mention them on their corporate communication site but format and contents of speech are different and efforts remain to make.

These two firms do not follow the same logic and do not attach the same importance to this topic. When we observe the Internet site of the first one, a link with Planet Emergency is proposed. On the contrary, no comment and no explanation are given on these vacations. If the organization wants to show its
relation with this association, it does not evoke the missions of employees. The only advantage which is mentioned is the partnership with the association, which is restricted.

Concerning the second company, if information related to international solidarity vacations are not easily discovered (it is necessary to search data on the group, then on its CSR and more specifically on responsible growth and actions), they are more developed than in the first case. An explanation is given on each entity of the group which promotes or supports responsible initiatives of employees. The involvement and the commitment of these last ones are put forward and concrete examples of realization are provided. It is definitely added that the employees are at the origin of these humanitarian initiatives. The firm only brings a material and financial aid. Also communication is very different in the two cases. We may add that the notion of sustainable development is more developed by the studied firms. Indeed, this topic appears in more than 20% of the visited sites. It would seem that organizations became aware of interest to communicate on it.

During the second consultation of our database (November 2006), 228 firms were studied on the 278 (that is 82%). The reason is the same as during the first consultation. This time, 7 firms mention solidarity vacations and/or their partnership with Planet Emergency. It represents about 3.07% of the studied companies. Contrary to our first consultation, organizations which mention their relation with this association belong to secondary or tertiary sectors (and not only services). Nevertheless, this last one is the most represented.

Three groups of business companies are identified:

- **The business companies which refer to the Planet Emergency Internet site** (three firms). More precisely, the first group is constituted of three companies of services. In all cases, the logo of Planet Emergency appears from the first page and a hypertext link is offered with this association.

- **The firms which rapidly introduce the international solidarity vacations and/or partnership with the association** (one company of the secondary one another of service sector are concerned). Information relating to solidarity vacations and/or Planet Emergency is difficult to find but is attached either to the sustainable development or to the citizenship of the collaborators.

- **The firms which give numerous details on Planet Emergency and/or solidarity vacations**. This information is accompanied with employees testimonies (two companies of the service sector are concerned). Elements concerning solidarity vacations and/or the association are either in the part reserved for news / publications or in that relating to the press pack.

In brief, the results of our last consultation are positive. There are encouraging because for one year the number of firms communicating on solidarity vacations has doubled (for sustainable development, they have gone from about 20% to almost 27% of the studied firms). Nevertheless, it is still rather early to identify efficient axis of communication on this topic. Today companies understand the interest to communicate on these vacations. It becomes necessary to wonder about the pertinence to link solidarity vacations to the performance of organizations. It is too simplistic to envisage these vacations as a single argument of communication.

The performance of companies is a very complex topic and we only study the perception of this one. The cognitive approach is favoured here. Further to our State of the Art we can say that, on a condition which we are later going to display, the solidarity vacation influences the performance of the firm. Let us specify our idea.

An employee can suggest responsible initiatives to his/her company as solidarity vacations for example. If this person associates his/her firm to his project (it is the only condition), the winner-winner logic is preserved (the company mentions its assistance in its communication on CSR and employee concludes its responsible projects).
Then this vacation may be a tool inciting employees to actions in favour of sustainable development. In fact, the employee keeps the personal initiative of this plan. More generally, this action makes easier support for corporate social responsibility defined by a company but provided that a new conception of CSR is integrated by employees. Vacations of international solidarity seem to open the way of a more dynamic step to the company. We leave classical and downward conception of sustainable development policy (employees participate to application of sustainable development policy decided by managers) to integrate a more dynamic and upward approach (employees propose actions as solidarity vacations and their company supports them).

Let us represent this new approach with the following scheme:

![Diagram](image)

**Table 2. The following logic.**

<table>
<thead>
<tr>
<th>Strategic step</th>
<th>Operational step</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition of the sustainable development policy of the company by managers</td>
<td>Comparaison with international solidarity vacations defined by employees</td>
</tr>
<tr>
<td>Put into practice the sustainable development policy by concrete actions and presentation of them to internal members</td>
<td></td>
</tr>
</tbody>
</table>

Going further, as we underlined it before, academical researches conclude that employees create value. Since then, our paper tends to consider that the solidarity vacations can be envisaged as generator of value for the firm. As any creative element of value contributes, more or less directly, to performance, we consider the solidarity vacation as a tool contributing to the performance of the firm. We think about global performance and are agree with persons (professionals and academical researchers) who consider that sustainable development is already linked to global performance.

In another step, this new approach of CSR is going to encourage firm to revise the content of its corporate communication on this topic. The dangers of communication on CSR were highlighted and the solidarity vacations of employees may avoid them. In fact, employees will be appreciate the reliability of purposes of the organization and will denounce a possible gap between the speech and the perception of its mission. It is impossible for a firm to support such gap between internal and external communication. If some more companies communicate on solidarity vacations, it is perhaps that they fear to be accused of taking the initiatives of employees. Nevertheless, it does not mean that organisations must pass over them in silence. It is necessary that these ones learn to manage a such speech and to promote arguments testifying the importance of action (solidarity vacations for example). The results of our empirical study show it : companies must make great efforts to succeed. However a firm which communicates on this topic would create a competitive advantage founded on differentiation (dynamic approach of CSR).

In France the solidarity vacation remains unknown. We found no research on CSR interested on this subject. Nevertheless with it CSR may contribute to the performance of the firm. In this communication we wanted to show this vacation may be linked to the performance of the firm because it constitutes a tool in favour of sustainable development and of responsible communication. From now, several questions for the future may be identified. Firstly, if we are interested by the measure of the marketing performance, this does
not take into account the external savings of more ethical practices of marketing. The return on investment, the market share, the rate of transformation of contacts for sale, is privileged indications. The environmental quality of products is not really studied even if many companies mention it. Also, the performance directly linked to a relational marketing is measurable only from well identified indicators. In these conditions, it becomes necessary to make other researches to determine more precisely if solidarity vacations can be an efficient criterion of the global performance of an organization.

Secondly, our longitudinal study is worth being followed and supplemented. We shall use the same methodological step with an automated analysis of contents if necessary. We shall analyse strategies of communication (associations, firms and organizations partners) in order to establish comparatives and propose means of improvement. In a second time, a European study can be envisaged. In effect, the solidarity vacations remain a practice more developed in other countries.

Thirdly, from a theoretical point of view, we want to note all initiatives of employees which can be inserted in the policy of CSR. After that, it will be possible to appreciate and measure their degree of contribution to the performance of the firm. Responsible strategies of communication will then be offered.

References


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China has undergone a fundamental transformation over the past half-century, moving from a mostly rural nation into the economic juggernaut of the 21st century. Along with this transformation of the nation, the Chinese family has also undergone a fundamental change. For millennia, the Chinese family consisted of an extended network of several generations living under the same roof where Confucian norms and practices provided the underpinnings of family life and relationships. As a result of three major socio-cultural forces—Mao’s Cultural Revolution, intense and massive economic development, and the controversial one-child policy—the family in China has not only diminished in size, but the power relationships within the family have also shifted. The purpose of the following paper is to explore the transformation of the Chinese family, culminating in three very basic macro-consumption questions stemming from that transformation.

Introduction

“xiu shen, qu jia, zhi guo, ping tian xia”
“If there is light in the soul, there will be beauty in the person; if there is beauty in the person, there will be harmony in the house, if there is harmony in the house, there will be order in the nation; if there is order in the nation, there will be peace in the world” (Shek 2006)

Since the Tang dynasty of 1000 A.D., the family has been a popular topic for writers in China, and in fact, a great deal of Chinese poetry has focused on the beauty of the family throughout Chinese history. The poem “Jing Yue Si,” written by Li bai (A.D. 1000), has become a popular saying for centuries, finding its way even into the textbooks of first grade students in today’s China. Throughout Chinese history, the emphasis on family has been very clear, and that emphasis continues today as Western researchers scramble to understand the unique nature of that family (Kristof and Wudunn 1994).

Half a century ago, Lee (1949) argued that the Chinese family has traditionally been portrayed by sociologists as the most “typically sanguine” of family types and as analogous to the Greek and Roman families of antiquity. The traditional Chinese family is one that is embedded in a culture steeped in Confucian, Buddhist, and Taoist thought; and in particular, Confucian philosophy constitutes one of the fundamental influences on Chinese thought much like Greek and Roman mythologies influenced ancient Greek and Roman families and family structure (Shek 2006).

However, with the development of the Cultural Revolution during the 1960s, heavy economic development in recent years, the family-planning policy instituted in the early 1980s, and housing privatization policies in place since 1997, the structure of the traditional Chinese family has experienced drastic changes during the last three decades. In fact, some might say that the various socio-economic and cultural changes in China constitute an attack on that traditional structure of the family, reshaping it for the twenty-first century. As a result, researchers have encountered great difficulty in keeping track of the changes and, indeed, keeping up with those changes as these rapid socio-economic changes continue.

With the changes in Chinese culture, the traditional family of “four generations living under the same roof” began to decay (Shek 2006). The basic nuclear family with a married couple and one child became the dominant family style in modern China. Even two decades ago, Hareven (1987) observed that 66 percent of families in China had adopted the Western “nuclear” standard, and that percentage has only
been increasing over the previous twenty years. With such a considerable change in the structure of Chinese families, it is important for researchers to investigate the changes wrought upon the family as well as the impact such changes in the family have on the Chinese culture at large. The purpose of this paper is to understand the cultural, political, and economic forces that are applying pressure to the traditional Chinese families, develop an understanding of the dynamic between the parents of the one child policy children and those children, and ask questions that come out of that understanding.

The Decay of the Chinese Extended Family

China has been a family-centric culture for almost two thousand years (Osborne 1948) with the family extending well beyond the “nuclear” family of parents and children to include grandparents, aunts and uncles, cousins, and others in the family clan. However, that traditional extended family system has witnessed a rapid disintegration over the past several decades. In order to understand the family structure change during the last thirty years, we review the literature concerning the traditional Chinese family in this section, and we analyze the various forces which have lead to the disintegration of the traditional Chinese family.

The Traditional Chinese Family

Max Weber characterized China as a “faministic state” (Fairbank and Goldman 2006), meaning that China has been an extremely family-centric culture. According to Fairbank and Goldman (2006), “The traditional family was codified in the famous ‘three bonds’ emphasized by Confucian philosophers: the bond of loyalty on part of the subject ruler, of filial obedience on the part of son to father, and of chastity on the part of wives but not of husbands” (19). Those bonds within the family unit were all superior and subordinate, meaning—for example—that the son should conform to the order of the father. Still, these loyalties also extended downward from the father to the son, husband to wife, and superior to subordinate (Reid 1999).

Additionally, the value relationships between various family members were highly categorized by gender. The traditional Chinese family structure is not only hierarchical but also male oriented (Hare-Mustin 1988). For instance, the wife’s value resided within her ability to bear and nurture children (Bulatao and Fawcett 1983). The basic function of the wife is to perpetuate the family’s name or, in other words, to produce male children. If she does not, than her position the family hierarchy is precarious at best. Furthermore, Bulatao and Fawcett (1983) argue that the husband and sons also have their specific roles. They are required to earn honor for the family and to carry forward the family’s name.

The Chinese extended family is segmented by age as well (Caldwell and Caldwell 1987). Adults are not supposed to perform “children’s jobs” (Hare-Mustin 1988), revealing that certain family jobs are assigned to individuals based upon their age. Children, especially male children, are supposed to take care of their parents and live with their parents under one roof. Furthermore, both sons and daughters are expected to obey the parents’ orders without exception. In the traditional family, children have little space to have their own opinions and privileges (Shek 2006); however, as young children become adults within the household, they typically do find themselves taking on more authoritative roles within the household, particularly as their parents reach more advanced ages.

Although family relationships are categorized and follow strict rules based upon gender and age, there is a strong “we” feeling cultivated within the family that brings about a very strong pride in that family (Lee 1953). Lee (1953) states:

[ how] the family are trained or disciplined can best be understood by an examination of the functions and roles assigned by Confucian traditions to each category of different relations with the family. As a primary institution, the family takes no account of any individual, but places all its emphasis on the identification of individual members with the established roles according to consanguineous or matrimonial principles (274).
Although individual family members are able to share and articulate similar descriptions of the family identity within the confines of the family (Epp and Price 2008), individuals have “we” intentions that are shared by the family members but not necessarily shared by other parties involved (Bagozzi 2000). Strong family identity or “we-ness” leads to family harmony but also to conflicts between families as well, and these inter-family conflicts may last for generations.

The traditional Chinese family, as shown here, has been consistently hierarchical in nature where children defer to the wishes of the parents, wives defer to the wishes of the husband, youth defers to age, and the inter-family dynamic defers to the intra-family dynamic. However, the contemporary Chinese family has been influenced by socioeconomic developments within China, changes in public policy, and the intervention of modern Chinese culture. Since the establishment of a “socialism with Chinese characteristics” economic philosophy in 1979 (Fairbank and Goldman 2006), the role of the family has changed in a drastic manner. The rights of children and women were given greater attention than ever before (Shek 2006) and the traditional family system of the past was shaken. Shek (2000) posits that the Chinese family has become more child-centered, with parents showing lenient, relaxed, and even loose parenting behaviors. In the following section, we analyze the forces that have brought about a more child-centric family culture.

Theory of Family Change

The family as an institution is such a fundamental cornerstone of national cultures that most theories assume that it cannot be quickly or dramatically changed; however, there are many current theories that attempt to explain some of the primary forces of change in the modern world which may alter patterns of family in various nations and cultures (Whyte 2005). Goode (1963) posits that family norms can be shaped by the level of modernization that a society achieves regardless of the philosophical and governmental underpinnings of that society. In addition, economic development is not the only force facilitating change in the structure of the family institution; the diffusion of cultural change and various public policies also account for the changing force for family change (Goode 1963).

In this paper, both economic development and social transformation are considered as primary forces for change in family norms. Our reasoning for this is that both individuals and families react to the changed institutional environments in which they live (Whyte 2005). Cultural diffusion, law, and regulation are perceived as secondary forces influencing individuals and families by altering individuals’ ideas about proper and desirable forms of family life which leads individuals to change their family behavior (Whyte 2005). In China, this change has occurred with amazing speed and, as we will discuss later, offers interesting questions in terms of public policy and marketing.

Based on the theory of family change Whyte (2005) developed, we will investigate the three major forces responsible for bringing about the disintegration of traditional Chinese family and the introduction of the modern Chinese, “nuclear” family. These changes include the cultural revolution led by Mao Tse Tung, the rapid economic development of the last thirty years, and the advent of the one child policy. The cultural revolution of the 1960s was the start of this family disintegration as it broke down the Confucian philosophy embedded in Chinese culture; however, it did not completely eradicate this philosophy nor the traditional family norms and structures. Economic development further facilitated the disintegration of the extended family as China became much more of an urban and mobile society; but perhaps the most erosive force on the traditional family is that of the one child policy. Before we engage in that discussion, however, we begin with the Cultural Revolution.

China’s Cultural Revolution and the Family

Traditional Chinese family norms have been emphasized for over two millennia as a result of the Confucian philosophy that provides the foundation of Chinese culture (Reid 1999); however, these norms began to decay once Mao instituted his Cultural Revolution. This Cultural Revolution only lasted for the
three years between 1966 and 1969, but it was grounded in the family life of the Chinese village where the Confucian teachings of social order through dutiful self-subordination had left its mark even today (Fairbank and Goldman 2006). In 1966, Mao’s rationale was to pursue social change by a mobilization of peasant hostility against established customs and traditions which were particularly strong in rural communities. In part, this was a result of Mao’s own aversion to rural life and preference for city experiences (Fairbank and Goldman 2006).

Though Mao’s political style was still grounded in Chinese village culture where the Confucian notion of social order thrived, his political point of view was a direct contradiction of the rural emphasis on social harmony. As Edlefsen (1974) argues, “his political style involved the manipulation of Chinese political attitudes and feelings toward a blunting a reshaping of familial and political dependency” (116). In order to achieve this reshaping, he first regulated the family. Some families labeled as “rightest” or “bad elements” were permanently disabled, disintegrated, and even dissolved. Additionally, individuals were debased and their social status challenged through a variety of means. Fairbank and Goldman (2006) describe such means:

The scholar whose manuscript of an unpublished lifework is burned before his eyes; the husband who tries in vain to save the class status of his children by divorcing his wife who has been labeled a rightest, the famous novelist who is simply beaten to death, the old school principal who is set to clean the latrines (401).

Of particular interest is the disintegration of a family by essentially forcing the divorce because the wife has been labeled in a derogatory fashion. Even though we see the parents sacrificing the family unity for the sake of the children’s social status and reputation, it is still the parental regard for the children that makes this possible. Mao could not completely wipe away 2500 years of Confucian teaching with a few years of revolution.

After the Cultural Revolution, Chinese individuals’ Confucian ethics which kept them conscious of their familial responsibilities withered and waned (Mote 1972); although, as pointed out above, they did not completely die out. Still, wives could now disobey husbands; sons could now betray parents; the familial unity was, at best, tenuous. In short, the subordinate/superior relationships had fallen into disarray. Still, the Chinese “anti-Confucian” revolution had only partially eroded those family norms and the structures that held it together. Further erosion came in the form of economic development and certain public policies.

Economic Development and the Family

In the post-Mao era, China changed from a turbulent country into a modernized nation seemingly overnight. Now, it has become the fastest growing economy in the world and has been as such for the last several decades. Furthermore, it has become one of the largest and strongest economies in history. “With an economy expanding on average by over nine percent a year in the last decades of the twentieth century and the early years of the twenty-first, China’s was the fastest growing economy in the world” (Fairbank and Goldman 2006, 406). But Mao had little to do with this economic development though he did set the stage for it.

