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Stakeholder Marketing: Beyond the 4 P's and the Customer

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CONFERENCE SUMMARY

STAKEHOLDER MARKETING: BEYOND THE 4 P'S AND THE CUSTOMER

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Abstract

There is an urgent need for new research that looks beyond customers as the target of marketing activities and firms as the primary intended beneficiary to understand the impact of marketing activities on a host of other actors. A consortium of leading scholars and practitioners was convened to discuss how adopting a stakeholder perspective gives birth to a host of interesting research questions that are relevant to the broader academic community.

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CONFERENCE OVERVIEW

Background

The Stakeholder Marketing Consortium, a collaborative project between the Aspen Institute's Business and Society Program and Boston University and supported by the Marketing Science Institute, is a forum for innovative research and collaboration among leading marketing scholars and practitioners. The consortium was designed to generate new research that looks beyond customers as the target of marketing activities and firms as the primary intended beneficiary. Consortium members consider long-standing marketing questions placed within a much broader context – re-examining the customer relationship – but also looking at the impacts of marketing activities on a host of other actors – i.e. employees, regulators, investors, and society-at-large.

Overall, the focus of the Consortium is to demonstrate by example that adopting a stakeholder perspective gives birth to a host of interesting research questions that are relevant to the broader academic community. The Consortium is envisioned as a multi-year endeavor that will generate and support new scholarship on these questions.

The Consortium's first, invitation-only, convening - Stakeholder Marketing: Beyond the 4P's and the Customer - was chaired by C.B. Bhattacharya at the Boston University School of Management, and was held at the Aspen Meadows Resort from September 14-15, 2007 in Aspen, Colorado.

About these Proceedings

The primary objective of the conference was to explore new frontiers of marketing by addressing issues of concerns to stakeholders including, but beyond those of customers. In keeping with this mission, rather than the traditional presentation format, the conference focused on five academic sessions; each session entailed a roundtable discussion with a four member panel taking the lead on

select research questions. The academic sessions were interspersed with perspectives from senior practitioners in organizations such as McKinsey, The Gap, Girl Scouts, Visa and Frito Lay. The session summaries that follow are thus focused on potentially fruitful areas for future research. Each session summary synthesizes themes from the discussion culminating in a brief set of research questions.

SESSION 1: NEW ROLE OF MARKETING

Session Panel: Rohit Deshpande (Harvard Business School), Ron Hill (Villanova School of Business), David Mick (University of Virginia), and Madhu Vishwanathan (University of Illinois at Urbana-Champaign)

Discussion Summary

Current thought in the marketing field tends to be firm-centric, with profit maximization as the primary objective; scant attention is devoted to the myriad social actors who affect and are affected by companies. However, the notion that there is a relationship between business and society suggests that both scholars and practitioners need to take a more holistic view of the impact of marketing. This session addressed issues arising in a world in which consumers and other constituents increasingly demand greater say in how companies operate. The discussion focused primarily on three themes, summarized below:

An evolving conceptualization of marketing. The current conceptualization of marketing was challenged and the impact of marketing on societal welfare was discussed. It was argued that marketing scholars and practitioners alike tend to maintain a firm-centric perspective at the expense of numerous other parties who are affected by marketing actions; these parties include but are not

limited to employees, investors, suppliers, and regulators. In other words, researchers need to consider more explicitly how marketing affects a firm's constituents from the perspective of these various actors rather than solely through the economic lens of firm performance. The panel suggested that one means to achieve this is through education of business school students. It was pointed out that ethics often receives inadequate attention as a topic of study in marketing programs, which is inhibiting the ability of managers to deal with the complex ethical and legal issues that are inherent in the multi-stakeholder approach to marketing. Given that ethics and wisdom can be learned, it was recommended that business schools devote greater effort to incorporating values, ethics, and leadership into marketing programs.

Interconnectedness of stakeholders. A contention of some participants was that much of the current thinking in stakeholder theory is still tied to the classic hub and spoke model where stakeholders are distinct and mutually exclusive. However, there is growing consensus that a firm's constituents are actually embedded in interconnected networks of relationships. Scholars need to account for this complex reality, recognizing that the actions of a firm and its constituents reverberate through these networks with direct and indirect effects on others. It was suggested that scholars apply theories and methodologies from other sciences (e.g., ecosystems theory) to better understand how networks of individuals and groups interact, especially in terms of their impact on society at large. This approach recognizes that stakeholders are connected through "porous boundaries" rather than residing in independent and mutually exclusive categories. However, it was also pointed out that much of the practitioner world has still not shifted from a purely profit maximizing perspective to a broader stakeholder view. Thus, it was recommended that researchers who wish to encourage executives to recognize the role of business in society to first recognize the importance of balancing the interests of the company's constituents.

