

Philip Kotler and a Network Theory of Marketing: The Role of Corporate Citizens, Private Citizens and Customers

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I am supposed to represent Europe. That is more than half a billion people, twice as many as the US President represents. And we know he has some difficulties in pleasing everybody. Coming from Sweden and Northern Europe I can perhaps represent some of the thoughts that appear in what we call the Nordic School. Whatever I represent I hope it will touch some nerve for marketers irrespective of domicile.

When I grew up in Sweden during World War II, my image of America was formed by Hollywood and the *Reader's Digest*. In my circles, the best-known Americans were Charlie Chaplin, Donald Duck, Al Capone, and Louis Armstrong. Later the *Reader's Digest* was replaced by Philip Kotler's textbooks, *Marketing Management* in 1967 and *Marketing Decision Making: A Model Building Approach* a few years later. About the same time as these books came out, Hollywood successfully launched a movie called *Easy Rider*. Then I met Philip Kotler on tour in Europe and it was confirmed that Hollywood had offered me an accurate image of Americans (*Figure 1*).

(FIGURE 1 ABOUT HERE)

But how can I say what I want to say in fifteen minutes, about Phil, about marketing and about my perception of the future of marketing. I am reminded of the Ten Commandments from the Bible that are 100 words or so as compared to the European Union regulations on the imports and exports are ducks eggs, which are 30,000 words. Therefore, I will try to condense my thoughts just as the *Reader's Digest* condensed the classic novels.

In Europe, we are obsessed with age in a negative sense. When a tenured professor in Sweden became 65, he had to retire; it has now been extended to 67. I know you have a much better approach to this in the United States. Still, when a man becomes 75 it is easy to mistake him for history. I have hard facts that support a contrary conclusion. Winston Churchill took on his second term as Prime Minister of Britain at 77. The no. 1 guru in quality management, J.M. Juran, is now 101. Peter Drucker and John Kenneth Galbraith left us recently, both over 95. And Phil boasts a measly 75! I wonder: Has the young generation in the US no faith in the future? If longevity is in the genes as is claimed, and considering the fact that Phil's mother is 97 and alert, Phil is a man of the future who has only just started his career. His work so far is preliminaries; he has been building up for the decades to come.

That is great, because in that spirit my presentation can be about the future but still connect to the past. I think marketing is only in the beginning of its evolution. In absolute terms, huge achievements have been made; in relative terms most is left.

I will connect to Phil's work in two areas in particular. In generic terms, the areas concern *ethics* and *complexity*. In terms specific to marketing and business one area is *corporate citizenship and social responsibility*, and another is *network theory*. They are connected to one book, *Corporate Social Responsibility*, which Phil co-authored with Nancy Lee in 2005, and

one article, *Marketing in the Network Economy*, co-authored with Ravi Achrol in 1999. These two areas concern me deeply because I think they hold a future.

In line with Achrol's and Kotler's article, I endorse the idea of a network economy but I would like to supplement it with another concept, *value*, which is also clearly related to social responsibility. I call our times the *value-generating network economy* and when I say that I mean value for all stakeholders, all members of the network of society. Marketing specifically should support the customer's value-generating processes (Grönroos 2006).

Let me start with the first issue: ethics, social responsibility, and corporate citizenship.

Ethics, Social Responsibility and Corporate Citizenship

I am tired of the mantras that shareholder value and maximizing profits is the mission of business. I am fed up with the claim that the market, through competition, will solve everything, and that ethics can be taken care of by governments through legislation, more lawyers and more courts. If these were good guidelines, the best marketers in the world are found in organized crime. Organized crime is second to none on maximizing profits and increasing shareholder value. However, there is a missing gene. It is the ethical and moral gene, which tells you that you are part of a whole and not just an isolated ego; it is corporate citizenship and responsibility.

Even if ethics and social responsibility are part of marketing education, they usually do not constitute a major theme. But how are they entering marketing practice? I have found three types of behavior. First, do whatever you please until you are threatened by the courts, and then hire as many lawyers as you can find and try to get away with it. Second, use the opportunity to stand out as good; it is good public relations and it may boost your image. Neither of these two categories have any genuine understanding of social responsibility and corporate citizenship. For the third category, however, social responsibility is an integral part of corporate values and is treated as a vehicle to success. Most companies belong in group 2, many in group 1, and few in group 3. This is not satisfactory. A major question is: Who is a nation or a society meant for? Corporate citizens or private citizens? And who are they?