The economic development of China was actually initiated by Deng Xiao Ping who was chairman after Mao’s death. Deng’s leadership transformed China from a mere communist country to a “socialism with Chinese characteristics” economy. Starting in 1979, the “socialism with Chinese characteristics” philosophy brought China into a mixed-market economy by promoting the ideology of “seeking truth from facts” and “practice is the sole criterion of truth” within the culture (Wong and Han 1998).

Deng’s economic development policy included developing a market economy, encouraging a consumer goods industry, and involvement in international trading. The slogan, “to be rich is glorious” facilitated the growth of private enterprise and initiated family run firms (Fairbank and Goldman 2006), ultimately encouraging entrepreneurship. The economy also began to adopt Western technology and
economic models in a wholesale fashion. By the end of the 1980s, China had adopted various technologies such as cell phones, televisions, and computers and had even begun to import popular culture from various Western countries. As Fairbank and Goldman (2006) assert, “Deng’s downplay of ideology allows for more latitude for intellectual, cultural, and individual expression than at any previous time in modern Chinese history.”

With the impact of such economic development, families began to adapt themselves as consumption institutions in a market-oriented economy, much as is the case in various Western countries like the U.S. They began to finance themselves by saving money, using credit cards, investing in the Chinese stock market, buying homes, and generally engaging in the beginnings of “conspicuous consumption” (Veblen 1899). Supporting a large family and keeping everyone under the same roof, as had been the case for millennia in China, became difficult in this new era of consumption because of the expense associated with doing so (Chen 1985).

Additionally, a market economy requires individuals to be more skilled, more competitive, and more self-centered in order to fulfill the individual needs. Even though China is often considered to be one of the most communal nations in the world (Triandis 1989), the continued focus on the self has brought about a deterioration in the relationships between generations. The traditional family had to shrink in order to feed the needs of individuals. Further, with increased globalization, the inflow of Western technology, goods, and popular culture, the ideology of the Western family also joined the local economic development to change familial norms. This transformation has caused a metamorphosis from the traditional extended family to a nuclear, market consumption institution.

Chen (1985) posits that these economic factors coupled with individual needs within the family have weakened the strength of the extended family, causing an internal disintegration of the “generations under one household” family into a smaller household unit. Logan and Bian (1999) posit that urbanization and industrialization results in individualism, which contradicts the basis of the intergenerational relationships in place for centuries, affording more weight to children’s needs as individuals and less respect to parents. The large intact family began to break apart under the mixed market economy, and the general tendency moved towards couple-centered units (Hse 1959). However, further decay of the extended family came about with the implementation of the one child policy.

One-Child Policy and the Family

To put it simply, policies intended to shape the family ultimately shape the nation as well. As Rosenberg and Jing (1996) write “if the family is the basic element of any great society, as if often postulated, how much more dramatic example can be presented than the impact of family policy on the threads of life intrinsically interwoven with the most basic elements of the social and governmental sphere?” (52). In China, the policy that has had the most dramatic impact on the nation in the last four decades has been the institution of the one-child policy.

Since 1949, it has been a widely accepted premise that China’s mounting population pressure has been a key factor affecting the country’s pace of modernization (Shen 1998). At the end of 1949, China’s population held at 542 million individuals, but that population number would balloon to a staggering 900 million by the end of 1974. Such rapid growth, Shen (1998) argues, prohibits a concomitant increase in the people’s living standard ensuring that, as the population continues to grow unchecked, the standard of living will actually decrease significantly.

To stave off this decrease, China launched a family-planning program to support economic development in 1979; this program dictated that individual families with more than one child would be penalized. Although initially intended to be a temporary policy, it has been in place in most parts of China for three decades and has met with varying degrees of popularity ranging from being viewed as a necessary evil in China’s cities to simply evil in the countryside (Starr 1997).
Resistance to the policy aside, the one-child policy is intended to limit population growth while economic development and expansion occurs; and, to an extent, it has worked. However, there has been an impact on the family. By one estimate, there are 200 million Chinese belonging to the one-child generation, and these people are reaching an age where they are playing the leading role in the consumer market (People’s Daily 2007). The family-planning program created a dramatic shift in structure of family and has ultimately affected every aspect of family life.

Chen (1985) posits that the powerful impact of the one-child policy began to generate rapid and profound changes in the Chinese family structure almost immediately after its inception. Almost immediately, the average domestic household size dropped to 4.4 persons, “and the absence of siblings, subsequent loss of in-laws, uncles, and aunts, and the thinning out of extended consanguineous relationships removes a large number of branches from a previously complex family tree” (195). As a result, the couple-centered, one-child family became the dominant paradigm in China.

Additionally, the one-child policy changed the power dynamic between parents and the one child as well as between the husband and the wife. The one child could now easily exert more power over the parents since there was not another child to mitigate that power. Also, the parents, in order for the family line to continue and succeed, placed much more focus on the one child since all their hopes rested on his or her shoulders. Women’s traditional roles also changed since taking care of only one child requires less time and energy than taking care of a multitude, allowing women to take and keep full time jobs and manage more equal marital relationships. Furthermore, the husband and wife have both been given more leisure time and bargaining power in the marketplace (Chen 1985).

Overall, the one-child policy has directly weakened the Chinese traditional family unit, intra-familial power paradigms, and family size, creating a climate for changing family consumption patterns. In fact, the Chinese family situation is approaching the individualization described by Bott (1971) where “the elemental family is separated off, differentiated as a distinct and, to some extent, autonomous group” (100-101).

The Chinese Nuclear Family

Each of these three cultural, political, and economic forces have worked to change the Chinese family over the last several decades besides simply decreasing the family size. Even in rural areas of China, the nuclear family has become the main family structure with a household size of three to six persons and married siblings no longer sharing a large family home (Xu et al. 2007). With this decrease in family size, family norms also began to change. Some researchers use the term “network family” instead of extended family to describe the intergenerational links that have permeated Chinese familial structure throughout the last two millennia (Pan and Ruan 1995; Xu 1995). This new “network” family idea emphasizes the relatively distant relationships between generations in the extended family as well as the growing distance between parents and children within the nuclear family. In this section, we analyze the relationship between parents and the one child in a nuclear family.

The Only Child

The one-child policy (OCP) generation has been saddled with the title “little emperor” by the Chinese press and the international media for the past two decades. They have grown up and come of age in the fastest growing economy in the world with a highly developed media and a rapid flow of information, and like Western consumers, they are driven by the trends and fashions of the moment as well as the traditions of past generations (People’s Daily 2007). St-Maurice and Wu (2006) found that Chinese teenagers feel that it is very important to keep up with fashions and that about 80% of them claim to prefer branded clothes, cell phones, and mp3s. In fact, the OCP generated has come of age and is starting to play the leading role in China’s emerging consumer culture.

Spoiled by parents, grandparents, and other relatives, they have a totally different consumption attitude than their parents which plays an important role in the social consumption structure (People’s Daily
In addition to the fasted growing economy, it has also been argued that China has become the fastest growing youth market during the first decade of the new century (Gong, Li, and Li 2004). Because of the trends in consumption patterns, many manufacturers have targeted youth consumers. Disneyland built its first park in Hong Kong in 2005 and has begun to budget for its next location in Shanghai, making China the only country other than the U.S. with two such theme parks. The prediction stands that China will most likely one of the largest, if not the largest, market for luxury goods (Faure and Fang 2008).

Unlike their parents, who live frugally while saving as much as they can, this OCP generation spends most of what they earn and many seldom have money in savings accounts (People’s Daily 2007). The philosophy of ‘enjoy everyday’ against saving is very popular among Chinese children and young adults. It is as if the Nike advertising slogan “JUST DO IT” has become the OCP generation’s consumption slogan, and there is potentially one very simple reason for this.

According to Fong (2005), children with few or no siblings receive more parental investment and support. Many researchers already point out that the only child is overprotected by his or her parents and grandparents which may adversely affect his or her physical, social, and emotional development (Wu et al. 2007). As a result, many “little emperors” often grow up to be spoiled, self-centered, non-cooperative, maladjusted, and lacking in virtues that the Chinese emphasize (Falbo et al. 1989). Given this, a relevant question that emerges is this: are the “little emperors” more like children from Western culture and, if so, what does that mean for the future of Chinese culture?

The Parents

Contrary to their children’s experience, most of the OCP generation’s parents grew up frugally during the 1950s and 1960s amid great economic, cultural, and political upheaval. These are individuals who remember the period from 1958 to 1960 where twenty to thirty million people lost their lives due to the malnutrition and famine that occurred as a direct result of the policies imposed by Mao (Fairbank and Goldman 2006). Most of them lived in isolated, poor, and rural areas amidst a turbulent economy and an uncertain future.

Without the impact of industrialization, they inherited the traditional family norms that have been passed down for millennia (Ho 1981; Hsu 1985). They also inherited the Confucian philosophy of family harmony rather than individual gratification or identity (Wong 1998), and even though the family was thrown into turmoil during their childhood and young adulthood, they still carry with them the familial lessons passed to them by their parents. As a result, they still yearn to emphasize familial harmony and obligations while minimizing over family conflicts (Chow 1999).

Financially, this generation prefers saving to borrowing. They rarely take loans from banks, and they avoid credit cards as often as possible. For most of the people belonging to this generation, saving is for future retirement concerns such as housing and healthcare or for alleviating any future financial burdens on an only child (Faure and Fang 2008). With the limitation of raising only one child, the parents are more likely to be altruistic than other generations.

Unbalanced Intergenerational Relationships

The generation gap between the OCP parents and their children is a deep one, and it is this relationship between the two generations is at the heart of our interest in the Chinese family. Some researchers believe that despite the changes in family size and family norms, family remains the pillar of social support in China, and they are still greatly valued by both young and old (Xu et al. 2007). Within the nuclear family, parents are still responsible for paying for the child’s education, housing, and marriage; and the children are supposed to take care of their elders, particularly as they age.
Ultimately, these intergenerational relationships are not to be undervalued or underestimated (Xu et al. 2007). Even though the generations now may live far apart as a result of many OCP children moving into the cities or even overseas, families still play a crucial role socially, economically, and emotionally (Xu et al. 2007). Parents and children provide mutual support during difficult family situations (Pan 1987). In rural areas, this family support is even more prominent and critical due to the low incomes to be had there. Confucian thought, which is fundamentally embedded in the family system, may explain this unconditional support across generations; however, some researchers believe parents support their children due to a familial obligation (Hsieh 1995). Most of the parents place their own dreams and goals from their own youth, a youth corrupted by great turmoil, squarely on the shoulders of their children.

It is also not clear whether or not this familial obligation is balanced between parents and children. For instance, the OCP children have received the support of their parents throughout the course of their lives. What is unclear at this time is whether or not they will return that support when their parents reach and surpass retirement age. Traditional norms would make the answer to the question obvious (and leave the question itself unnecessary), but as we have discussed here, traditional norms may not necessarily apply.

Some researchers caution that the family may not remain the panacea for elder care in China and young adults’ attitudes toward elder care are changing from previous generations (Xu et al. 2007). Zhan (2004) found that children express less commitment to elder care, and the living arrangements have had an impact on today’s Chinese young adults’ attitudes toward filial responsibility in a negative manner. Young adults even from the three-generation household are found to be less committed in their sense of obligation to care for their parents during their “golden” years (Xu et al. 2007). Based on these findings, it is clear that there is a generational rift in the commitment of one generation to another. Parents support the children unconditionally while the children have become less committed to their parents’ welfare.

Generational Questions

As we have discussed here, major culture, political, and economic forces have wrought great change upon the landscape of the Chinese family. What was once an extended, multi-generational, cooperative of communal living has been transformed into small, nuclear enclaves that seek individual goals. Some have questioned whether or not this is a harbinger of the “Westernization” of Chinese culture and consumption (McKibbon 2008; Reid 1997); however, we believe that this is the inappropriate approach to understanding these forces and the intergenerational division occurring in China. In fact, we believe that such questions and their underlying assumptions should be set aside in favor of addressing the emerging Chinese marketplace on its own merits. As such, we believe that there are three major macro-consumption questions that need to be addressed in order to better understand and anticipate the unique characteristics of that marketplace.

What of the OCP Parents?

The generation that grew up with Mao, the Cultural Revolution, the opening of China’s ports, and the development of an industrialized China has prospered; yet unlike their forebears, they have only one child to help support them once their working days have ended. Unlike their grandparents and great-grandparents who had extensive support networks as a result of multiple children who, in turn had multiple children, the OCP parents typically only have one child to help care for them in their old age. Often, these children live in cities or overseas on a permanent or semi-permanent basis, making it difficult for them to care for aging parents. A lifetime of care giving may, potentially, backfire in that their children’s focus will solely reside with their own children with little time or effort spent on their parents.

However, this may be an overly-pessimistic view of the OCP parents’ future relationship with their children. We have seen some evidence that the Confucian norms may still come into play as aging parents reach retirement age. Informal interviews with several OCP children have revealed that there is a concern.
for aging parents and how they will care for them in retirement, suggesting that Zhan’s (2004) findings might be a bit premature. In short, the young adults’ low commitment to filial responsibility that he found might be a product of asking the question at the wrong time when parents were still young and virile enough to care for themselves for decades to come. Ultimately, further investigation is required to better understand the environment into which the older generation will retire and how their OCP children will behave towards them as they retire.

Who are the OCP Children?

The investigation into the children of the one-child policy is minimal at best. Researchers have noted general tendencies into what they consume and how they feel towards their parents, their own generation, and the notion of family; yet these studies reveal little information about what drives the OCP generation and how they perceive their futures. It is easy to depict them as spoiled and self-centered when viewed through an individualistic lens; however, we do not have enough information about how these individuals build social networks outside of the family and engage in inter- and intra-familial relationships.

The answers to such a question can provide us with insight into China’s future and the dynamics of the emerging Chinese consumer marketplace. For instance, the art of guanxi—the practice of building a relationship with some entity before conducting any business with that entity—has been in play for many generation in China; however, it is built upon traditional familial norms of past generations (Yang 1989). Without those traditional norms, how do the practice of guanxi and other traditional practices fare in a new economy as the OCP children comes to power. Additionally, how will the OCP children continue to develop their consumptions tastes and habits as they have families of their own? We may find that OCP children who have spoiled themselves during their young adulthood, follow their parents’ model of frugality and saving as they have children of their own.

What of the Children of OCP Children?

The first wave of OCP children, those born between 1980 and 1985, are now reaching an age where they are beginning to have children of their own. Now, the products of one child households are having one child themselves. As a result, this new generation of children, the second wave of OCP children, are growing up with parents and grandparents but without aunts, uncles, or cousins of any sort. The extended family simply is not a factor in their lives as the Chinese family is reduced to a nuclear one. Will their childhood mirror their parents or will the lack of aunts, uncles, and cousins increase the focus on the individual and make the distance between them and their more communal heritage that much more pronounced?

Conclusion

In conclusion, the extended family has diminished in importance over the past three decades. The disintegration of the extended family is mainly due to socioeconomic change, including the Cultural Revolution, economic development, and the one-child policy. Now, the nuclear family has become the most common family unit in China, impacting the future of three generations of Chinese individuals: the parents of the first wave of OCP children who suffered through the cultural and political upheaval of the fifties and sixties and were introduced to a new Chinese economy in the seventies and eighties, their children who grew up the focus of all their parents’ hopes and support and who are now coming of age in a China that is quickly becoming the largest and most daunting economy in the global marketplace, and the second wave of OCP children who are being brought into a still changing world and who’s future is uncertain.

Our purpose was to explore and uncover the forces that shape the modern Chinese family. What we are left with are three very basic questions that need to be answered by researchers from all disciplines in order to better serve the Chinese marketplace in terms of public policy, marketing, and globalization. It is the answers to these questions that will map China’s future and the future of the Chinese family.
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The rise of obesity is one of today’s biggest societal challenges. Indeed, the obesity epidemic is not only impairing individuals’ lives, but also societies’ sustainability most notably with regard to the social, the cultural and the economic dimension. Thus, to halt obesity has become a goal in several political sustainability strategies. The focus is on children since their health behaviour is expected to have a strong impact on consumers in adulthood. To fight childhood obesity, the challenge is to develop the “right” policy toolbox. One complicating aspect amongst others is the numerousness of actors involved. To find a policy-mix and assess its consequences for all actors, it is essential to understand the underlying mechanisms – the impact of external and internal factors on children’s health behaviour. Tools such as regulation, information and education appear to be insufficient to curb this unsustainable consumption behaviour. One promising avenue to strike a new path is to exploit the possibilities of choice architecture as proposed by behavioural economics.

1. Sustainability and Childhood Obesity

Obesity has been pushed into the centre of attention for the public because of its soaring rates worldwide and its serious social and economic consequences. Increasingly, curtailing and preventing obesity already in childhood has become recognized as a goal of a sustainable society. Recently, many countries such as Germany (Bundesregierung 2002), Ireland (Comhar 2007) and Switzerland (Swiss Federal Council 2008) as well as the EU (European Commission 2006a) have integrated levels of obesity as one measurable indicator in their respective sustainability strategies with a focus on young consumers. To date, most European countries and also countries worldwide, e.g., the US (U.S. Department of Health and Human Services 2000), Canada (Human Resources and Social Development Canada 2002) and Australia (National Obesity Taskforce 2003) have implemented national action plans to fight the rise of obesity (WHO 2008). The European Commission is funding several large research projects to investigate the aetiology and prevention of obesity. These include HELENA [http://www.helenastudy.com] and IDEFICS [http://www.ideficsstudy.eu/idefics] which, respectively, identify health effects of dietary and lifestyles of adolescents and children. Especially focusing on marketing strategies are POLMARK [http://polmarkproject.net] and FLABEL [http://www.flabel.org/en], the former dealing with policies of food marketing towards children in general and the other one analyzing the effects of food labelling.