Potential for conflict in values, needs, and desires. Panelists conveyed a clear desire for companies to act in the best interest of consumers. However, they also warned that companies attempting to

advocate in this way may inadvertently impose values on consumers. The danger of promoting this sort of parent-child approach is especially pertinent given the suspicion that the general population already maintains about the marketing profession; marketing is often characterized as promoting consumption at the expense of the greater good. Analogously, it was put forward that the values, needs, and desires of a firm's stakeholders may often conflict as well, presenting difficult trade-offs for managers. It was advised that managers take an "outside-in" rather than an "inside-out" perspective in approaching marketing challenges involving multiple stakeholder groups. In other words, the values, needs, and desires of all the firm's constituents should not be presumed based on those of marketers or of the objectives of the firm itself.

Questions for Future Research

- How should marketing be defined and conceptualized such that it reflects and inspires the realization that marketing is fundamentally a "social force" with moral responsibilities and the potential to influence the welfare of society?
- How should marketing education change to incorporate stakeholder marketing?
- What are the implications for marketing of recognizing that organizations are influenced by and have effects on a broad range of social actors beyond customers?
- How do marketing actions of an organization reverberate through a network of social actors?
- How can we capture the organic and dynamic nature of the interactions and influences of all of a company's social actors?
- Should companies or other actors attempt to change consumption habits of consumers because they appear to not be in the interest of the consumer?
- How should organizations balance the often competing interests of various stakeholders?

SESSION 2: NEW AUDIENCES

Session Panel: Peter Dacin (Queen’s University), John Lynch (Fuqua School of Business, Duke University), Punam Keller (Tuck School of Business at Dartmouth), Barbara Kahn (School of Business Administration, University of Miami)

Discussion Summary

This session examined whether and how marketing can provide insights in developing relationships between a company and its stakeholders. The session also examined the limits of current marketing thinking in developing these relationships. The discussion revealed that marketing theory has much to offer, but that the inherently complex stakeholder environment, where the needs of stakeholders are not always aligned, makes collaboration between a company and its stakeholders difficult to implement.

Managing stakeholders. It was argued that a stakeholder perspective of marketing is more expansive than research on the management of distribution channels would imply. The types and roles of social actors involved in delivering value to customers are broader than the intermediaries involved in distribution. For example, regulators greatly impact exchange between buyer and sellers, although they are not considered channel members. While many of these actors are considered by practitioners in decision making, developing an understanding of the complex stakeholder landscape may reveal actors who have considerable influence on a company’s ability to innovate and serve the marketplace. Furthermore, despite the common phrase that practitioners should try to “manage” stakeholders, it is still unclear how this can be done, and whether stakeholders can be managed at all.

Co-creating value. Recent advances in marketing point to the importance of the co-creation of value by buyers and sellers. Panelists brought up both the opportunities and potential pitfalls inherent in taking a consumer-centric approach. For example, assistive consumer technologies include features of

websites that help consumers find – and co-produce - products or services that best fit their needs. Despite the fact that current technology is fully capable of giving more control to the consumer, most assistive agents today take a transactional approach, attempting to steer consumers towards products that are advantageous only to the firm, which may be detrimental to long-term consumer welfare. On the other hand, panelists brought up the case of the health industry. Patients are now given unprecedented control in making healthcare decisions, in terms of diagnosis, treatment, and financing. However, there are many cases where patients make very poor decisions on their own behalf, raising the question of whether a customer can have too much control over the terms of exchange.

Applying tenets of marketing to other fields and disciplines. It was argued that societal well-being could be enhanced by applying the tenets of marketing to new fields and disciplines. For example, in order to improve the welfare of a company's employees, the human resources department can use a marketing perspective. Employee financial and health benefits can be targeted and tailored to the needs of individual employees. Then the return on investment of these efforts can be measured in terms of employee satisfaction, productivity, absenteeism, and employee retention. Overall, there may be numerous opportunities to effectively and efficiently disseminate marketing principles and theory to other fields and disciplines.