Corporate citizen is an abstract phenomenon. In terms of network theory the corporate citizen is a network of relationships with its own laws and a behavior that is not just the sum of all those involved in a corporation but something else. The dark side of it is that – in practice – no single person is clearly responsible; the corporation becomes anonymous. Responsibility is given to the system, to laws and regulations, and the owners are primarily other institutions, which in turn are anonymous. The informal and human side disappears.

400 years ago, Phil's revered author colleague Bill – William Shakespeare that is – in his play *As You Like It* wrote: "The whole world is a stage where all men and women are actors. They have their exits and entries, and the same people create many roles..."

Yes, we create many roles. Everybody is first a citizen, that is, a member of a nation with rights and obligations. Among our roles as private citizens are those of customer, employee, shareholder, parent, and friend. As we are in marketing, let's focus on the role of customer. It seems to be taking over the citizenship. From the simple four Ps with Product as goods or services, product becomes brands, experiences, dreams, and story-telling where interaction in networks of relationships becomes prominent. The P Promotion has gone from being

advertising, personal selling and merchandising to public relations, sponsoring, events, lobbying, politics, public opinion, education, interactive websites and text messaging. Our lives become embedded in marketing.

Phineas Barnum (1810-1891), who became a celebrity for making the circus Barnum & Bailey the world's greatest, had a clear idea about what worked: "I got the pulse of the public right in my pants pocket. They love to be fooled. There is a sucker born every minute." Barnum had plenty of survival instincts but no ethics. He was one of the first marketers. Is it better today? I doubt it. Barnum's statement is well in line with the customer buying the story and the relationship rather than the actual product. Is this value for the citizen in the role of consumer?

It is advocated that everybody is a customer these days. The customer concept has, for example, been transferred to citizens in their relationship with authorities and governments. And employees are called internal customers. Not least, Phil's application of marketing management to social services, museums, nations, and numerous other areas has broadened the use of customer-orientation to embrace citizenship. The boundary between the role of citizen and consumer is being erased. Marketing becomes part of everyday life. In its most extreme, consumption stands out as the meaning of life: I shop, therefore I am. Today's church is no church; it's a shopping mall or a website.

To advance marketing, we have to find out what value it is creating for society as well as for individual consumers and other stakeholders. We have to understand the complexity and ubiquity of marketing and its embeddedness in society. To do so, we need methods and techniques that can handle complexities, context, and change and embrace the whole picture, not just bits and pieces. The most advanced approach I have found so far is network theory.

Networks

General network theory tells us that we are all nodes in a network of relationships in which we interact. Some nodes are more influential than others and become hubs to which many connect. Individuals form clusters and some clusters become formal organization and corporations. Nothing can happen in one node or one relationship without affecting the whole network. Sometimes the influence is major, sometimes insignificant – but a paradox is there. The tipping point of a system – a nation, a corporation, or a science – may be a wee tiny detail, the straw that broke the camel's back. Network theory can help us sort this out.

In marketing, network theory has primarily attracted attention in business-to-business. It has been extended further like in the Achrol and Kotler article to embrace marketing in general. I would like to elaborate on such extensions because I think network theory holds the most advanced universal approach to marketing that we can currently come up with. I say so because I have found it to be the best universal approach to life in general. Having taken an interest in networks since the 1970s, it was only a couple years ago when I decided to write a book focused on networks in marketing that I went more deeply into it. From relationship marketing to CRM (Customer Relationship Management) and one-to-one marketing, I went to many-to-many marketing, or marketing as networks (Gummesson 2004).

A lot has been developed in social sciences on networks but to find the real source of inspiration I had, I thought, to cross borders into natural sciences. However, there were no borders to cross, no custom's check-points to pass, and no limitations in what you could take

in or out. Physicists, mathematicians and others turned out to be much more daring than social scientists, including researchers in marketing. They transcend boundaries. Natural scientists can show that atoms or galaxies or proteins in baker's yeast behave the same way as people in the supermarket or at a dinner party (you can start doing some action research tonight). Why shouldn't they? We are all part of the universe although we temporarily appear in different shapes and roles. Natural scientists do not shun complexity the way social scientists do. They do not rely on perceptual data and questionnaires. Imagine an astronomer working on a theory of outer space asking people what they think about the planets and the stars getting answers like "The full moon makes me feel romantic," "When I wish upon a star all my dreams come true," "When the moon hits your eye like big pizza pie, that's amore" and from those data generate a theory about the planets. President Kennedy's instruction "Put a man on the moon!" would never have become a reality based on that. The astronomer will not just look at a black box from the outside but rather look into the black box, or perhaps in this case a black hole.