Basically, obesity evolves whenever the calorie intake exceeds calorie consumption over a longer period. This long-term energy imbalance is determined by characteristics of the lifestyle, food intake and level of physical activity – all three are, in principle, within the responsibility of the individual. Yet, unsustainable lifestyles become an issue for politics when the external effects of private consumption are reflected in social costs and/or when the life chances of future generations are at stake. With the future in mind, the alarming trends in obesity create a need for immediate action – especially with regard to children: more than 30 percent of all European children are overweight or obese (European Commission 2007) and numbers in the US and Canada are even higher. Since obese children are more likely to become obese adults (Procter 2007), it is high time to think about effective strategies to fight the obesity epidemic. Health and consumer policy-makers have together started to employ the whole arsenal of instruments (information, education, incentives, regulation, creation of supportive environments) to go about resolving this problem. As yet, however, no downward trend in obesity is discernable. What has become clear is that the prevention of obesity needs the concerted action of all actors involved including children and parents as consumers, the food industry, retailers, the media and marketers.
According to the 1998 Human Development Report (UNDP 1998), consumption that enhances human development must be shared (ensuring basic needs for all); strengthening (improving human capabilities and enriching the lives of people, encouraging lively, creative individuals and communities); socially responsible (not compromising the well-being of others); and sustainable (not mortgaging the choices of future generations). The ongoing obesity pandemic meets none of these criteria. Rather, it seriously affects the social, cultural and economic sustainability of societies (Reisch 2003).

Social sustainability is jeopardized as social cohesion, equity and fairness erode due to the consequences of obesity. In general, overweight and obese individuals are associated with deteriorating health, reduced mobility, poorer employment opportunities, premature mortality and higher living expenses resulting in an overall poorer quality of life (Government Office for Science 2007, Harper 2000, Morris 2006). Not only may obesity cause social and financial disadvantages, there is also scientific evidence that low socio-economic status families are more likely to be obese than any other social group (McLaren 2007). This has been explained by poor access to and higher prices for healthy food as well as by fewer opportunities for physical activity (Robertson et al. 2007). Scientific evidence backs up both causalities resulting in a vicious circle: belonging to lower socio-economic status families increases the probability of becoming overweight or obese while being obese decreases chances to generate well-being. Decreasing incomes – as caused by the current worldwide financial and economic crisis – amplify unhealthy lifestyles especially at the bottom end of the social scale.

Cultural sustainability depicts the diversity and adaptability of local cultures which are conducive to both stability and balance (Reisch 2005). This also applies to food cultures which are a result of food consumption that in turn responds to biological and cultural stimuli such as hunger or advertisements respectively. With the rise of the “McDonaldization” of consumption, fast food and ready meals together with a high protein and meat diet, have started to dominate food cultures worldwide (Wilk 2006). These have been found to increase the risk of overweight and obesity (for further discussion see Robinson et al. 2005). Moreover, in the public sphere, food has become abundant and available everywhere and any time which eases uncontrolled access and disturbs cultural meal structures and rhythms. This ubiquitousness and omnipresentability of food has changed and homogenized national food cultures (Reisch 2001). One indirect consequence of these changes in food culture is an anticipated decline in life expectancy (Olshansky et al. 2005). To date, obesity and its co-morbidities are the second most frequent causes of death (after tobacco consumption) (HM Government 2008). At a Body Mass Index (BMI) of 30 – 35 life expectancy is already reduced by two to four years, a BMI of 40 – 45 shortens the expected age even by eight to ten years (Prospective Studies Collaboration 2009). In the UK for example, the average life expectancy of men has already decreased by two years due to obesity and will even increase up to five years until 2050 if forecasted trends of obesity rates come true (Haslam and James 2005).

Economic sustainability means to maintain or increase current standards of living without decreasing the standard of living of others and especially that of future generations. The economic consequences of obesity are severe not only with regard to healthcare systems but also to labour markets. National health systems – chronically underfunded anyway – bear the burden of obesity’s many co-morbidities such as type 2 diabetes, cardio-vascular diseases and hypertension. Moreover, statistics have shown that obese individuals have lower employment rates due to their health status or due to other reasons such as workplace discrimination: the productivity of obese people is assumed to be lower because of more sick days or premature mortality (McCormick and Stone 2007). Another aspect of economic unsustainability are agricultural subsidy patterns that boost unhealthy foods into markets and might thus, contribute to the rise of obesity: an article in the Observer Food Monthly from 2006 about the sugar industry in Scotland serves as an illustrative example. Here, the sugar industry had been the most important industry since the 1800s and sugar became one of the most popular foods due to easy access for which high subsidy is one of several reasons. Even today, there are severe consequences for the Scots: dental decay rates are comparable to developing countries and moreover, they experience overweight and obesity rates much higher than in other parts of the UK – all resulting in severe health costs (Renton 2006). Thus, unsustainable subsidy patterns may impose external health costs on current and future generations.
Ecological sustainability is hardly affected by obesity unlike the other three dimensions. Here, we find rather an indirect effect: the above mentioned problems and challenges of social, cultural and economic sustainability related to obesity bring about impacts on the environmental dimension. The ecologically unsustainable way of producing food to satisfy the demands of the fast food culture seems to be an illustrative example. The related agricultural production seems to follow the slogan “the more the merrier” and is making its contribution to the climate change. Thus, we find an indirect effect of unsustainable food cultures on ecological sustainability.

The purpose of this paper is twofold: first, to develop conceptually and empirically the topic of obesity and sustainable development against the backdrop of both macro-marketing literature and empirical obesity research; second, to outline and evaluate the options of different market and governmental actors to curb childhood obesity. Implications for macro-marketing are drawn.

2. Influencing Factors: Some Empirical Evidence

The issue of obesity is very complex: many interdependencies between the various stakeholders emerge and serve to complicate the identification of single causes. Thus, we will give empirical evidence on five different interrelated levels (based on Witkowski 2007), namely: individual behaviour; the influence of parents as gatekeepers; the increased purchasing power of children; the role of today’s food environment supplied by the food industry, retailers and restaurants; today’s highly efficient food marketing.

Individual Behaviour

Explaining individual behaviour allows us to understand the reaction to stimuli that are created by other stakeholders. As behavioural economists have pointed out, we do not always observe the rational consumer that neoclassical economics portrays. In fact, consumers are often aware of acting against their own interests. This is certainly true when it comes to overweight and obesity despite widespread knowledge about how – and why – to live healthily (Prendergrast et al. 2008). For example, individuals’ long-term energy imbalance is neither rational nor sustainable in the long run, but they are a matter of fact despite increased education and knowledge of consumers. One explanation could be an inconsistency between long-term (inherent) and short-term (constructive) preferences of individuals (Scharff 2008).

Parents as Gatekeepers

As far as children are concerned, the major responsibility for obesity lies with their parents and families as well as with secondary socialization agents such as caretakers and teachers. All mentioned agents act as gatekeepers. This means that they have, to a larger or lesser degree, the power to control the impact the media, retailers, the food industry, restaurants and food marketers exercise on children’s food preferences and physical activities. Parents influence children’s health behaviour both directly and indirectly. Children of overweight parents are more likely to be overweight themselves (Maffèis 2000). While this can partly be explained by genetics (Maffèis 2000), it is also due to parents’ food and health regime, their own behaviour and the values and knowledge they convey to their children on food marketing. To date, there is no consensus in the scientific community about the transference of parental beliefs and attitudes on children: there is some evidence for parental effects on children’s preferences for vegetable and fruit consumption (Nicklas et al. 2001); in contrary, Grier and colleagues (2007) could not find a causal relationship between parental exposure to and attitude towards fast food marketing and children’s fast food consumption.

The style and contents of parental health communication depend heavily on the parental style, on how parents act as role models and, additionally on the children’s stage of socialization (Roedder John 1999). Moreover, families and their environments can be rather obesogenic or rather non-obesogenic reflecting the number of stimuli – such as facilities for physical activities like bike lanes or playgrounds or faculties for (un)healthy food intake like the density of fast food restaurants – that increase the risk of obesity (Lobstein et al. 2004). Nevertheless, there are limits to the extent of parents’ capability to act as gatekeepers. This is not only due to the influence of peers and the pushing of the market, but is also due to...
existing social norms and installed practices – such as using candies to reward children – that are seldom challenged and difficult to circumnavigate once they are installed (Thaler and Sunstein 2008).

**Increased Purchasing Power**

Children today experience an increased purchasing power and spending autonomy. Witkowski (2007) pointed out that increased purchasing power has led to increased dietary intake also in the case of children. Children’s purchasing power makes them very attractive customers for the food and beverage industry leading to newly developed, specifically targeted products that are systematically advertised. In the US, children aged between four and twelve spent about $2.2 billion in 1968 on children’s goods (i.e., clothes, toys and food); in 2006, their spending power exceeded $51 billion (Dotson and Hyatt 2005). This also leads to a higher conflict potential between children and parents in purchasing situations. Attempting to get these advertised and thus, very attractive products, children often make use of the so-called “pester power” which is defined as a “child’s attempt to exert control over a purchase situation as a simple battle of wills” (Nicholls and Cullen 2004, p.80). Pester power is not mitigated by the industry and retailers as they have long ago recognized the potential of young consumers and consequently invested in targeted development of products and their marketization. Some studies even suggest that nagging is one the most successful techniques to influence parental consumption that children apply (Gunter and Furnham 1998).

**A Modernized Food Environment**

The food industry, retailers and restaurants are considered as important actors in the matter of childhood obesity. They shape the context in which food choice takes place. Behavioural economics has shown that the influence of the immediate context (e.g., in-store marketing, product offers, built environment) has a decisive impact on consumers’ decisions, that access and availability of healthy alternatives are crucial and that many preferences are “constructed” right at the point of sale (“constructive preferences”) (Thaler and Sunstein 2008).

Highly processed and prepared foods as well as the increase of package and portion sizes over the past 20 years have made it more difficult to discover hidden energy (Diliberti et al. 2004). For many years, it has been debated whether consumers actually use the nutritional information provided on the package at all and if yes, which of the competing systems is the best. For instance, information about included fat seems to make consumers choose lower fat alternatives (Roefs and Jansen 2004). Latest research has shown that consumers do indeed use provided health related on-pack product information – such as General Daily Allowances (GDAs) or the traffic light system – but only if it is easy to understand and eye-catching (Grunert and Wills 2007).

**Modernized Food Marketing**

The food industry has increased the number of channels used to advertise their products to children. While television is still an attractive medium for the small children and advertisements are a successful strategy for brand building (Dammler and Middelmann-Motz 2002), internet games, in-school marketing and sponsoring, as well as toys and games produced in association with food producers are increasingly used (Hastings et al. 2003; Story and French 2004). To increase consumption, marketers create positive attitudes for their products and try to channel social norms of parents and children – i.e., for instance shared beliefs about health behaviour – by strengthening already existing behavioural patterns and convincing consumers of the product’s benefits (Grier et al. 2007). Experiments suggest that food branding changes children’s preferences in favour of the branded food (Robinson et al. 2007). This is problematic since the majority of advertised foods are snacks, soft drinks and sweets are high in fat, sugar, or salt (Hastings et al. 2003). A large proportion of television advertisements deliberately targets young consumers. In the US, children aged two to eleven years watch about 5,500 food ads per year (Holt et al. 2007). There is empirical evidence that the exposure to TV food advertisements leads to unhealthier food choices (Taveras et al. 2006) and that overweight and obese children have higher recall rates and intakes of advertised food products than normal weight children (Halford et al. 2008).
3. Implications for Macromarketing

The factors presented above are valuable starting points to change young consumers’ behaviour into a socially and individually more sustainable direction. While the goal to reduce obesity is broadly accepted, the motives, strategies, possibilities and dependencies of the various actors in the food chain and in food and health politics differ. In the following we argue that policy actions are necessary, but that they can only be effective if all stakeholders support these policies with the means in their reach.

The European Commission (2007) notes that parents having the main responsibility for their children should be able to make informed choices and transfer their knowledge to their offspring. Hence, consumer policy should in the first place inform, educate, empower, support and engage consumers in general and consumers in their role as parents responsible for their children’s health in specific. There are three main strategic goals: raise awareness of the risks of obesity, reduce energy intake and increase energy output (Witkowski 2007). To reach these goals, consumer information, education and advice are relevant tools, but they might not be far-reaching enough, especially not if constructive preferences crow over inherent preferences when it comes to nutritional or physical activity decision-making processes. Strengthening consumer organizations and listening to them in a constant dialogue on the consumer interest is another relevant tool (Viswanathan and Gau 2005). Sometimes, it might be worth to actively steer consumption subtly – “to nudge” (Sunstein and Thaler 2008) - into healthier choices by shaping the consumption context, i.e., access and defaults settings. Examples in case are guidelines or regulations on vending machines in schools, smart defaults in canteens and a ban on food advertising and sponsoring in children’s programmes.

In 2004, the European Commission brought together all stakeholders of the obesity crisis to start a discussion of appropriate approaches to tackle obesity. Among them were the food industry and retailers which are, of course, primarily interested in satisfying their shareholders. Nevertheless, a voluntary contribution of the food industry could comprise a shifting focus from short-term goals to an investment in long-term programs (Layton and Grossbart 2006) to alleviate children’s as well as parents’ consumption process of making healthier and more sustainable choices. The national action plans as well as food based dietary guidelines – even if being constantly questioned and adapted – are a sound basis for nutritional values and activities. These can be used to inform consumers in an easy and understandable way via food labelling. There is a large potential for improving and standardizing the existing food labelling systems in order to reduce consumers’ confusion (Procter 2007). Easing the decision process of consumers, there is a need for easy and low cost access to healthy food such as vegetables and fruits by improving the availability by food producers as well the in store promotion by retailers (Government Office for Science 2007). Moreover, recipes could be reformulated by modifying levels of fat, sugar, or salt. Another approach would be to decrease package and portion sizes (European Commission 2008). Recent trends and developments of products such as diet sodas or reduced-calorie foods illustrate the way the industry is trying to meet consumer needs, financial targets and achieve positive, healthy product images.

Marketers and advertisers know that advertisements have effects on children’s food preferences (Hastings et al. 2003) and exacerbate parents’ role as gatekeepers through tailored appealing promotion strategies to children. Marketers are already subject to policy regulations on national levels, but within these boundaries, they become very innovative in discovering new channels and methods. There are attempts to force the industry to act accordingly by regulations, but evidence of success is weak (Lang and Rayner 2007). Furthermore, a ban of unhealthy food advertisements would have unknown consequences especially with regard to where the banned advertisements would go and what the replacement for it would be (Desrochers and Holt 2007). Thus, policy-makers seek to establish best practices to curb food advertisements targeted at children. For instance, the European Commission implemented a round table for this purpose where not only the policy-makers were present, but also representatives from the European Advertising Standards Alliance and interested NGOs (European Commission 2006b). In the US, the Council of Better Business and the National Advertising Review Council implemented self regulated limits to unhealthy advertisements (Desrochers and Holt 2007). In Denmark, a voluntary code of responsible food marketing
communication to children has recently been implemented (Forum of Responsible Food Marketing Communication 2008). These are promising starting points, but they are still far away from being perfect.

To conclude, (childhood) obesity is an important issue with regard to sustainability and there are several opportunities to overcome this epidemic. Following behavioural economics and the psychology of consumer behaviour: “Making the healthy choice the simple choice” is an important driver to promote healthy nutrition, especially when it comes to children.

References


The Meanings of Consumption in Families with Scarce Resources

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Consumption has always been a battlefield for social comparison and positioning between individuals, social groups and classes. We argue that the situation is quite different for those who are marginalized and questioned in relation to several of the fields in society (e.g. labor, housing and education) that governs entrance, participation and recognition to the mainstream society. To those groups consumption can be considered as an entrance ticket in order to be seen and treated as participating citizens of the “average” society. The purpose of this paper is to discuss the meanings of consumption in families with scarce resources as well as the methodological problems involved in studying these sensitive issues. It is of importance to understand how families cope with scarce resources and how this affects the relations and dynamics inside the family, considering both children and parents. With increasing discrepancies between income groups, these issues deserve to be highlighted.

Introduction

Living in consumer culture involves exposure not only in terms of the material goods you own, but also regarding the consumer skills and competence you master. Consumption as a practice reveals social status, desires and aspirations. Some types of consumption involve a higher degree of social comparison than others and it is clear that consumption in today’s consumer culture has become a stronger determinant for inclusion or exclusion in society. Both parents and children are exposed to and participate in the catwalk of consumption (Hjort and Ekström 2006). Identities, relations and lifestyles are negotiated through consumption among both children and parents and it is impossible to avoid participating, because also resistance discloses choices, identities and abilities (Ekström 2007). The extent of consumption can be both a question of active choice as well as existing and lacking opportunities to choose. In consumer research, a majority of research on families has focused on families having resources to consume. The purpose of this paper is to discuss the meanings of consumption in families with scarce resources as well as the methodological problems involved in studying these sensitive issues. We are interested in how the roles as consumers are negotiated and constructed in families with scarce resources in comparison with mainstream families. It is of importance to understand how families cope with scarce resources and how this affects the relations and dynamics inside the family, considering both children and parents. With increasing discrepancies between income groups, these issues deserve to be highlighted in consumer research and marketing.