Questions for Future Research

- What are the limitations on the feasibility of strategies that attempt to “manage” stakeholders who interact in open macro social systems?
- What are the connections and relationships within and across stakeholder groups that influence the success of stakeholder marketing?
- Why do assistive technologies on the Internet that have little to offer consumers continue to galvanize significant investments by companies?
- Under what circumstances does giving control to consumers improve their personal welfare?

- When should regulators intervene if consumers are making sub-optimal decisions in the purchase of products or services?
- How can organizations leverage their marketing expertise to improve the welfare of all their constituents?

SESSION 3: NEW FORMS

Session Panel:

Paul Bloom (Duke University), Meme Drumwright (The University of Texas at Austin); Craig Smith (INSEAD); Aradhna Krishna (University of Michigan)

Discussion Summary

This session explored the conditions under which taking a stakeholder perspective provides benefits to companies, non-profit organizations, and society at large. The discussion revealed that the business case for being socially responsible is anything but settled, and that alliances between companies and non-profits can sometimes present dangers for both the non-profit organization and society at large.

Developing the business case for acting responsibly. There is still little clarity around the business case for engaging in corporate social responsibility initiatives. For example, it was proposed that mathematical modeling can help managers determine which product or brand should be linked to a social cause based on the incremental profits that such a sponsorship would yield. However, it was suggested that metrics not be limited to charitable giving, but that companies should consider the overall impact of their core operations on society as well. For example, a pharmaceutical company might consider how many lives their drugs save each year. Thus, the business case for acting

responsibly must still be bolstered, but it must be done so in a way that recognizes the responsibility to the full set of corporate constituents.

Understanding constituent skepticism. A great challenge for marketing is overcoming constituent skepticism, that is, assuring constituents that the company is genuinely interested in improving societal welfare. Although we now know that prior knowledge has an impact on stakeholder responses to socially responsible initiatives, there is still a fairly meager understanding of how consumers and other social actors interpret the actions of companies. For example, it was suggested by panel participants that individuals may view companies that introduce environmentally friendly products or practices as “jumping on the bandwagon” and therefore acting opportunistically as opposed to authentically. Furthermore, the perceived legitimacy of socially responsible actions by companies is often highly affected by non-governmental organizations and watchdog groups. There has been scant attention in the marketing literature on how these groups function and what effects they have on perceptions held by social actors.

Coping with the potential dangers of alliances. Panelists brought up the potential dangers of alliances between non-profit organizations and for-profit companies. Anecdotal evidence suggests that the increasing number of these alliances may be contributing to excessive competition between non-profit organizations for access to corporate resources. Non-profit organizations that provide vital functions from a societal standpoint (e.g., planned parenthood programs) could thereby be avoided by companies that view them as niche oriented, unpopular, or controversial compared to more mainstream causes. As a result, panelists warned that non-profits may eschew their core purpose and values in an attempt to accommodate the demands of companies. Finally, panelists mentioned that non-profit organizations are employing marketing approaches in their organizations in ways that may lead to sub-optimal outcomes in terms of their impact on societal well-being; many non-profits spend

disproportionate amounts of their resources on marketing efforts including fundraising and raising awareness, when these activities may actually run counter to their mission.

Questions for Future Research

- What are the relative merits and drawbacks to the company of adopting a stakeholder approach to marketing? To society at large?
- What models are available for understanding the business case for engaging in socially responsible behavior?
- Do a company's constituents attend to how a company's "core" operations impact societal welfare?
- When do cause-marketing or corporate contributions to charities create skepticism about corporate incentives?
- What types of attributions do constituents make about the motives of companies' actions? What are the antecedents and consequences of these attributions?
- Under what circumstances do CSR initiatives have positive/negative effects on nonprofits?
- Do alliances between company's and non-profit organizations impact the mission or objectives of either party?

SESSION 4: NEW METRICS

Session Panel:

Kay Lemon (Boston College), Priya Raghubir (University of California), John Roberts (London Business School), Russ Winer (New York University and Marketing Science Institute)

Discussion Summary

This session examined the metrics required to advance understanding of stakeholder marketing. The panel identified existing metrics that can be applied to this context and also called for new approaches and innovations in measurement in order to deal with the complexities inherent in the field.

Identifying appropriate measures. It was noted that there is a dearth of research on the overall impact of marketing actions on society. The panel discussed a broad set of metrics necessary to develop a more profound understanding of marketing's impact on society. Panelists suggested that financial performance is an integral part of these measures, but that additional metrics should be introduced to provide a more complete picture. It was submitted that companies should measure their impact on society in terms of the extent to which the quality of life of stakeholders is affected by the operations and programs of the company. These metrics can then be integrated with those of financial performance to determine whether such programs are sustainable over the long-term. Additionally, it was noted that the societal impacts of an organization's actions may not be observed directly but rather as a contribution to economic development in a region or in the health of an at risk population. Therefore, researchers need to recognize both the direct and indirect consequences of marketing.