According to physicist Mark Buchanan (2003, p. 6) "Networks that have grown up under different conditions to meet markedly different needs turn out to be almost identical in their architecture. Why? A new theoretical perspective is helping to answer this question and is enabling researchers in almost every area of science to begin tackling some of their most challenging and important problems." He concludes that the network perspective has come into its own: "Physicists have entered into a new stage of their science and have come to realize that physics is not only about physics anymore, about liquids, gases, electromagnetic fields, and physical stuff in all its forms. *At a deeper level, physics is really about organization – it is an exploration of the laws of pure form*" (p. 165, italics added). Physics professor Albert-László Barabási (2002) underscores the application to markets: "...understanding network effects becomes the key to survival in a rapidly evolving new economy" (p. 200) and "In reality, a market is nothing but a directed network" (p. 208). Some applications of natural sciences can be found in marketing but these are mainly used as metaphors, for example, product life cycles compared to human life cycles, and the dissemination of new products compared to epidemics.

Networks are everywhere in marketing. Let me focus on one technology, which is the major driver of change in society and marketing today. The new infrastructural network, the Internet, has conquered our lives as citizens and customers. When originally conceived it was limited to a couple of hundred academic and government users. It was built on the assumption that *you could trust all the users* as David Talbot of MIT's *Technology Review* points out in recent article (Talbot 2005/2006). With billions of actors and interactions, this trust is gone. Talbot quotes Internet onetime chief protocol architect David D. Clark who points to the Internet's dark side: its lack of built-in security. All Internet security is add-ons and patchwork like firewalls and virus protection; security is not part of the systems architecture. Therefore, it's a brittle system exposed to spam, viruses, phishing, adware, spyware, illegal file-sharing, botnets to hijack computers and start digital extortion of corporations; email becomes blackmail. A digital Pearl Harbor or 9-11 seems to be in the making. Sometimes the worst disasters are caused by slow, incremental processes that lead up to a sudden tipping-point. "People adjust," Clark notes. "The problem is assigning the correct degree of fear to distant elephants."

No doubt the Internet needs more than patching to be a value-creating contribution to society. The risk is that marketing is being patched in the same way; it needs a dramatically novel systems structure, a general or grand theory (Gummesson 2002)

If the Internet architects had known what was to come, the infrastructure would have looked different. According to Barabási (2002, p. 149) "... we find ourselves locked into a technology that adapts only with great difficulty to the booming diversity and demand imposed by the increasingly creative use of the Internet." Today, scientists ask themselves: What have we actually created? The Internet lives its own life and corroborates the character of a network: the whole is different from the sum of its parts, it is not controlled by anyone, and it is scale-free.

Not surprisingly, with its size, resources, and achievement culture, the US contributes greatly to the development of sciences. Nevertheless, small countries like the Nordic countries can make major contributions. Nokia and Ericsson are leaders in telephony and the citizens of the Nordic countries are among the top in Internet, broadband and cellphone coverage. Linus Torvalds of Finland has successfully implemented the open source code for interactive development of an operative system. The Linux system is based on interaction in networks of relationships where the issue itself – better Internet for a better society – is in the core and not maximum profits and shareholder value.

Network theory is an opportunity to lift our eyes and position marketing in a universal context. If marketing is God's creation, although some people doubt that, it should abide to the same laws as the universe.

Conclusion

My conclusion is that we are all part of a whole. Being a good citizen means both rights and obligations. If this citizen is a private person we expect that, but we should also expect it from the citizens who constitute corporations. They are not different people; they are the same people but in different roles. An increasingly dominating role is that of customer.

Ethics and networks are two crucial issues for marketing to address for the future. Network theory helps us to get to grips with complexities and see the context in which we all create our many shakespearean roles. It helps us to build more exhaustive and useful marketing theory.

The most important imprint scholars and educators – true gurus – can leave on their disciples is inspiration to go out there and break new ground. By that, I do not mean that they should go on and accumulate knowledge on previous knowledge. Science is only partially cumulative. There should be paradigm shifts and discontinuities that snatch away previous theoretical platforms in favor of new ones. But – and that is important – the new thinking would not have been possible without someone exploring a field and putting it on the map. Phil has laid a great foundation in exploring the richness and complexity of marketing. We have not reached the end in exploring this complexity just as the astronomer has not found the final answer to outer space and the universe.

An excellent professor is one who remains a student all his or her life. Phil, we all have great expectations for you and you would easily win the nomination as the student most likely to succeed. Through your perseverance, you are a role model for scholars in marketing and a sustaining source of inspiration.

I wonder what you will come up with next.

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