Families with Scarce Resources

By scarce resources we mean an income level beneath or just above the different types of poverty lines that are used by Nordic and other European scholars. The income distribution in Sweden, and in the rest of the Nordic countries, has traditionally been characterized by small differences. The most significant changes regarding the income distribution in Sweden during the last 15 years has been the widening gap between the large middle income groups and those who are positioned close to or beneath the poverty lines (OECD 2008). To constitute some kind of contrast to poverty or low income we use the concept of mainstream to describe something that can be considered as normal or average.

It is surprising that little consumer research has focused on families with scarce resources. In an affluent society such as Sweden, it is today a fact that there are also families who are falling behind, not having the possibility to take part as mainstream families do. The prevailing postmodern assumption that
choice is free needs to be questioned (e.g., Lodziak 2002), since options differ depending on income level, living area etc. Consumption is important in order to participate in society, also among low income families. They often use different strategies in order not to deviate and yet make ends meet (Hjort 2004).

The relations between income and other fields in society (e.g., labor, housing, education) that are significant to welfare in general, and consumption in particular should also be emphasized. Families with low income (in Sweden basically single mothers and immigrants) also tend to have fewer opportunities in the labor market, in the housing market and in the educational system. Also, they have poorer health conditions and a shorter life expectancy (Fritzell and Lundberg 2007). There are several variables we could add, but the main point is that living with a low and unsecure income includes often more limitations than just a low income (e.g., Atkinson et al. 2002; Fritzell and Lundberg 2007).

The Meanings of Consumption

Consumption has always been a battlefield for social comparison and positioning between individuals, social groups and classes. However, we argue that the situation is quite different for those who are marginalized and questioned in relation to several of the fields in society (e.g., labor, housing and education) that governs entrance, participation and recognition to the mainstream society. To those groups consumption can be considered as an entrance ticket in order to be seen and treated as participating citizens of the “average” society. To groups and individuals who already are accepted and included, consumption is also important, but partly of different kind of reasons. This indicates that we need to rethink the meanings of consumption and be open to the possibilities that consumption can have different meanings depending on the position in society as a whole. It is important to look after the mechanisms that produce and reproduce processes of inclusion and exclusion in the consumer society since those affect agencies not only of low income families, but of families in general. By studying consumers with scarce resources, we also get indications about consumer society as a whole.

The meanings of consumption in families seem to differ depending on the financial situation. In a Nordic study (Bonke et al. 2005) families with scarce resources were described as ‘constrained’ consumers in the sense that having limited financial resources resulted in experiencing each purchase as a burden rather than a pleasure. They found it difficult to talk about the anxieties and feelings related to their everyday consumption. In contrast, the interviews with the middle-class parents included often joking and laughing, giving examples of needless consumption and superfluous purchases. The interviews reflected their role as privileged consumers in the sense that they felt secure in their role as consumers vis-à-vis the market, and had sufficient means to regard each purchase with confidence (Bonke et al. 2005).

Members of families seem to take and be given different roles depending, among other aspects, on the financial situation (e.g., Ekström 1995, Hjort 2004, Bonke et al. 2005). One example of this is that children in low income families sometimes seem to be given the role as the “ambassador” of the family. As a result of scarce recourses, the “allocation” patterns points in the direction to the children. There are not enough resources to provide every family member with an outfit (including for example clothes) that can be considered as normal or in line with the mainstream society, and as a result the children are prioritized. Prioritization of children can, of course, also be an expression of love, care and compensation for an in other circumstances poor material situation. Another example of how the family roles are reflected is the way parents talk about consumption in relation to the family. Bonke et al. (2005) found that the middle class parents talked more often about consumption in collective terms, the consumption of the family, while the low income parents emphasized the consumption of the individual family member. A reason for this is probably that restricted resources limit low income parents to consider all family members, but has to focus on individual needs, one at a time. This can be seen as reflecting different kinds of “mental budgeting”. While the middle class families described the every day consumption in terms of a flow of incomes and expenditures the low income families described a situation of counting and earmarked expenditures (Bonke et al. 2005). It clearly illustrates the financial vulnerability families with scarce resources experience.
Another significant issue regarding the meanings of consumption is how the capacity of the individual consumer is looked upon. We think that concepts such as skills and competence in relation to consumer culture are important to problematize when discussing the meanings of consumption.

Skills and Competence

Consumer socialization has traditionally been defined as “the process by which young people acquire skills, knowledge, and attitudes relevant to their functioning as consumers in the marketplace” (Ward 1974, p.2). The definition refers to young people, but Ward discusses later in the same paper that socialization is a life-long process. Therefore, consumer socialization can never be concluded (Ekström 2006). Being socialized involves to become a member of society and to function in the marketplace (Brim 1966; Ward 1974). Socialization involves acquisitions of competence which involves for example, skills and knowledge (Ekström 2006). Wilkie (1986) distinguishes between first-order and second-order consumer skills. First-order skills are basic for carrying out consumer behavior such as understanding prices. Second-order skills are related to the social sphere, such as how to behave in a specific situation. Consumer socialization studies have focused on first-order skills (Ekström 2006). For families dealing with scarce resources, both skills are naturally important. But in some instances, it may be even more important to show second-order skills in order not to deviate in a negative way from other groups in society. Consumption has during the last decades played a more significant role in society regarding issues such as identity, socio-economic positioning and how people consider and judge each other (Bauman 1998; Ransome 2005). In families, peer pressure and social comparison makes it difficult to stand outside the consumer society. Social comparison is also reinforced by media, e.g., in advertisements and TV-programs.

Consumer socialization research has studied how people become effective consumers (Ekström 2006). In studies of consumer socialization, there is a need to understand more in-depth what competence means in different context, not limiting this to utilitarian issues and effectiveness, but also to include social and market relationships (Ekström 2006). This involves understanding how consumption is used to negotiate such relationships. O’Guinn and Faber (1991) argue that the assumption that socialization agents teach consumers to be effective can be questioned. This is not always the case and the definition of effectiveness varies among individuals, consumer agencies etc. There is a need to rethink concepts such as effectiveness and rationality in relation to the household budget, especially for families with scarce resources. Questions of prioritizations have to be analyzed in relation to resources, needs and opportunities in a wider social context (e.g., Thompson, Ellis and Wildavsky 1990). Rationality has sometimes a tendency to be a middle class rationality regarding the norms of how ideal budgeting is managed. In addition, studies on consumer socialization have not sufficiently highlighted issues that can be linked to a low income, for example debt problems (Ekström 2006). Another angle of rationality is to problematize the distribution of consuming opportunities among different groups. In a development of increased de-regulation (e.g., pension funds) the consumer is given more choice, but this is likely to differ for different consumers depending on ability, the individual or the families’ knowledge and competence to manage and negotiate in a jungle of alternatives. Also, individual capacities must be analyzed in relation to differences depending on market structures. Imperfect markets give different opportunities to consume regarding several aspects such as price, access, information etc. (e.g., Hjort 2004).

Family Relations and Dynamics

Being a low-income or poor family increases the risks of being considered as a failed and flawed consumer, both in the eyes of the public opinion as well as among different social agents (e.g., peers, teachers, social workers, salespersons). To avoid being marked by shame, low income families has to express participation, skills and competence in consumer culture. The key question is how this everyday struggle (Bonke 2005), affects how family members understand and construct their roles in relation to each other as well as to the “outside world”. It is here of vital importance to understand family relations and dynamics in depth and to consider the context where interactions take place.
Research on consumer socialization has mainly focused on individual agency rather than the dynamics between family members and the socio-cultural context of the family, involving the different networks. For example, the role of the market deserves more attention in consumer socialization research (Ekström 2006).

Consumption practices (e.g., de Vault 1991) and implicit patterns of family communication (e.g., Sillars and Kalbflesch 1987) need to be taken into account in family studies. Also, it should be recognized that consumer socialization is seldom purposive. Ward (1974, p.155) states: “It seems that consumer socialization proceeds more through subtle social learning processes, rather than through purposive and systematic parental training”. Hence, it is likely that neither parents nor children are fully aware of on-going consumer socialization processes. It occurs often indirectly, for example, when one family member influences another family member by observation rather than being directly told to do something. Family studies involve several methodological difficulties in that family roles are not always made visible to the researcher. The difficulties are even more intricate when it comes to families with scarce resources, since there are issues of shame and embarrassment involved as well, as discussed below.

Economic scarcity is not a static phenomenon, but a dynamic condition which can happen to consumers getting for example, unemployed, ill or divorced. However, this may change if the social conditions change. It is therefore of interest to understand the processes in which consumers go in and out of these conditions and how it affects their dispositions to consumption. Changes in socialization processes can be better understood by employing socio-cultural theories (Ekström 2006). Overall, more research is needed on how consumers in different socio-cultural environments sustain or alter their consumption (Ekström 2006).

Methodology

Studying consumption and management of the household budget in a context of scarce resources is difficult because it touches upon several methodological sensitive issues.

Access

One methodological issue is the question of access and possible resistance to participate in studies of poverty or economic scarcity. There is a risk that people when they are asked to participate in a study experience discomfort and stigmatization of being categorized as poor. Another risk is that issues such as consumption and budgeting are considered as sensitive issues and not something that is appropriate to tell an unknown researcher. This is perhaps even more sensitive in families with scarce resources and if it includes families with children since parenthood is closely tied to consumption (e.g., Miller 1998). A Nordic study where low-income families were compared with more established “middle class” families showed that the parents in low-income households were generally rather uncomfortable and sometimes nervous when talking about consumption patterns (Bonke et al. 2005; Hohnen 2007). It may also explain why the interviewed persons quite often would not turn up for an initially agreed interview appointment. The atmosphere during the interviews was perceived as rather tense, as the interviewee replied to questions with obvious unease (Bonke et al. 2005; Hohnen 2007).

Everyday Life

The everyday consumption is an activity that is not always an object for consideration or reflection; therefore it can be difficult to ask questions the interviewed persons usually do not express or discuss. Some parts of consumption are discussed and negotiated between family members, but there is also consumption like activities, habits or routines, that are not negotiated but can be described as ongoing activities. In the literature of consumption there is a tendency to overemphasize the exciting, symbolic and expressive dimensions of consumption even though consumption often involves mundane, greyer and less sensational activities. Gabriel and Lang (1995, p.109) writes: “It would be bizarre to envisage a single mother shopping
for her weekly groceries as being lost in a reverie of pleasure”. There is a need for developing methodological tools to uncover mundane, unreflected and unseen every day activities.

**Subtle and Indirect Interaction**

When studying interaction in families, it should also be recognized that for example, influence processes sometimes occur subconsciously (e.g., Ekström 1995). Often, influence is not overt and direct, but subtle and indirect occurring through observations. Also, direct questions may sometimes be difficult to ask and observation during purchases and consumption may sensitize family members. Families may consider interaction and influence in families as private matters. Also, different cultures and families have different expectations regarding who is expected to dominate in public space. Furthermore, the researcher and the person interviewed may assign different meanings to influence (Ekström 1995). Family members may discusses desire to influence rather than actual influence and exaggerate influence in order to be perceived in a certain way (Ekström 1995).

**Different Family Members**

When studying families, it is important to gain different family member’s perspectives on what is going on. Therefore, it is good to involve all family members. Studies on family consumption has traditionally focused on the mother’s view followed by both the mother’s and the father’s view, and lately also the children’s view, usually one child. It is still rare that studies include all family members, as a result of the complexities involved, both regarding data collection and interpretation of results. Trying to study all family members open for opportunities for another kind of analysis when the interplay between family members can give examples of conflicts, discrepancies in the descriptions and interpretations of different family members.

**Children**

Studying children is in general a difficult task. Small and younger children are difficult to interview. This is even more problematic in families with scarce resources since it also involves issues of shame. To involve children in studies is surrounded by several considerations of ethics and these considerations are perhaps even harder to manage in studies of children in vulnerable positions and situations (e.g., Harju 2008). Talking about the financial situation can cause anxiety and worry and it is important that the researcher can build some sort of trust with the child and be accessible even after the study is finished. Another problem is that parents often want to protect their children from the “real” situation in order not to worry them and therefore they often refuse to let their children participate in studies (e.g., Harju 2008).

**Interpretation**

Another methodological problem is the interpretation or analysis of the stories that are told. As mentioned above, consumption is a moral and social activity and it expresses, among other things, responsibility, participation and care. Families with low income are already questioned regarding their capabilities and competence as consumers. This implies that there are reasons for those households to present themselves in a more favourable way, for example as respectable and care taking parents. It is therefore important that the stories are analysed in a critical way and not just retelled in order to “give voice” to the families, as expressed by Eliasson (1995, p.171 free translation): “In addition, we must be vigilant about the risk that we – in solidarity with weak individuals or groups – remain in idealized terms, for example avoiding to look for or say truths that we think can lead to a decreased compassion or sympathy with elders, poor, unemployed, women or men in subordinated works, drug addicts, untidy youths, i.e. the risk that we choose to produce or reproduce certain “advantageous myths” instead of seeking knowledge that can help us to explain, understand and comprehend.”

A related “trap” in encountering and studying poverty is to overemphasize the misery and neglect other aspects in the life of the families, which tends to make the descriptions and perspective unbalanced. In
this territory lies also the risk to construct “the other”, to describe people as some sort of aliens as expressed by Hydén (1988, p.71 free translation): “It is a picture of poverty that is described by someone outside looking in that does not let the poor speak for themselves and it does not highlight the voice of the poor to describe something else than the misery. In this picture of poverty the poor, in a way, stands out as incomprehensible, impossible to understand and identify with. Incomprehensible because they stand out as a different kind of human being, that lives a life that is reduced to misery. This approach makes it difficult to understand the human in their situation, to understand what connects the poor with the one who studies them”.

Another related dimension of potential problems involves the analysis of the empirical material and the fact that the researcher in different ways has to reflect upon his/hers position and which “story” to tell. There is no neutral or objective way around standpoints as choice of perspective in analysing and presenting the empirical material. The voices of the poor needs to be heard though an analytical filter involving conscious and conscientious choice of theory and perspective. It is not enough just to describe a difficult and hard situation.

**Conclusion and Future Research**

There is overall a need for more research on families in consumer research. It has been a neglected research area during the last decades despite the fact that a lot of consumption occurs in families, both in relation to different family members and in relation to the market. Also, existing consumer research on families has to a large extent focused on middle class families and not considered families living under conditions with financial scarcity. We think it is important to view consumers with scarce financial resources as active participants in consumer culture, but also to consider the market and societal structures that affect and restrict their opportunities as consumers.

We also want to point out a few possible future research paths which consider consumption and family relations in general and families with scarce resources in particular. The first path involves trying to understand what is going on inside the “black box” of the family regarding consumption. What kind of interplays of for example love, care, power, gender, loyalty can be identified when the dynamic between family members is studied? To study one or two members and let them represent a family can give many interesting answers and insights but it is not enough. There is a need to include all family members and to see how they negotiate and navigate in the landscape of consumption in relation to each other in order to reflect the plurality of voices in families. In addition, there are reasons to give special attention to discover how scarcity affects family relations: are there, for example, differences between a more financial secure family and one with scarce resources?

The next path considers the interaction between the market and families consuming, in particular families with low income. It is here interesting to consider both the influence of the market on the families, but also how families influence the market, i.e., if and how they are considered by the market. By the market, we mean producers, retailers, banks, marketing, media etc. For example, do producers of advertisements consider consumers lacking resources and if so, in what way? Do retailers and credit institutions make consumption available to consumers with scarce resources, and if so, under what conditions?

The final path is about the role of consumption in families in general. It is a very broad issue, but deserves more attention considering the fact that consumption takes up a large part of our lives. The meanings of consumption need to be considered regardless of economic position, allowing a multiplicity of meanings to be heard in order to explore the terrain of consumer society. We are lacking knowledge on how families with scarce resources struggle to make ends meet and how they deal with everyday life, involving mundane activities as well as pleasurable and expressive aspects of consumption.
References:


The Bicycle as a Macromarketing Issue

Ben Wooliscroft, University of Otago, New Zealand

This paper considers the role of one of the externalities of the market, transportation of labour and consumers to the institutions that make up the marketplace. What impact does a shift in transportation mode have to society as a whole? An argument is made for there being multiple benefits from changing the transportation mode of those that are able from car to bicycle.

Introduction: Systems and Society

In marketing, economics, management and philosophy visionaries were attracted to the concept of systems analysis (c.f. von Bertalanffy, 1968; Alderson, 1950; Boulding, 1956; Fisk and Dixon, 1967; Alderson, 1957, 1965; Churchman, 1968, 1979; Fisk, 1967, 1961).


In the past (macro)Marketing’s focus has been on the transport of ‘goods’ (or services if you accept that logic) through channels, but this paper focuses on the transportation of labour to places of production (throughout the channel) and consumers to places of purchase, i.e. the human element in markets.

Alderson (1965) conceptualized the transvection, which covers the progress of raw materials through to their final consumption by the end consumer. The focus remains on the goods/services, not on the necessary transportation of workers to factories, workers to warehouses and retail outlets, and consumers to shops and home. This transportation is a necessary part of the market and has, perhaps, been taken as a given, labour and consumers will always have to travel and they will do it by car, predominantly. The consideration of consumers transport to markets is fully justified by the findings of Smith et al (2005) who found that 48% of the carbon released into the atmosphere was a result of goods being transported from shops to consumers’ homes.