Balancing objective functions of various constituents. Companies may have very different objectives than the social actors with whom they interact. For example, governments, employees, consumers all have goals which may or may not conflict with those of the company. Successful functioning of organizations is often dependent on balancing and reconciling differences between constituents. It was suggested that there are already existing means available to quantify the objective functions of individual constituents or groups of constituents (e.g., conjoint analysis); however, the more difficult task is to combine these objective functions into a more unified, cross-constituent system. This will require identifying trade-offs of benefits to various stakeholders and devising the means to weight benefits to constituents given those trade-offs so as to come up with a system wide objective function..

Ensuring that metrics are reliable and valid. Panelists stressed the importance of using reliable and valid measures in researching this complex area. One concern was that of causality. There continues to be ambiguity around the causal relationship between social endeavors and corporate financial performance. It was suggested that longitudinal studies, event studies, and other methods be utilized in order to examine this relationship. Additionally, it was proposed that valid measures need to account for short-term versus long-term objectives of the organization especially in relation to sustainability programs. For example, efforts at recalling toys with lead paint might be considered a short-term investment, while raising product safety standards would be a longer term goal.

Questions for Future Research

- What is the total impact of marketing actions on society and how do we calibrate their effects?
- To what extent do corporate social responsibility initiatives benefit society?
- What constitutes value for the various constituencies of an organization?
- When do the needs of various constituents conflict and how can organizations reconcile these differences effectively?
- Where should metrics information come from to ensure integrity and effectiveness?
- Does a short-term orientation of an organization influence an organization's commitment to sustainable business practices (both in terms of societal impact and overall relations with constituents)?

SESSION 5: NEW CHALLENGES

Session Panel: C.B. Bhattacharya (Boston University), Susan Fournier (Boston University), Jill Klein (INSEAD), Sankar Sen (Baruch College)

Discussion Summary

The panelists led a discussion on the principal means by which knowledge can be enriched and diffused into the mainstream of marketing research and practice. The session also highlighted hidden dangers that may inhibit attempts at inspiring others to adopt the broader stakeholder perspective.

Defining an emerging field. Participants stressed the importance of carefully defining the emerging field. It was recognized that ambiguity around what it means for a company to balance multiple stakeholder interests could ultimately lead to a failure of collective will in propelling efforts forward. Furthermore, there was concern that without a clearer definition of what the area entails, there is a danger that it will become untenable as a topic of research. Terminology was also highlighted as consequential to the approach of researchers and practitioners. For example, participants discussed the implications of labeling social endeavors as a “cost of doing business,” an “investment,” a “license to operate,” or other terms. It was suggested that a company’s contribution to social good be framed as an end in itself, rather than simply a means to enhancing financial performance.

Stimulating change by inspiring imitators. Participants conveyed a strong desire to stimulate change by inspiring imitators to adopt innovative ideas found in the broadened stakeholder perspective. The most effective means for achieving this were discussed for the areas of research, teaching, and practice. Participants contended that quality research is capable of driving the debate on business and society. Leading edge research by scholars and doctoral students is expected to be encouraged to the extent that resources are marshaled towards the area by top journals and leading organizations. Participants also called for teachers to encourage “enlightened leadership” through classroom experiences. It was noted that the current generation of students is highly receptive to coursework that considers the impact of business on all stakeholders, including society at large. Finally, it was contended that companies need to become more oriented towards the long-term. However, the clear desire on the part of conference attendees to diffuse these ideas was tempered with the realization that the business case for acting responsibly towards all stakeholders must be bolstered. The business case must be developed through a continued cooperation between researchers and practitioners.

Implementing change still a formidable challenge. Implementation of a broader perspective of marketing that acknowledges companies' innumerable stakeholders was characterized as a highly complex endeavor. It was contended that in order to be sustainable, a corporate orientation towards stakeholders must be borne out of, and closely aligned with, the corporate strategy rather than executed through ad hoc, promotional programs. Furthermore, it was suggested that there may be a process by which companies embrace the stakeholder orientation. Companies usually begin by recognizing the extrinsic rewards of financial performance, but over time, the motivation may shift to a more intrinsic one, reflecting the core values of the company and its managers.