This paper considers the benefits, or costs, to society of a change in the mode of that transportation from car to bicycle.

Peak Oil, the Obesity Epidemic and Global Warming

There is little question that the world, and our current standard of living, faces a severe triple threat from peak oil (Bentley, 2002; Deffeyes and Silverman, 2003; Hanlon and McCartney, 2008), the obesity epidemic in the ‘developed’ world (Hill and Peters, 1998; James, Leuch, Kalamara and Shayeghi, 2001; Mokdad, Serdula, Dietz, Bowman, Marks and Koplan, 1999, 2000; Nestle and Jacobson, 2000; Popkin and Doak, 1998), and global warming (Cline, 1992; Cox, Betts, Jones, Spall and Totterdell, 2000; Mendelsohn, Nordhaus and Shaw, 1999; Vitousek et al., 1994). Oil and its consumption is central to these threats to society. Our over dependence on oil is exposed by the peak oil literature and our lack of preparedness for a post-oil economy. The developed world faces increasing problems with obesity, in no small part due to people being transported using fossil fuels, rarely using their own muscles to transport them as our recent ancestors did constantly. The problem of global warming is laid at the feet of the consumption of fossil fuels and their release of carbon dioxide and other by-products into the atmosphere.

There is some hope, found in technology that is over a century old, the bicycle. It has long been recognised that the bicycle provides an opportunity for efficient propulsion of humans (Dickinson, 1929). A number of researchers have also considered how roading and the environment can be changed to
get more people cycling for transport (c.f. Pucher, Komanoff and Schimek, 1999; Pucher, 2003; Pucher and Dijkstra, 2003; Pucher, 2008; Gatersleben and Appleton, 2007; Wardman, Tight and Page, 2007).

Modeling Transportation Mode Change

To answer the question ‘what is the benefit of a change in transportation mode to cycling?’ it is necessary to generate a model of the costs and benefits of transportation modes. Before generating the model it is wise to outline the assumptions under which this model is specified:

1. The number and distance of trips remains constant
2. The majority of, but not all, people are physically able to ride a bicycle
3. Most loads (groceries, children, etc.) are able to be transported by bicycle, perhaps with a bike trailer in tow

Table 1: Average Distance by Purpose of Trips made in the USA, 2001
(U.S. Department of Transportation, Bureau of Transportation Statistics and Federal Highway Administration, 2003)

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Average trip length miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacation (Includes rest and relaxation)</td>
<td>37</td>
</tr>
<tr>
<td>Work-related business</td>
<td>29</td>
</tr>
<tr>
<td>Visit friends/relatives</td>
<td>14</td>
</tr>
<tr>
<td>To/from work</td>
<td>12</td>
</tr>
<tr>
<td>Medical/dental</td>
<td>10</td>
</tr>
<tr>
<td>Total reported</td>
<td>10</td>
</tr>
<tr>
<td>Other social/recreational</td>
<td>8</td>
</tr>
<tr>
<td>Other family/personal</td>
<td>7</td>
</tr>
<tr>
<td>Shopping</td>
<td>7</td>
</tr>
<tr>
<td>School/church</td>
<td>6</td>
</tr>
</tbody>
</table>

Summary statistics of the information required for this model are not always available, where possible United States data has been used in building this model.

The total distance travelled by personal vehicles in the USA in 2006 is 7 345 400 000 000km (Database, 2009). It is necessary to understand what distance trips are made over (see Table 1) with figures for the United States. The distribution of trips also appears to have a power law distribution, i.e. the majority of trips are very short and a few are long. This power law distribution of distances means that there is considerable scope for short trips to be made by bicycle.

Is it possible for the change in transportation mode to take place? In 2007, 37 400 000 Americans over the age of seven cycled more than once (National Sporting Goods Association, 2009). Of an estimated population of 303 824 640 that represents over 10% that are cycling, sometimes, already (CIA, n.d.), though few are using it for transportation.

The Model

The costs or benefits to society of a change in transportation mode can be expressed as an equation:

\[ \frac{C}{BT} = \Delta \text{mode}_p \cdot \text{benefit}_n \cdot \text{mode}_c \]

Where:
C/BTS is cost/benefit to society
\( \Delta \text{mode}_{a-c} \) is the change in transportation mode from automobile to cycle, and
\( \text{benefit}\Delta \text{mode}_{a-c} \) is the benefit/cost of the change in mode

The equation can be further defined as:

\[
\text{benefit}\Delta \text{mode}_{a-c} = \Sigma \text{health, air, BOP, congestion, time, death, cost}
\]

The benefits/costs accumulated in this equation are explicated in Table 2.

**Table 2: Benefits of a change in transportation mode**

<table>
<thead>
<tr>
<th>Health Benefits</th>
<th>improvements in individual consumer's health from changing their transportation mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air quality benefits</td>
<td>reduction in pollutants in the air, caused by transportation</td>
</tr>
<tr>
<td>Balance of Payment (BOP) benefits</td>
<td>reduction in the importation of goods for transportation</td>
</tr>
<tr>
<td>Congestion benefits</td>
<td>reduction in congestion on the roads</td>
</tr>
<tr>
<td>Time benefits</td>
<td>savings of transportation time to consumers</td>
</tr>
<tr>
<td>Death benefits</td>
<td>benefits to society of the decrease in road deaths</td>
</tr>
<tr>
<td>Cost benefits</td>
<td>benefits receive by consumers whose costs of transportation have decreased</td>
</tr>
</tbody>
</table>

Obviously some of these benefits are interrelated, i.e. as more people move from automobiles to cycles, experiencing a time saving in central city transport, congestion goes down, leading to a reduction in the time saving over using a car. See Table 3 for the significant interactions. Each of the benefits/costs will be discussed in turn below.

**Table 3: Matrix of interactions between benefits of moving from automobile to cycling**

<table>
<thead>
<tr>
<th></th>
<th>health</th>
<th>air</th>
<th>BOP</th>
<th>congestion</th>
<th>time</th>
<th>death</th>
<th>cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>health</td>
<td></td>
<td></td>
<td>+ve</td>
<td></td>
<td></td>
<td></td>
<td>+ve</td>
</tr>
<tr>
<td>air</td>
<td>+ve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>congestion</td>
<td></td>
<td></td>
<td>+ve</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>time</td>
<td></td>
<td></td>
<td></td>
<td>+ve</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>death</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>cost</td>
<td>+ve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Health benefits**

Health benefits can be further separated out into, reduction in obesity and increase in physical fitness.

What is the cost of obesity to the United States? “The truth is, any figures released will immediately be wrong. The cost of obesity is growing by the minute, with more and more diseases being attributed to being fat — breast cancer, colon cancer, arthritis, stroke and pregnancy complications, just to name a few.” (Olick, 2003, online). The best estimate in 2003 was that obesity costs the American economy “$117 billion. . . . in medical claims, lost productivity, lost wages and the value of future earnings lost due to premature death.” (Olick, 2003, online).

A cyclist engaged in leisure cycling burns approximately 180 Kcal/hr/100lbs of body weight. So, the more obese the cyclist the more calories burned. With a mean weight of 191.0lbs for men and 164.3lbs for women the caloric consumption of leisure cycling (likely to be the same as commuting) is on average 343.8 Kcal/hr for men and 295.7 Kcal/hr for women. Given that the average distance, in the US, to/from work is 12 miles (see Table 1) and the average speed of a cyclist is 13 miles/hr, the average male cycling in the US would burn 317.4 Kcal each way, or 634.7 Kcal per day. Assuming cycling to/from work five days a week, the cyclist, changing nothing else, would lose .9 lbs per week (3500Kcal in a pound of body fat).

The recommended daily exercise for normal vascular fitness is “at least 30 minutes of moderate intensity activity five days of the week”, with more recommended (American Heart Association, n.d.). So, someone who cycles to/from work each day will satisfy the American Heart Association guidelines for maintaining a healthy heart. The cardio vascular costs and obesity costs to America are so closely intertwined that it makes no sense to suggest separate costs to the economy, suffice to say that cycling will benefit both problems.

So, if one percent of Americans’ car trips are replaced with bicycle rides what would the benefit to society be? If those replacing car trips were all obese, there would be a larger benefit to society than if they were all fit and healthy already. Tying to estimate a dollar figure for the benefit of a mode shift in transportation is problematic, but there certainly would be some and it would not be a small number given that the $117 billion dollars it cost the American economy in 2003 has only grown since then.

Burning calories is not the only benefit of bicycling for transport, moderate exercise consistent with levels generated by shopping or commuting by bicycle are associated with the alleviation of moderate depression and increases in psychological well-being (Biddle, Fox and Boutcher, 2000).

**Balance of Payment Benefits**

The United States imported 13.12 million barrels per day in July 2004 (Gibson Consulting, 2009). This equates to, 4 788 800 000 barrels of oil imported per year. Using a conservative US$40/barrel, that equates to US$191 552 000 000 per annum in oil imports. Or at the peak price during the recent oil price rise, US$250/barrel, US$1 197 200 000 000 per annum in oil imports.

Each barrel of oil produces 19.5 gallons (46%), or 73.8 liters, of petrol. A further 9 gallons (21%), 34.07 liters, of fuel oil, or diesel, come from that barrel along with 4 gallons (9%), 15.14 liters, of jet fuel, or aviation fuel. Calculating through the percentage of the imported oil used for petrol (gas) it can be seen to be between US$88 113 920 000 (US$40/barrel) and US$550 712 000 000 (US$250/barrel) a year in fuel imports for car transport. If one percent of car trips (by mileage or fuel consumption) are replaced with bicycle trips the savings to the US balance of payments will be not one percent of the imports. Because the United States imports only half of its oil (Bonsor and Grabianowski, 2009), a one percent reduction in national fuel consumption equates to a two percent reduction in fuel imports. Using the conservative $40 a barrel we have savings of $1 762 278 400 per annum in import payments. The savings at $250 a barrel equate to $11 014 240 000 per annum in payments. These calculations account for the gas component of the imported oil only, not the
rest of the barrel! These benefits are likely to be linear, though a major increase in cycling could conceivably lead to a reduction in world demand for oil and a reduction the in the world price for oil. The conservative oil price has been used in the final model.

**Time benefits**

Given that the average car speed in urban areas (UK) is 21.4 m/hr the times for the trips in Table 1 can be seen in Table 4. The amount of time required for travel is important because there is no point suggesting that high speed transportation and walking are interchangeable.

**Table 4: Average time of Trip by Purpose 2001** (U.S. Department of Transportation, Bureau of Transportation Statistics and Federal Highway Administration, 2003)

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Average trip length minutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacation (Includes rest and relaxation)</td>
<td>105</td>
</tr>
<tr>
<td>Work-related business</td>
<td>80</td>
</tr>
<tr>
<td>Visit friends/relatives</td>
<td>40</td>
</tr>
<tr>
<td>To/from work</td>
<td>33</td>
</tr>
<tr>
<td>Medical/dental</td>
<td>29</td>
</tr>
<tr>
<td>Total reported</td>
<td>27</td>
</tr>
<tr>
<td>Other social/recreational</td>
<td>24</td>
</tr>
<tr>
<td>Other family/personal</td>
<td>21</td>
</tr>
<tr>
<td>Shopping</td>
<td>19</td>
</tr>
<tr>
<td>School/church</td>
<td>16</td>
</tr>
</tbody>
</table>

However, in large cities (London) the average driving speed is 9 m/hr (BBC, 2002) and the effect on transportation times can be seen in Table 5. At the large city speed driving is slower than the average speed of cycling 13 m/hr (London) (*Cycle mph Average Speed in London*, 2009). It is very hard to find reliable figures regarding traffic speeds in United States cities, but one estimate of peak hour traffic in and around Los Angeles finds that highways, freeways and interstates frequently in the range of 5-20m/hr (Traffic Reports and Tips, n.d.). This range is very similar to the range of speeds that commuting cyclists are able to travel.

**Table 5: Average Time of Trip by Purpose in Large City**

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Average trip length minutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work-related business</td>
<td>191</td>
</tr>
<tr>
<td>Visit friends/relatives</td>
<td>96</td>
</tr>
<tr>
<td>To/from work</td>
<td>80</td>
</tr>
<tr>
<td>Medical/dental</td>
<td>69</td>
</tr>
<tr>
<td>Total reported</td>
<td>64</td>
</tr>
<tr>
<td>Other social/recreational</td>
<td>56</td>
</tr>
<tr>
<td>Other family/personal</td>
<td>49</td>
</tr>
<tr>
<td>Shopping</td>
<td>46</td>
</tr>
<tr>
<td>School/church</td>
<td>39</td>
</tr>
</tbody>
</table>
There are certainly going to be time benefits from change of mode to cycling in large cities, but those benefits are going to reduce as the number of cars on the road reduces and those cars that remain have a faster trip. For this reason, and ease of calculation in the absence of sufficient empirical data, time benefits will be left out of the final model.

**Road Deaths**

The rate of road deaths by mode can be seen in Table 6. Cycling is not as safe as cars, but is considerably more safe than walking and motorized two wheel transportation.

**Table 6: Road deaths per billion kilometres travelled 2000-2003** (for Road Safety Research, n.d.)

<table>
<thead>
<tr>
<th>Mode</th>
<th>Deaths per billion kilometers travelled</th>
</tr>
</thead>
<tbody>
<tr>
<td>walking</td>
<td>30.9</td>
</tr>
<tr>
<td>bicycle</td>
<td>14.1</td>
</tr>
<tr>
<td>moped</td>
<td>89.0</td>
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<tr>
<td>motorcycle</td>
<td>80.0</td>
</tr>
<tr>
<td>car driver</td>
<td>4.0</td>
</tr>
<tr>
<td>car passenger</td>
<td>3.0</td>
</tr>
</tbody>
</table>

However Jacobsen (2003, p. 205) finds that, “A motorist is less likely to collide with a person walking and bicycling if more people walk or bicycle. Policies that increase the numbers of people walking and bicycling appear to be an effective route to improving the safety of people walking and bicycling.” The suggestion from Jacobsen (2003) is that the increase in safety is exponential, though this is unlikely to hold true at higher rates of cycling.

It is distasteful to place a dollar amount next to a life, regardless of how many government agencies do it, so the benefits of an increase in cycling to the rate of road deaths has been left out of the final equation. However, there is clear evidence that as cycling increases in popularity it becomes safer.

**Air pollution**

A gallon of gas produces 8.8 kg (19.4 pounds) of $CO_2$ (Environmental Protection Agency, 2005). Given that the United States uses approximately 186 763 200 000 gallons of gas per annum, that equates to releasing 3 623 206 080 000 pounds of carbon into the atmosphere, as well as all the other particulates that leave the tailpipe of an automobile (estimated at 5% of the amount of $CO_2$) (Environmental Protection Agency, 2005).

Is it possible to calculate the value of the $CO_2$ being released into the atmosphere? The Kyoto agreement provides a framework for the trading of greenhouse gases, but a ton of carbon emissions can be offset for AUSS19.80 (US$12.89). The current cost of offsetting one percent of the United States carbon emissions from gas consumption is US$211 841 813.54.

**Traffic congestion**

It is estimated that 60% of cars in the United States travel with only one person in them. A rough estimate of the benefits to traffic congestion can be given by:

\[
(Area \text{ under one car. Number of cars not running} - 1/8) \times 0.6 \quad + \\
(Area \text{ under one car. Number of cars not running} - 2/8) \times 0.3 \quad \text{etc.}
\]
This equation reflects the fact that one car takes up as much room on the road as eight cycles. So, when the driver changes mode to a bicycle they will take up roughly one eighth the room on the road that they did previously. It can be seen that we do not need more roads if more people switch to cycling for their transportation, a saving to society.

Putting a meaningful number on this benefit is beyond the scope of this paper, but there is a clear case for a benefit accruing.

Cost benefits

What the personal cost savings are are likely to be highly variable, but an advertisement recently placed in Eugene states:

- Bike Costs $399
- Estimated annual maintenance $75
- Less savings from not driving -$1508 (10 miles round trip x 260 days x .58 per mile cost of driving = $1508)
- Savings in Tom’s pocket $1034
- Next year Tom will save even more. He will already have a commuter bike, he can drop his health club membership, and he won’t need heart surgery at 50

These figures are not unrealistic and represent the costs of commuting by bicycle when the person does not currently own a bicycle. The figures are, however, expressed in terms of people swapping their transportation mode completely.

The Model and the Benefit

What is the benefit of one percent of the miles travelled by Americans being by bicycle instead of car? The many interactions mean that some of the benefits have been left out of this summary equation, time savings and the closely related traffic congestion. Also the death rate from cycling has been left out of the equation, alongside its opposite health benefits. The increased death rate from a change in mode to cycling is likely to be more than compensated for by the increase in health, decrease in obesity and the reduction in the death rate for cycling as the number of bikes on the road increases.

For each one percent of trips in the United States that move from car to cycling the following outcomes can be expected:

- Some of the over US$117 billion spend on obesity related health problems will be reduced
- The United States will import US$1.7 billion less gas per annum
- Cyclists will travel quicker than cars in large cities and save time
- The number of cyclists dying on the roads will rise (but then fall as numbers increase further)
- Carbon emissions, currently valued at US$212 million annually will not be released into the atmosphere
- The number of new roads required will reduce, though there is likely to be a sizeable time lag effect
- Each person who changes the mode of their commute to bicycle will save approximately US$1000 per annum

Speculating on a ten percent change in transportation mode to cycling, more than realistic given European experiences (Pucher, 2008), the following outcomes are likely:

- The United States’ costs associated with obesity have stabilized or declined
- The psychological well-being of those choosing to cycle over drive has increased
- US$17 billion a year of gas is no longer imported
The death rate for cyclists has reduced to something similar to the death rate for cars. US$2billion of carbon emissions no longer need to be bought each year – assuming entry to Kyoto. The roading network in the United States costs less to maintain, and many cycle friendly facilities are installed. Millions of people are saving $1000 a year by choosing to cycle. Cycling is normal and acceptable.

While a summary figure is not provided it is clear that the externalities of the market related to transportation of humans to places of production and exchange can be considerably offset by a change in the mode of transportation. Not only are the costs, associated with cars, to society related to markets, they can be reduced through the marketing of ‘alternative’ transportation, the bicycle.

References


Market Framing Efforts of the Environmental Market Maker Better Place Denmark

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Electric cars hold the potential to completely alter the interrelationship among actors in the automobile industry architecture. However, there is not yet at market as such, but initial market development shows that Denmark is becoming a global hotspot for electric cars of the future. The main player in bringing electric cars to Denmark is the Israeli-American venture capital project Better Place. In cooperation with DONG Energy, Better Place plans to create a national infrastructure network of battery charging spots to establish Denmark as a viable country for mass-market electric cars together with Renault-Nissan. This paper is concerned with the processes of this industry creation. The aim of the paper is to describe and analyse how envisioning of market ideas, designing market activities and creation of legitimacy among key stakeholders can be found in the emerging market for electric cars.

Background

Over the past decades the negative impacts of transport on the environment have developed into a general accepted problem or discourse depicting a growing concern for our environment (Van Wee 2007). Concomitant to this growing concern, industries are pushed to become more sustainable. With respect to the car industry, current dominant measures to reduce the demand for car usage have concerned assessments of how to reduce car use rather than reducing the environmental impact per car (Gärling and Steg 2007) and consequently there exists no standard solution for sustainable car usage. Accordingly, as part of the growing awareness on sustainable development, changing the core technologies of cars as reflected in the emerging electric car industry appears to hold promises for a more sustainable automobile usage.

The electric vehicle charging network start-up, Better Place, is a central stakeholder in developing the electric vehicle market worldwide. Project Better Place, a mobility operator, was constructed in autumn 2007 and can be characterised as a venture capitalist company (Roth 2008). It works with business partners to build charging stations in geographically small areas. Its first project concerned building a network of charging stations across Israel and selling electronic vehicles manufactured by Renault (Better Place 2008b; Renault and Nissan 2008; Roth 2008). The second Better Place project concerns a similar project in Denmark where DONG Energy, a major electrical producer of energy, and Better Place have created a joint ventured called Better Place Denmark (Better Place 2008a; Dong 2008; Holm 2008).

Denmark, which has access to depleting oil reserves in the North Sea, currently generates approximately 20 percent of its electric power from wind-generating utilities, including DONG Energy. To date, seven percent of wind-generated power within Denmark is exported to other countries because utilities cannot store the excess power. With the Better Place model, Denmark now has the opportunity to leverage the existing electric grid and electric vehicle batteries to harness and store the abundance of wind-generated power and distribute appropriately for transportation consumption. The Danish government encourages its citizens to switch from petrol-based cars to zero emission vehicles and is committed to helping the country reduce its CO2 emissions by 21 percent by 2012. Just by switching all vehicles to electric power, Denmark could effectively reduce its current CO2 emissions by 17 percent. Today, the Danish government incents consumers to purchase zero emission vehicles by applying zero tax for zero emission vehicles while applying up to a 180 percent tax on the purchase of petrol-based cars (Mathews, Andersen, and Rask 2009).

With the institutional back up from the Danish government and the deal with DONG Energy, Better Place (and other actors) is facing a situation of market creation, similar to what was witnessed during the first dot.com wave in the late 1990s. If an electronic marketplace can be defined as “an inter-organisational
information system that allows the participating buyers and suppliers to exchange information about prices and product offerings’ (Bakos 1991), we can understand the Better Place concept analogous to an e-marketplace. According to Better Place Denmark, the central idea is to “Get a car and subscribe to kilometers” and consists of five elements: 1) The customer gets a car without a battery, 2) Better Place leases the battery to the customer, 3) Better Place installs a communication unit in the car to optimise charging time in relation to the optimal capacity of connected power plants and the customer’s utilisation profile, 4) The everyday driving is supported by charging stations, 5) Longer trips are supported by battery changing stations (Pedersen 2009). In other words, Better Place creates an e-marketplace with some intelligence built into it, through tailored software, allowing drivers to find out where their nearest charging point is; to evaluate how much they need to recharge given the current state of their battery; and to estimate the most cost-effective time for them to recharge, given current prices offered by the electricity grid. The role of the Better Place market is to aggregate this information and provide storage capacity and flexibility to the charging net. Their role in the market for electricity will be that of a re-intermediator, coordinating both information as well as electricity flows.

An important implication of the digitalisation of market exchange is the entrepreneurial opportunities for creative destruction of existing market platforms. With the advent and dissemination of the Internet, the possibilities of using e-market making as a platform for organising exchange have developed profoundly. As a consequence, industrial and even national barriers to market entry are decreasing as well (Quelch and Klein 1996). In retrospect after the burst of the Internet bubble, many learned that market making was not simply about achieving first mover advantages, but more deeply about developing viable business models, which corresponded with unfulfilled wants and/or needs of buyers as well as exchange possibilities of suppliers. The chief challenge of e-market makers is to create market process innovations which are seen as valuable for market participants.

The starting point of our contribution is the belief that market makers’ ability to create viable markets is chiefly dependent on their ability to create market opportunities or discover market inadequacies by framing market exchange opportunities differently. In accordance with Kollmann (2006), we focus in this paper on e-venturing that clearly can be distinguished from traditional forms of entrepreneurship, since it usually involves original and innovative business models paired with strong market uncertainty, and is highly contingent on the ongoing development of IT as the supporting architecture for creating value. We focus on the crucial link between market making ventures and the market framing efforts of entrepreneurs. In the study of Better Place Denmark as the market maker, we seek to understand the sources and dynamics of market framing and market making that unfolds in the creation of the electric car industry. We therefore believe that this contribution provides new insights to both marketing and research on business venturing.

In what follows, the concept and process of market framing is further elaborated drawing on the literature on e-business, marketing as well as existing literature on entrepreneurial cognition. We begin by developing a conceptual model which guides us in structuring our empirical findings as an illustrative case-study. In the concluding chapter, we discuss our findings and draw implications for management as well as for research.

**Market Framing**

Market framing is fundamentally an interpretive act; it concerns envisioning reliable and actionable sequences of actions that can imbue sense to a complicated and multiplex set of market signals in novel ways. By envisioning, we believe that e-market makers use images to guide towards future states (Bird 1988). It involves the imagination of future strategic opportunities, rather than calculations on how to occupy given positions in market space. However, framing a market context includes more than envisioning possibilities. The literature on cognitive impacts on venture creation frequently distinguishes between pre- founding and founding cognition and draws in elements of scanning, interpretation and action in the conceptualisations in alignment with more general models of organisational cognition and sense making. In a similar vein, Weiber and Kollman (2006) speak of conceptualisation, realisation and operation of e-ventures.
We have developed a market framing model, consisting of three interdependent phases. These phases are iteratively rather than sequentially linked, as shown in figure 1.

Figure 1. The Market Framing Model

Envisioning unique e-market possibilities calls for intention as well as interpretive abilities from market makers alert to opportunities (Kirzner 1992). However, e-market framing is not only an interpretive act. It involves design skills as well legitimacy from key stakeholders (Maidstone & Mid Kent Chamber of Commerce 2001).

Envisioning Market Ideas (conceptualisation)

For an e-intermediary venture, the critical point for achieving a successful market framing is to discover opportunities for creating a new or better way of matching the exchange wants of market actors, which were exactly what Better Place addressed in their first press release when they launched themselves as an alternative transportation venture:

"Our global economy urgently needs an environmentally clean and sustainable approach to energy and transportation. We need to rethink how to bring together consumers, existing technology, and the entire car eco-system to establish the next generation infrastructure that provides energy for commuters and is not dependent on liquid fuels," said Mr. Agassi. "We have crossed a historic threshold where electricity and batteries provide a cheaper alternative for consumers. Existing technology, coupled with the right business model and a scaleable infrastructure can provide an immediate solution and significantly decrease carbon emissions." (Better Place 2007)

One can basically imagine two routes for opportunity creation in the context of e-market venturing. One possibility is to detect inconsistencies in current market exchange processes and envision market possibilities for bridging market exchange more efficiently, contributing to the efficiency or current market structures. This is often referred to in the entrepreneurship literature as alertness towards opportunities, paraphrasing Kirzner (1992). Alternatively, e-intermediaries may create opportunities by breaking existing rules of exchange, developing strategic opportunities away from equilibrium and through this process creatively destroy existing market structures. In the entrepreneurship literature, this is typically associated with entrepreneurship in the Schumpeterian sense. In both cases, envisioning of a viable e-market idea depends on the ability of a mindset which is able to assign different value to resources and opportunities than those already present in the market. Focus is therefore on the human cognitive capability to envision market
opportunities, as discussed by cognitive approaches to entrepreneurship and business venturing (Ma and Tan 2006). The alertness towards market opportunities as well as the envisioning of these opportunities can be found in the white paper where Shai Agassi, the founder of Better Place, is contributing with the following analysis:

*Cars are not complete products, as they would not provide any function without fuel and variety of services (such as maintenance). As the price of crude oil increased, it drove the price of fuel at the pump higher to become a much larger component of the total cost of car ownership. To illustrate, an average European car costs 12,000 Euros to acquire, yet over its 12 years of life will require approximately 30,000 liters of fuel costing roughly 35,000 Euros (assuming fuel prices do not continue to increase even further). In other words, we now have a container for energy built into the car - the fuel tank - costing $100 to build; yet our energy costs three times the price of the car.*

*Contrast that with the electric vehicle where the container for energy, in this case a battery, costs roughly 7,000 Euros, yet the electricity to run the car costs 2,000 Euros for the entire life of the car. In the aggregate, energy to drive an electric vehicle now crossed under 10,000 Euros. Historic trend lines for battery over the last 25 years shows a 50% price per kWh improvement every 5 years, stemming from technological and process improvements. We have seen similar effects in the chip industry, where Moore’s law predicted chip improvements amounting to 50% reduction every 18 months. Similarly, we see the price of renewable generation declining over the years, to the point where large solar installations cost today 2 Euros per Watt, shedding price roughly at the same rate of 50% every 5 years. Projecting forward to 2015, we should see the cost of the battery and solar generation sufficient for a car reaching combined cost of 5,000 Euro. By the end of the decade that price should drop to 3,000 Euro with the battery and solar generation both outlasting the car. At some point during the next ten years, the total cost of electric energy (with battery) for a car will equate the cost of fuel for a single year. We predict that at some point in time before that next cross-under point the entire car industry will tip to electric drive as the main design principle for new cars.*

*What is missing for this transformation to happen today? Infrastructure and scale. Consumers simply cannot buy products that are not available. Electric cars as well as all their critical components are produced in small runs, not on commercial scale. The car industry was caught by surprise with the sharp increase in oil prices as the US makers focused on ever larger SUVs and vans. Even Toyota was surprised with the success of its hybrid Prius line. While the entire industry scrambled to catch up to the hybrid wave, every one of the car majors assuming no new infrastructure will be in place for a pure EV decided not to produce an EV until the emergence of a battery that can last for 10 years and provide enough energy to safely drive a car for 500+ kilometers. Since such a battery is not in existence, and most likely will not be there for another 15-20 years all makers pushed their EV plans into niche solutions focused on fleets of cars that run predetermined routes and come back to home base after 100-150 km, such as postal delivery trucks.*

*It turns out that the solution does not stem from a more powerful battery. Rather we propose the creation of a ubiquitous infrastructure that can enable a car to automatically charge up its battery when parked, and on the exceptional long drive using an exchange station where an empty battery is replaced with a full on in automated lanes resembling car-wash devices positioned in gas stations across the country. We for the first time look at the car battery as part of the infrastructure system, not part of the car, much like the SIM card inside a cell phone is part of the network infrastructure which is residing inside the phone. Since the car owners do not own the battery they can freely exchange it as needed, not fearing the issue of receiving an “older battery” in exchange for a new one. The collection of park and charge spots across a country or city, together with software that controls the timing for charging the cars, creates a smart grid - synchronized and extending the country’s existing electric grid, matching excess electricity on the grid with the need to charge batteries flattening the demand curve in the process. When we put together the charge points, the batteries,*

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exchange stations, and the software that controls timing and routing we get a new class of infrastructure - the Electric Recharge Grid (ERG). A new category of companies will emerge in the next few years which will install, operate and service customers across this grid - called Electric Recharge Grid Operators (ERGOs). The business model for such operators will be similar to that of wireless phone operators, and so we can predict that a few years after the ERGOs, we will also see the emergence of virtual operators on top of the physical grid (or VGOs) (Agassi 2007).

Designing Market Activities (realisation)

The realisation of the e-market activities of an e-intermediary includes crafting a viable e-business model which will both create activities that are valuable from the users’ points of view and which will allow the market makers to appropriate value from their efforts. According to Osterwalder, Pigneur and Tucci (2005) a business model is created on the basis of the product as the value proposition, the customer interface (target customer, distribution channel, relationship), the infrastructure (value configuration, core competency, partner network) and financial aspects as the cost structure and revenue model, where the business model is defined as “a conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams.” (Osterwalder et al. 2005).

This is in line with the business model Better Place presented in their first press release when they launched themselves as an alternative transportation venture:

*The business model for the electric cars will be similar to that used by mobile phone operators. In the same way that wireless operators deploy a network of cell towers to provide an area of mobile phone coverage, Project Better Place will establish a network of charging spots and battery exchange stations to provide ubiquitous access to electricity for electric vehicles. The company will partner with car makers and source batteries so that consumers who subscribe to the network can get subsidized vehicles which are cheaper to buy and operate than today’s fuel-based cars. Consumers will still own their cars and will have multiple car models to choose from (Better Place 2007).*

Creating Legitimacy among Key Stakeholders (operation)

As pointed out by Schumpeter (1934/1961), launching new market ideas means breaking away from existing market conventions and is likely to be met with resistance from market actors. The underlying reason for this is the limited cognitive capacity for information processing of market actors, which spurs uncertainty and resistance towards change. For e-market makers, this constitutes particular challenges, since they move in an uncharted and under-institutionalised market territory where the uncertainty and unfamiliarity of market actors is particularly critical, given the high degree of novelty involved. For these reasons, they face a liability compared to existing physical market players operating in highly institutionalised market settings. Overcoming the barrier of uncertainty is a key challenge in creating credibility, as providers of e-market services are faced not only with being mentally stuck in their own perspective to which they have made strong emotional and cognitive commitments, but also to be able to understand their customers’ points of view, while warding off influencing attempts from the rival efforts of market framing from both market incumbents and other challengers. Better Place managed to overcome these challenges in Denmark by creating a joint venture (Better Place Denmark) between well-known, state owned industry players; Dong Energy and Better Place USA:

*Copenhagen, Denmark (Jan 27, 2009) – Better Place, the world’s leading mobility operator, today announced in conjunction with DONG Energy, that it has closed approximately €103 million Euro (770 million Danish Kroner) in equity and convertible debt for the initial deployment of their electric car charging network in Denmark. Under the terms of the agreement, DONG Energy will*
assistance in the Better Place Denmark network rollout as well as be the preferred supplier of renewable energy to power the network. The move sets the stage for Better Place and DONG Energy to execute as planned against their commitment to enable the widespread adoption of mass-market vehicles by 2011 (Better Place 2009).

Prior to this, some very important negotiations had been going on and concluded in the spring of 2008 when Dong Energy and Better Place signed a letter of intent and published a joint press release (Better Place 2008b; Dong 2008). This was the fourth press release in the history of Better Place. The first was about the launch of the firm, the third was about an R&D centre in Israel, and the second press release was about the strategic alliance between the Renault–Nissan alliance and Better Place announcing that they were preparing the first mass produced electric vehicles. This was important since it involved the process of gaining a wider acceptance and credibility from business actors. As such, it involves legitimisation to achieve internalisation and socialisation among business actors. Often, this entails convincing potential buyers and/or sellers to replace well-proven habits and engage in the risky process of assimilating to new ways of conducting exchange. In this sense, buyers and sellers are in principle asked to invest in developing procedures for engaging in new forms of market exchange and at the same time to accept the losses incurred by abandoning existing routines. As market makers often are outsiders and contestors to existing market players, they suffer from a default liability of foreignness in the eyes of market actors, given that they have no reputation which may act as a signal of credibility and lead to commitment (Dei Otatti 1994). Therefore Better Place Denmark states in the end of the press release announcing the joint venture, that there are no barriers of uncertainty that can challenge the credibility of the project:

In March 2008, Better Place named Better Place Denmark as its second operator following Israel, which recently unveiled its first installed electric charge spots. Starting in 2011 through the extensive network, The Renault-Nissan Alliance will begin to commercialize a complete range of EVs especially adapted to Danish customer requirements. These cars will benefit from the Better Place mobility services and products (Better Place 2009).

Conclusion and Implications

In this paper we have described and analysed how market framing in the making of environmental markets has been carried out by Better Place Denmark in order to bring electric cars to Denmark in a cooperation between the American venture capital project Better Place, the Danish DONG Energy, and the French-Japanese Renault-Nissan electric cars manufacturer.