Questions for Future Research

- Are there general frameworks for how companies can solve social problems through marketing?
- What are the most effective methods for developing enlightened leadership in the classroom?
- How can an orientation towards socially responsible behavior be diffused through the company to both internal and external constituents?
- What are the key metrics that businesses need in order to appreciate the business case for acting in socially responsible ways?
- What drives managers to consider the societal impact of marketing actions?

PRACTITIONER PERSPECTIVES

Bhaskar Chakravorti, McKinsey & Company

The speaker underscored the importance of working with multiple stakeholders in order to introduce innovative technologies. For example, hydrogen cars require substantial infrastructure (e.g., diffuse filling stations) before the technology can be sold to mainstream consumers. In order to realize the potential of revolutionary technologies, the benefits that the technology generates must be distributed

among all the parties involved. Successful innovators are thus, those who are able to orchestrate stakeholders within a complex set of constraints (e.g., the buy-in that apple got from various parties to successfully market iTunes).

John Elkins, Visa International

The reputation of Visa is quite strong; however the sustainability of its brand equity is increasingly dependent on the company's relationships with the many parties involved in credit card transactions. The speaker described efforts by the company to identify key stakeholders and educate them about the core operations of the company. Few of the company's constituents fully appreciate the fact that Visa operates as a co-brand; Visa cards are issued by a bank. Thus, attempts to build the company's reputation in the marketplace are complicated by the fact that the company must distinguish itself from its own stakeholder partners such as banks and retailers. The speaker described two areas where balancing stakeholder interests are particularly important to the company's performance. The first is cases of identity theft, where Visa must work closely with law enforcement, retailers, and banks in order to promptly and ethically take corrective action. The second is microlending, where the company is working with credit bureaus, governmental organizations, and consumers in developing countries to provide financial services to the "unbanked."

Pamela Forbus, Frito-Lay

As a division of Pepsico, Frito-Lay wants to become the best loved and respected portfolio of snack brands. The company manages a 22,000 person sales fleet, works with customers such as Wal-Mart and Kroger, and ultimately serves individuals who actually consume the products. In addition to these stakeholders, the company considers a number of other influencers. For example, health professionals, registered dieticians and physicians, health associations, and academicians are each capable of influencing consumer demand for its products. Frito-Lay is attempting to work with all of

the groups mentioned above in an effort to educate them about changes in the company's products that are intended to contribute to the health of consumers of Frito-Lay snacks.

Bonnie McEwan, Girl Scouts of America

As a not-for-profit organization, the Girl Scouts of America faces a great challenge in sustaining the long-term support of its varied stakeholders. The organization is national, but relies heavily on participation of girls, adult volunteers, and community leaders at the local level. The goal of the national organization is to help girls build character and skills for success, however, local chapters are quite autonomous in terms choosing and funding the activities that are provided to girl scouts. In order to continuously improve the experience for girl scouts, the organization needs to stimulate interest on the part of adults to organize activities, oversee fundraising efforts, and purchase Girl Scout products. The speaker emphasized the need for research on why people volunteer. Of particular importance is developing a greater understanding of how prior experiences with the organization may shape their desire to volunteer in the future.

Bobbi Silten, Gap Inc.

The speaker described how the "PRODUCT (RED)" campaign is managed to feed a virtuous cycle whereby collective benefits are produced for the community, employees, consumers, shareholders, and other stakeholders. The program involves multiple companies that each feature PRODUCT (RED)-branded products for which a portion of proceeds are donated to AIDS-related programs in Africa. These efforts have been successful because they simultaneously benefit numerous stakeholders; PRODUCT (RED) appeals to consumers' sense of desire and virtue, makes employees' jobs more satisfying, and provides jobs to workers in African countries where some of Gap's products are sourced. PRODUCT (RED) represents a new business model and one that leverages the entire Gap brand value chain to bring the concept and product to consumers.

Questions for Future Research

- How can managers identify and collaborate with key stakeholders who may help or hinder innovation?
- What are the additional ways of providing incentives to stakeholders without relying exclusively on monetary compensation?
- What are the most effective means for companies to enlist influential stakeholders (e.g., journalists, policy shapers, associations, consumer groups) to help educate consumers about corporate social responsibility activities?
- How can companies raise awareness of CSR programs in an authentic way that does not provoke consumer skepticism?
- Why do individuals volunteer? What benefits do they derive from volunteering?