We believe that the market framing efforts as an envision of market ideas, design of market activities and creation of legitimacy among key stakeholders are important elements to understand the actors in the emerging electric car industry, when rethinking marketing in a global economy where access to international markets become easier for creative entrepreneurs.

We also believe that there is a need for more research on market framing in emerging markets. Based upon the preliminary findings in this paper, we can outline some propositions:

- Conceptualisation, realisation and operation market framing in emerging market are iteratively linked together.

- Envisioning market ideas (conceptualisation) is related to:
  - The discovery of opportunities for creating a new or better way for matching the exchange wants of market actors
  - The detection of inconsistencies in current market exchange processes and envisioning market possibilities for bridging market exchange more efficiently
  - The breaking of existing rules of exchange, developing strategic opportunities away from equilibrium and through this process creatively destroying existing market structures

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• Designing market activities (realisation) is related to:
  o The creation of a business model as a set of elements and their relationships and allows expressing
    the business logic of a specific firm, which is created on the basis of:
    - The product as the value proposition
    - The customer Interface as the target customer, distribution channel, relationship
    - The infrastructure as the value configuration, core competency, partner network
    - The financial aspect as the cost structure and revenue model, where

• Creating legitimacy among key stakeholders(operation) is related to:
  o Overcoming the barrier of uncertainty as a key challenge in creating credibility
  o The process of gaining a wider acceptance and credibility from business actors

References


transportation-venture/


project-better-place-to-introduce-environmentally-friendly-electric-vehicles-in-denmark


Local Design & Global Dreams – Emerging Business Models creating the Emergent Electric Vehicle Industry

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Poul Rind Christensen, Aarhus University, Denmark

Electric cars hold the potential to completely alter the interrelationship among actors in the automobile industry architecture. They may not only be able to alleviate environmental externalities but also revolutionise the automobile industry as such. This paper is concerned with the processes of industry creation for the electric car industry, which is a particular fascinating topic matter as it allows the analysis to provide an understanding of the processes of innovation and of some of its inventors in concert. In continuation of this, the aim of this paper is to describe and analyse which emergent business models and corresponding value capturing capabilities can be found in the emerging market for electric cars.

Introduction

Over the past decades the negative impacts of transport on the environment have developed into a generally accepted discourse depicting a growing concern for our environment (Van Wee 2007). Concomitant to this growing concern, industries are pushed to become more sustainable. With respect to the car industry, current dominant measures to reduce the demand for car usage have concerned assessments of how to reduce car use rather than reducing the environmental impact per car (Gärling and Loukopolos 2007), and consequently there exists no standard solution for sustainable car usage. Accordingly, as part of the growing awareness on sustainable development, changing the core technologies of cars as reflected in the emerging electric car industry appears to hold promises for a more sustainable automobile usage. Such developments are in alignment with the general growing concern of the population as well as among politicians. This is also reflected in the increasing interest taken in the electric car by automobile manufacturers such as General Motors, Chrysler and Ford, who are part of the growing set of stakeholders on the global scene that may form the future industry of electric cars.

Edison constructed an electric car as early as 1881, but in spite of the technology of electric cars having existed for more than a century, attempts to construct a market for electric cars have never gained convincing success. However, along with an increased institutional pressure from political bodies as well as normative pressures from research, more novel attempts of innovation appear to have the potential to create a “disruptive” or Schumpeterian innovation (Henderson and Clark 1990), where the linkages between core actors are changed and core concepts constituting the vehicle and fuel provisions are replaced.

Entrepreneurs emerging with novel ideas on how to design the electric car industry hold the potential to completely alter the interrelationship among actors in the industry architecture of automobiles. These inventions contribute to improving the quality of life of citizens through less polluting means of personal transport that are more in line with progressive environmental policies. Although sustainable technological alternatives such as bio fuels rival this development, there are strong forces in favour of developing an infrastructure around the electric vehicle, suggesting that this design will become commercialised prior to the hydrogen car (Mathiesen, Lund and Nørgaard 2008). It appears to potentially hold promise of not merely being able to alleviate environmental externalities, but also revolutionise the automobile industry as such. Therefore, shifting to more emission free technologies is an industrial change which marks a classic disruption or discontinuity in an industry (Christensen 2001). One of the focal interests with respect to such disruptions is the questions of which market participants hold the largest probability of being able to define
the business models of the future, or in other words which capabilities will frame the future market. Industrial rivalry and competition remains at the core of this problematic.

This paper is concerned with the processes of industry creation for the electric car industry, which is a particular fascinating topic matter as it allows the analysis to provide an understanding of the processes of innovation and of some of its inventors in concert. In continuation of this, the aim of this paper is to describe and analyse which emergent business models and corresponding value capturing capabilities can be found in the emerging market for electric cars.

The analysis takes its point of departure from the most prevalent stakeholders in a Danish context. Hence, although many global firms are found among the stakeholders in the emerging industrial field of electric car manufacturing, and scope economies are decisive for capitalising on the investments in this new technology, the competitive battles are fought on a more local basis. Local market access is necessary, since particularly in the early phases of developing electrical cars into a viable alternative to fossil-fuel based private transportation, systems call for massive investments in public infrastructure; for example Better Place in conjunction with DONG Energy invested approximately €103 million Euro (770 million Danish Kroner) in equity and convertible debt for the initial deployment of their electric car charging network in Denmark (Better Place 2009). Evidently, the range of the batteries is decisive for the geographical scope, which will change over time according to the technology of the battery. From the demand side, market conditions differ, for instance with respect to energy availability. Denmark constitutes an interesting lead country for the development of an electric car market. First, Denmark has a surplus of electricity production, given problems relating to integrating surplus energy production from wind power plants into the existing consumption pattern. Moreover, Denmark is a small and highly developed country, where private transportation needs (i.e. work commuting) are critical and take place over distances which fit well with the operative charging range of electric vehicles. Very important is also the Danish governmental interventions regarding the support of a relatively large production of wind energy providing more than 20% of the electricity produced, and the exemption from tax on electric vehicles in contrary to the burdensome Danish taxation regime on privately owned cars. Finally, Denmark, despite its limited size and lack of critical mass regarding relative consumer purchasing power, has a very visible profile in the environmental debate and therefore appears to constitute an excellent demonstration market. The early experiences in this market will contribute in shaping the competences of participating actors and with it possible appropriation regimes.

The paper is structured as follows: First, a general theoretical framework for understanding competitive organising of business activities in emerging industries is presented. Secondly, general data on Denmark for the development of an infrastructure based electrical vehicle is presented. Thirdly, in the analysis strategies followed by relevant stakeholders are typified and analysed according to the dimensions developed in the theoretical section. In the final part of the paper, we discuss implications including how diverse strategies may lead to rather different futures once the industry moves from a nascent to a more mature phase.

Innovation and Competitive Organising of Business Activities in Emerging Industries: A Theoretical Framework

A critical framework for understanding the organising of innovation activities in emergent industries is provided by the so-called Profiting from Innovation (PFI) framework, which comprises a stream of research stressing the importance of the architecture of the enterprise and the wider industrial field in shaping the competitive outcomes when a new technology is commercialised (Pisano and Teece 2007). The architecture of the company concerns the ownership boundaries of the firm as well as the power boundaries with respect to control of complementary assets important for reaping the fruits of investments in new technologies. In order to create massive customer adaptation and with it market value, a technology must be embedded in a business system to yield end-user value (Porter 1985). In this sense, the commercialisation of most technologies depends on complementary assets which may be more or less scarce and thus critical for commercial success.
In the following we refer to an emerging understanding of business systems as industry architectures, which both focus on the co-evolving nature of organising dynamics of the industry structure per se as well as the strategies followed by industry actors (Jacobides et al 2006; Pisano and Teece 2007). By industry architecture we refer to the structure of co-specialised economic actors and public agents, activities and resources, which define division of work as well as patterns of coordination, which through the interdependence specifies and regulates a roster of feasible activities within the business system. The industry architecture is shaped by several forces.

One concerns the technical possibilities so far discovered within a specific technology which lends both possibilities and also restraints to the organising of the industry architecture. The powerful contingency of industry architectures on technical possibilities is evident in a number of cases, as discussed for instance in the steel industry, where the technical development of mini-mills led to production of steel of compatible quality with integrated mills, albeit at a much lower price (Christensen and Raynor 2003).

A second and important force affecting the development of industry architectures concerns the influence from institutional contingencies; notably the regulatory (what is allowed), the cognitive (what is imaginable) and the normative (what is preferable/social acceptable) institutional pillars (Scott 2007; Andersen and Drejer 2008). The important impact of institutions on the shaping of industry architectures can be witnessed by noticing how industry architectures differ across national boundaries with diverging institutional arrangements (Whitley 1992). Institutional differences and their impacts on the organisation of industry architectures may be witnessed for instance in de facto and de jure standards as expressions of an important subset of the rules governing exchange, coordination and scope of business among actors in an industry. An example of de facto standards may be the diverging role of trust for understanding how suppliers and manufacturers of the Japanese and the US automobile industry organise exchange activities (Sako and Helper 1998).

Organisation and interaction patterns in industry structures reflect an underlying degree of co-specialisation among the actors involved. By co-specialisation we mean the degree to which – on an aggregate level - assets of one actor are adapted to the specific needs of another actor. In cases of strong co-specialisation and heterogeneity, markets for co-specialised assets are thin, meaning that few exchanges across exchange dyads are possible in the industry structure. This is a typical trait of craft-based production (Storper and Saias 1997). For instance, in parts of the wine industry, special types of grapes are grown by growers (viticulturists) at excessive costs to the tastes and whims of particular wine makers (vintners). The winemaker is only able to produce a particular blend using this particular grape. The growers on the other hand, given the cost bound in the production and harvesting of the grapes, would not be able to sell these grapes on the mass market for wine grapes without a great loss. This also begets strong interdependence among actors. Following Garud and Kumaraswamy (1995), we refer to industry architectures with high degrees of co-specialisation as integral, where substitution possibilities are limited. In comparison, weak co-specialisation is the situation where interfaces between components are standardised, making substitution possible at little or no cost. This enables a market for specialised components to develop, which can be integrated across manufacturer platforms, as seen in the stereo component industry (Langlois and Robertson 1992). This type of industry architecture is referred to as modular and is often associated with large volume production, such as bicycles (Galvin and Morkel 2001).

An important distinction with respect to the role of modular and integral industry architectures relates to the evolutionary cycle of the industry. According to Utterback (1996), industrial developments may be considered going through a cycle consisting of three phases, which explain the pace of innovation. The emerging phase is marked by fluidity and innovation is normally highest during the formative years in which a high level of experimentation also takes place. The “fluid phase” is typically followed by a “transitional phase” in which the rate of innovation slows down with respect to products and speeds up with respect to process innovation. The final phase suggested by Utterback is the “specific phase”, where major innovation diminishes with respect to products and processes and the industry increasingly focuses on cost, volume and capacity.
In emerging industries where the industry architecture is at a nascent stage, each actor has a strategic interest in shaping the industry architecture favourable to their business model. Action asymmetries, i.e. who can do what and who cannot, and rules for interaction among industry actors will shape division of work, and with it render some capabilities more critical and thus valuable than others. Hence, an important competitive arena the rivalry unfolding in an emerging industry concerns which market participants have the largest probability to be able to define the future, or in other words which capabilities will be framing the future market. A key strategic consideration for any innovator in the emergent industries concerns the scope of the activities optimally controlled internally by the firm and which can be relied upon form external providers. These considerations are based both on concerns related to marginal efficiency of organisational boundaries as traditional associated with Coasean economies, as those associated with defining the boundaries of the as well as on the capabilities controlled by the power boundaries of the firm (Santos and Eisenhardt 2005).

Controlling assets necessary to conduct activities are costly, and few companies have the resources or the interest in owning and/or controlling all complementary activities necessary for converting a technology into a system capable of delivering market value. Hence, strategic players, like Ford in the 1920s owning the fully integrated industry architecture end-to-end for manufacturing the Ford T, are rarely found.

An important distinction can be made between the strategies of technology specialists and those of business system architects, which reflect principally different managerial mind sets, business models and underlying capabilities to develop a competitive position in a fluid stage of industry architecture formation. By a managerial mind set we refer to the mental representations of the business realities which managers use to make sense of ongoing events, these include strategic beliefs that drive managerial decisions, including the identity of the competitors and customers (Weick 1995). One derive of managerial mind sets is the business models followed by a particular firm, which presents the template for describing the underlying theory of managers on how in a specific business enterprise, market value can be created and appropriation of appropriate cost for the firm (Magretta 1992). Thus, it includes notions about the identity of customers and strategic posture in the industry architecture towards competitors and collaborators. By capabilities, we refer broadly to competencies, assets and resources of the firm (Tripsas and Gavetti 2000).

Technology specialists have a relatively strong focus on developing one particular technology and a strategic focus on how to progress this technology to be used either within one single industry architecture or across a range of industry architectures. This follows their capabilities and is reflected in both their managerial mind sets and corresponding business models. The capabilities of technology specialists often focus on engineering insights and their resource investments concern how to push the perimeter of technological performance within their particular areas of specialism. This reflects a managerial mind set, locked on focusing on rivals’ technical advancements as well as the needs of lead users at the forefront of technological advancement. Correspondingly, business models are about developing an exchange system, where value is appropriated through technological advancement and perhaps learning from particular customers. Strategic suppliers acting as technology brokers represent a particular subset of this type of company. For instance, Bosch Rexroth, an engineering firm, offers its customers all drive and control technologies, specialised as well as integrated. For technology specialists, modular architectures provide potential advantages as they via the effect of standardised interfaces, create potential economies of scope (in terms of market expansion) from more efficient economies of substitution. Intel is an example of a technology specialist who thrives on the scope economies fuelled by low substitution costs in the modular industry architecture found in the industry for personal computers. However, a modular architecture also means low entry costs and a hypercompetitive environment where resource based advantages are limited. Therefore, depending on their capabilities and corresponding mind sets, technology specialists may also seek to act as institutional entrepreneurs in favour of an integral production technology.

Business system architects design architectures that provide the contours and framework within which actors interact; by creating standards and by means to coordinate economic activities (Jacobides et al 2006). The role of business system architects has been studied in relation to the IT industry architecture (Shapiro and Varian 1999). Business system architects typically control a single specific resource in order to
legitimate their right to design a specific architecture, and they use this control to dictate the terms of their suppliers. For instance, the Swedish-owned furniture outlet IKEA controls designs; the brand name and parts of the retail system, and the computer manufacturer Dell controls the distribution system and the interface with customers, but holds no ownership control over hardware suppliers. Like Technology generalists, business system architects may focus on single industry architectures or focus on developing generic architectures which may span multiple industry architectures. In the wind energy industry, Siemens is an example of the former: Less than 10% of the components of a wind turbine are manufactured by Siemens. However, this business model is not representative of Siemens’ business models in other industries. In comparison, the system architect business model of the General Electric Wind division is representative of the business model.

Combining the strategic typology with the concept of integral and modular industry architecture, we come up with the matrix presented in figure 1 to describe the principal strategies to be followed by business actors in emerging industries.

**Figure 1: Principal Strategies for Business Actors in Emerging Industries**

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<th>Integral Industry Architecture</th>
<th>Proprietary Systems</th>
<th>Integrated Products</th>
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<tr>
<td>Modular Industry Architecture</td>
<td>Open Innovation</td>
<td>Standard Products</td>
</tr>
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<td>System Architects</td>
<td>Specialist</td>
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The business model of *Proprietary Systems* can often be understood as a semi-open standard where the membership charge is the subscription to an established standard that is covered by appropriation rights, such as for instance a [patent](https://en.wikipedia.org/wiki/Patent) or [copyright](https://en.wikipedia.org/wiki/Copyright) which is intended to give the system architect exclusive control of the technology to the (current or future) exclusion of others. An example could be the Microsoft Windows programming language, which was open for business actors who accepted Microsoft’s terms. Other examples of system architect structures are found in computer game consoles, where Microsoft, Nintendo and Sony all take on roles as system architects in an integral industry architecture, where interfaces are standards among club members only.

Opposite to this exclusion strategy, we find *Open Innovation* (Chesbrough 2003), where the business model of the firm determines what external information to bring inside, and what internal information to take outside. The central idea behind open innovation is that firms cannot afford to rely entirely on their own [research](https://en.wikipedia.org/wiki/Research) but should cooperate with other firms in order to create network externalities because standards enhance compatibility or interoperability and thereby generate greater value for the actors by making the network larger (Shapiro and Varian 1998). An example of an open innovation architect may be IBM with its Eclipse platform, where competing companies are invited to cooperate inside an open innovation network.

The specialist developers of *Standard Products* also seek to create network externalities and their business model will often be more incremental and focused on the innovation activities of other actors in the industry, where the specialist developers of *Integrated Products* are radical in their approach to innovation in order to create new concepts and therefore do not need to create relationships with other actors (Henderson and Clark 1990). Producers of integrated products provide systems in which elements are co-specialised and production therefore calls for close interaction which specialises in integrated products. These specialists typically follow this strategy because co-specialised component designs allow for a stronger functionality and form are integrated, on the cost of for instance production costs in integral architectures. The functionality of a product therefore calls for tight coordination among actors. Hence, integral product designs often call for internalised production with little or no division of work across organisational boundaries (Chesbrough and Teece 2002). An example would be Cabinplant A/S, a world leading provider of tailor-made processing solutions for the food industry. Cabinplant has over the years created a thorough knowledge of processing, building layouts, equipment setups, electrical installations, hardware and software by having all the expertise in house. Thereby Cabinplant is a one-stop-shop option when a buyer is in need for a
complete processing plant related to fish, shellfish, fruit, vegetables, berries and convenience food processing. Producers of standard products and components rely on standardised interfaces allowing them to mix and match their own output with those of other actors. However, the strong degree of specialisation and internal competence development makes knowledge sharing across organisational boundaries immensely difficult. Following this strategy provides the standard product producer with the ability to specialise in one component, while leaving the production of other components to suppliers or customers. An example could be Robert Bosch GmbH which is a German diversified technology-based corporation that is the world's largest supplier of automobile components and has business relationships with virtually every automobile company in the world. Bosch has developed a leading standard within spark plugs and contributes in developing spark plug related technologies to a wide array of automotive manufacturers’ worldwide.

Denmark as an Industrial Field for the Development of Electric Vehicles

Denmark has three main characteristics which are important when considering it as an industrial field of development for electric vehicles, namely: a relatively large production of wind energy, a burdensome taxation regime on privately owned cars, and Denmark may be characterised as a world leader in clean electricity generation, thus wind turbines provide more than 20% of the electricity produced (Andersen and Drejer 2008). However, compared to coal-fuelled power plants, production of electricity from wind turbines cannot be matched to the ebbs and flows of demand. Due to climatic conditions, a significant proportion of wind energy is produced at night, when demand is limited. As a consequence, Danish utility companies such as DONG are forced to sell their electricity at low prices or even to send it into the grid at no charge, since the demand on the European spot market for surplus electricity is very limited. Consequently, electric vehicles could provide a suitable neat solution – as ‘mobile storage devices’. This is exactly how the Danish utility DONG Energy views electric vehicles and why it is so keen to be a partner in the roll-out of a Better Place electric vehicle charging grid in Denmark (Holm 2008).

The Danish government may be equally enthusiastic about creating more sustainable car transport. Hence, the Danish taxation regime on privately owned vehicles is among the most onerous in the world. Currently, there is to be a complete tax exemption for new electric vehicles (at least up until 2012) and in the 2008-1011 budget there is provision of DKK 35 million for research into a test scheme for electric vehicles. In that connection, the Danish Minister for Climate and Energy said “We need more electric vehicles on Danish roads… We are in the preliminary stages. Only few electric vehicles are on the market, but we have to get started in order to obtain practical experience” (Klima- og Energiministeriet (Danish Ministry of Climate and Energy) 2008). Other planned supportive policies include prioritised car parks in larger cities with free recharging facilities. University research funding focusing on the development of efficient charging systems and system export possibilities has also been proposed.

The technology of batteries for electric vehicles is still in its infancy and is continuously improved; however, for electric vehicles to constitute a viable and realistic alternative to other means of transport, it is relevant to compare the capacity of the battery and the daily transportation need. Consequently, with respect to the Danish market, the current maximum driving range of electric vehicles does not constitute a substantial problem because 90% of all home to work commuting is less than 100 km (Mathews et al. 2009), probably due to the country’s limited size.

Emergent Business Models for Electric Vehicles in Denmark

The present section outlines and analyses the emergent business models for the electric vehicle industry. The analysis is based upon secondary data as research reports, news articles, websites, etc. Figure 2 below illustrates a series of stakeholders that are active in creating the foundation for a market for electric vehicles and constituting the most central emerging business models. The system architects design industry architectures that provide the contours and framework within which actors interact. They do so by creating standards and by means to coordinate economic activities (Jacobides et al 2006).
The system architects are created by specialists with either a modular product which creates Proprietary Systems such as EDISON or Open Innovation as Better Place Denmark and the EDF/Renault alliance. The remainder of the specialists with standard products that have entered or said they will enter the Danish market are manufacturers of vehicles without batteries as Renault, Th!nk, and Mercedes Smart Car (Cleantech 2008) and battery manufacturers as A123 and NEC. Tesla Motors is an exception as they consider themselves a technology firm rather than a car manufacturer (Djursing 2008). Tesla Motors is also in consideration as battery supplier for the Mercedes Smart Car (Ehrlich, 2008). Lastly, some Integrated Product specialists in vehicles and batteries that have entered or said they will enter the Danish market are car manufacturers with integrated batteries such as Indian REVA, German CityEl, French Mega e-City, and Norwegian Buddy. Build your Dreams (BYD) was originally a manufacturer of batteries for mobile phones and laptops. When they developed a new type of battery (lithium ferro), they built a car factory in order to be the world leader in electric vehicles (Gården 2008).

The electric vehicle charging network start-up, Better Place, is a central stakeholder in developing the electric vehicle market worldwide. Project Better Place, a mobility operator, was constructed in autumn 2007 and can be characterised as a venture capitalist company (Roth 2008). It works with business partners to build charging stations in geographically small areas. Its first project concerned building a network of charging stations across Israel and selling electronic vehicles manufactured by Renault (Better Place, 2008b; Renault and Nissan 2008; Roth 2008). The second Better Place project concerns a similar project in Denmark where DONG Energy, a major electrical producer of energy, and Better Place have created a joint ventured called Better Place Denmark (Better Place 2008a; Dong 2008; Holm 2008).

The first Better Place enabled vehicle will be manufactured by Renault/Nissan which also has a partnership with EDF. “EDF, owner of the world’s biggest fleet of electric vehicles, has considerable experience and expertise in electric power storage technologies and recharging infrastructures, and in operating fleets of rechargeable vehicles. EDF is committed to expanding the availability of clean mobility solutions. Through the agreement signed today, the Renault Nissan Alliance and EDF aim to provide consumers access to zero emission mobility from 2011. In support of this objective, the Renault Nissan Alliance and EDF will jointly develop an innovative commercial project, open to other interested parties, leading to the set up of an Electric Mobility Operator in the longer term. The role of the Electric Mobility Operator will be to supply customers with the infrastructure to recharge an electric vehicle and to manage its range” (EDF et al. 2008). The French EDF Group ranks among the leaders in Europe's energy market. It is an integrated energy company with presence in a wide range of businesses: generation, transmission, distribution, supply and energy trading. EDF is Europe's biggest electricity producer. The role of EDF in Denmark will probably be to provide consultancy (Teiner 2008).

Both Better Place Denmark and EDF seek an open innovation model to create a complete infrastructure for electric vehicles in order to achieve expanded network externalities and to reduce the
uncertainty of the concept and the consumer lock-in by acting as a system architect of modular product architecture.

The EDISON (Electric vehicles in a Distributed and Integrated market using Sustainable energy and Open Networks) project in Denmark does act as a Proprietary System architect, but with an integral product architecture in focus in order to “develop optimal system solutions for EV system integration, including network issues, market solutions, and optimal interaction between different energy technologies. Furthermore, the Danish electric power system provides an optimal platform for demonstration of the developed solutions, and thereby, provides the commercial basis for Danish technology export. Furthermore, the advantage of being a “first mover” constitutes a business advantage, as well as, a possibility of a strong Danish influence on future standards for system integration of EVs whereby optimal utilization of the EVs in the power system is obtained” (Dansk Energii (Danish Energy Association) 2008). The EDISON project consists of several specialists with modular product architecture such as IBM, Siemens, Eurisco, Østkraft, and DONG Energy together with the industry organisation Dansk Energii and The Danish Technology University (Dansk Energii 2008; Invest in Denmark 2008).

Value Capturing in the Emerging Market for Electric Vehicles

According to Jacobides et. Al (2006 ) “industry architecture [will] emerge on the basis of the interfaces defined by firms that initially happen to hold superior capabilities, in terms of technical efficiency”. The analysis therefore discusses the strategies pursued and how they may lead to very different futures once the industry moves from a nascent to a more mature phase.

Different stakeholders take different approaches already in their engagement in the design platform for realising a market for electric vehicles. The design platform consists of four parts which are needed in order to realise a market for electric vehicles: 1) An electric vehicle is a type of alternative fuel car that utilises electric motors and motor controllers instead of an internal combustion engine. 2) The electric power is usually derived from battery packs in the vehicle which often cost approximately 30-40% of the total vehicle, said Mitsuhiiko Yamashita, Nissan's R&D chief (Rendell 2008). According to a series of industry experts, the battery is the focal part of the electric vehicle development (Deutsche Bank 2008; PwC Automotive Institute, 2008). Today, rechargeable lithium ion batteries can reliably deliver driving distances of over 100 miles on a single charge. 3) The charging station is a point that supplies electricity for the recharging of electric vehicles. These units will be available for use in parking garages, retail spaces, street curbs, as well as at the homes of car owners. The charging station will be the regular point of interface between the vehicle and the electric power grid. 4) An electrical power grid is an interconnected network for delivering electricity from suppliers to consumers. The battery-powered vehicles use their excess rechargeable battery capacity to provide power to the electric grid during peak load periods. These vehicles can then be recharged during off-peak hours at cheaper rates while helping to absorb excess night time generation. Here the vehicles serve as a distributed battery storage system to buffer power. Figure 3 takes its point of departure in the design platform and illustrates different types of strategies utilising part of or the whole design platform for value capturing.

Both Open Innovation business models seek to cover the whole platform, but the two models are very different in their approach to strengthening the network between partners. EDF as the visionary project leader and supplier of consultancy services together with Renault/Nissan alliance with NEC battery producer represent a loosely coupled network where the intention seems to be a combination of superior capabilities related to the power grid and charging stations (EDF) and vehicle (Renault/Nissan) and battery production (NEC) in order to create a technical efficient design platform, and the value capturing is based upon each partner’s special capabilities. Better Place is a more closely coupled network where the two main partners (DONG and Better Place ltd.) have created a joint venture called Better Place Denmark that owns and controls the central elements, namely the charging points and the batteries that can be leased by the consumers who buy a vehicle from Renault Nissan (DONG 2008; Roth 2008). The value capturing of Better Place Denmark will be based upon a re-intermediation, coordinating both information as well as electricity

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flows. In this sense, the company would have a central role in unfolding the industry architecture (Mathews et al. 2009) moving from a nascent to a more mature phase.

![Fig. 3: The Design Platform for Value Capturing for Electric Vehicles in Denmark](image)

The EDISON project’s intention is also to move from a nascent to a more mature phase by creating a proprietary system of hardware and software in the infrastructure solution with intelligent battery charging stations. The value capturing is based upon the created de-facto standards the involved actors can benefit from in the further development of the local Danish as well as the global market of electric vehicles (Danske Energi 2008; Invest in Denmark 2008).

The three last models for value capturing are managed by manufacturers of electric Vehicles, where CityEl (Bertelsen 2007), Buddy (Henriksen 2008) and Mega eCity (Larsen 2009) act as traditional car manufacturers. They sell a ready to drive electric vehicle with a battery manufactured by an unspecified supplier. The value capturing is based upon the simple profit of the sold vehicles together with profitable inter-organisational cooperation with battery producers. Th!nk and Mercedes SmartCar also get batteries through inter-organisational cooperation with battery producers. However, these standard product producers create a value capturing similar to co-branding strategies. The car manufacturer creates a perception of high quality by using some of the most well-known experts in battery design and production because batteries are
recognised as the most important component in an electric vehicle. The last group of car producers have based their value capturing on intra-organisational cooperation and are all focused on the technical efficiency of the battery in the sense that they all seek to create vehicles with a big driving range. Tesla Motors has made the Tesla Roaders – today’s mass-produced electrical vehicle with the longest driving range (Djursing 2008). However, Tesla Motors consider themselves as a technology provider, so the product is a standard product that can be sold as sub-supplies as well. REVA and BYD are integrated products, REVA created a subsidiary REVA L-ion in order to create a car with a longer driving range (REVA 2009) and BYD was originally a battery producer with a unique battery technology they now seek to utilise through their new car factory (Gården 2008).

Which of the presented models for value capturing will be the winner of the future, remains to be resolved. However, Better Place Denmark comes out as a potential winner since it provides a total solution. In the future, Better Place Denmark as a system architect can, because of its open innovation business model, also join forces with specialists of standard products if they (Th!nk, Mercedes SmartCar and Tesla) let Better Place own their batteries and make their vehicles open for Better Place’s software. However, making Better Place enabled vehicles may be too costly. Another potential winner is EDISON’s Proprietary System; if they manage to create an efficient charging technology with a de-facto standardised interface which the integrated product specialists can hook up to. This could be the most technical efficient design platform and thereby will the electrical vehicle “.... industry architecture emerge on the basis of the interfaces defined by firms that initially happen to hold superior capabilities” (Jacobides et. al 2006).

Conclusion and Implications

The aim of this paper is to describe and analyse the emergent business models and corresponding value capturing capabilities in the emerging market for electric vehicles. For that reason we have developed a framework for understanding the principal strategies for business actors in emerging industries, which we have applied to the emergent electric vehicle market in Denmark. This framework has succeeded in illustrating four types of business models. The EDISON project (Danish DONG, Østkraft and Eurisco, German Siemens and American IBM) as a Proprietary System which seeks to create de-facto standards for charging the battery and managing the power grid. Better Place Denmark and the EDF/Renault alliance as an Open Innovation strategy to create a coherent infrastructure for electric vehicles, where EDF will act a consultant and Better Place Denmark as an intermediary controlling the central elements as charging stations and batteries. Manufacturers of vehicles without batteries such as French Renault, Norwegian Th!nk, and German Mercedes Smart Car and battery manufacturers such as American A123 and Japanese NEC wish to act as specialists in standard products. American Tesla Motors is also in consideration as battery supplier for the Mercedes Smart Car. Tesla Motors is an exception as they consider themselves a technology firm rather than a car manufacturer. Integrated Product specialists in vehicles and batteries that have entered or said they will enter the Danish markets are Chinese BYD, Indian REVA, German CityEl, French Mega e-City, and Norwegian Buddy. In other words, we succeed in outlining the emergent business models for electric vehicles in Denmark; even though this market is barely established yet.

Additionally, by outlining the design platform for value capturing for electric vehicles in Denmark, we have found some interesting perspectives on different futures once the industry moves from a nascent to a more mature phase. The first scenario is Better Place Denmark as the dominant system architect while they offer a coherent solution together with their partners (Danish DONG and French Renault/Nissan). The second scenario will be that Better Place Denmark joins forces with specialists of standard products (Th!nk, Mercedes SmartCar and Tesla), if they let Better Place Denmark control batteries and produce the vehicle’s software. The third scenario will be dominated by EDISON’s Proprietary System’s de-facto standardised interface connected to vehicles manufactured by the integrated product specialists (BYD, REVA, CityEl , Mega e-City, and Buddy) and/or the specialists of standard products (Th!nk, Mercedes SmartCar and Tesla).

It is clear that the local Danish design is populated with many global firms seeking the dream of being part of the promising electric vehicle market. Local market access is necessary, particularly in the early phases of developing electrical vehicles into a viable alternative. Global perspectives are decisive for
capitalising on the investments in this new electric vehicle manufacturing technology. Our findings are in line with these considerations, where we see that the system architecture tends to be developed on regional and national bases, since the power grid and the electricity supply management systems have a national – and even regional - heritage and tend to be bound by national/regional borders. All nations – and even regions in larger nations – have developed business systems in their own right. Nations with a strong wind power, such as Denmark, or similar sustainable power supply are thus eager to promote storage systems paving the way for further expansion of sustainable power supply systems. Therefore national power suppliers are strong stakeholders in the development of national system architectures for electrical traffic systems. As power storing users they constitute a strong force in the development of the system architecture. However, the innovation cycle of the electric vehicle system is still in a fluid phase, mainly because the battery capacity is still limited. The range of the electric vehicle without recharging batteries is still restricted. Therefore the business recipes developed still seem to be dominated by innovative perspectives that still seem to be regional – in support of city commuting systems and short range traffic systems. However, no doubt improvements in the battery technology will support cross border traffic perspectives over time and thus pave the way for cross national business development and put the dominant regional system architecture under pressure. Different perspectives seem to evolve from this. On the one hand, strategic alliances among power suppliers in Europe, eventually supported by the European Commission, may pave the way for cross border business models in which the Electric Mobility Operator takes a key role in a viable value capturing model supported by common charging standards. On the other hand, the international oil corporations operating across borders along the established highway systems may also take strong positions on the development of an integrated network of charging stations along the highways they serve today.

More research is needed in order to understand the models’ ability to depict the strategic behaviour of actors in the emergent market for electric vehicles. The models presented in this paper have the character of a causal model which needs to be further corroborated by data. So far, we have used secondary data to make a first overview of the industrial landscape, as already suggested by Denzin (2005). This could be supplemented with another analysis where possible lines of discussions and comparisons can follow either predictions based on classical strategic alliance theories and frameworks, or by adopting a historical perspective looking into industries that emerged in the past and are now mature. Also it will be needed to support and/or challenge the models with primary data. This is important for two reasons. First, it is important to test and further develop the robustness of the models as such. Secondly, when dealing with emergent business models and corresponding value capturing capabilities in the fluid phase of emerging markets, secondary data can be the only type of data suited for generating an overall scenario before it is too late when the “transitional phase” dominates while the rate of innovation slows down with respect to products and speeds up with respect to process innovation. In relation to the empirical issues, there is a call for research that discusses the local/global configuration of emergent industries, especially in relation to standardisation of the interfaces between the power grid and the charging station, between the charging station and the battery, and between battery and the vehicle. In a more longitudinal perspective it would be interesting to investigate especially the success of Better Place in Denmark and other countries with regards to their role as a re-intermediator, coordinating information as well as electricity flows focused on exchange facilitation and the re-configuration of distribution channels and on marketing alliances. Finally, since this is an industry in the making, we recommend that the current study will be followed by a follow-up study in a few years, matching the ideas with the actual developments by analysing why certain scenarios prevailed over others.

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