

Marius K. Lüdtke

A Theory of

Outline of a Social

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**A Theory of Marketing**

# GABLER EDITION WISSENSCHAFT

Marius K. Lüdicke

# **A Theory of Marketing**

Outline of a Social Systems Perspective

With a foreword by Prof. Dr. Markus Giesler

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## Foreword

Marketing rules. Its enormous role in business practice and theory provides pivotal evidence. Today small companies and global corporations, as much as individual social actors and entire countries are all expected to do marketing, to be market-oriented. Yet, despite endless practical and theoretical debates over the form and function of marketing, it remains rather unclear what marketing really is – and what it is not?

The academic discourse that seeks to define the concept of marketing and its societal and economic resonance is still ongoing. From the late 1940s until today theories of various color and stripe have formulated requirements for a comprehensive theory of marketing. Yet, although marketing research defines in great detail what marketers do or should do, the question on what truly distinguishes marketing from business strategy, sales, distribution, advertising or corporate communications has been largely unanswered.

During the last two decades, Niklas Luhmann's unique sociological theory has earned credentials as a "radical antihumanist, radical antiregional, and radical constructivistic" interpretation of society. In his work "Die Wirtschaft der Gesellschaft," for instance, Luhmann introduced an empirially consistent, comprehensive definition of the market economy as a social system that proliferates through payments using money as a medium of communication. How can such a lens be used to resolve some of the pressing theoretical issues marketing is currently facing?

In the present study, Marius Luedicke seeks to answer this question. Using Luhmannian social systems theory as a conceptual framework, and based on extensive historical evidence as well as several small-scale empirical studies, he first cautiously analyses the 20<sup>th</sup> century emergence of marketing and unpacks core obstacles of creating a wholistic understanding.

On these grounds, he introduces one possible outline of a social systems theory of marketing. Drawing on Luhmannian theory, Luedicke explores and develops the codes, programs, and fundamental communications that define marketing as a social system *sui generis*. The concept builds on the brand as the pressure point of all marketing activity and the existence of brand systems that develop through social communications about brands.

In summary, the work offers the reader a refreshing Luhmannian perspective on the marketing phenomenon and a consistent theoretical interpretation of some of the most relevant marketing issues to date. Luedicke addresses and resolves a wide range of highly relevant marketing issues that should play well in front of both practical and theoretical audiences.

## **Preface**

The present work evolved during my time at the University of St. Gallen (HSG), Switzerland, as a doctoral student and at the Schulich School of Business, Canada, as a visiting researcher. In this preface I would like to express my appreciation, thanks and gratitude to the great people that significantly supported my research.

First of all I thank Prof. Dr. Beat Schmid for giving me the opportunity to write a dissertation thesis at the Institute of Media and Communication Management at the University of St. Gallen. The school provided the greatest working environment a researcher can dream of.

I am especially grateful to Prof. Dr. Markus Giesler from the Schulich School of Business. His extensive advice, his kind invitation to Canada, his scholarly guidance and passion for academic research, his unlimited efforts in introducing me and my work to the North American community of marketing researchers and his friendship were of indescribable value.

Then I thank Prof. Dr. Dirk Baecker for introducing me to the right scholars at the right time. I also thank him and Prof. Dr. Kai-Uwe Hellmann for guiding my thoughts at crucial points of decisions with their extensive knowledge of Luhmannian theory.

I also acknowledge the following persons for greatly having inspired and supported my work in various ways: Eric Arnould, Claudia Bergmüller, Wolf-Christian Eickhoff, Eileen Fischer, David Holzer, Sidney Levy, Michael Pirson, Linda Price, Heiko Spitzbeck, Melanie Wallendorf and my dear family.

St. Gallen, January 19<sup>th</sup>, 2006

Marius K. Lüdicke

## Abstract

This dissertation rethinks one of the most exciting socio-economic phenomena of the emerging 21<sup>st</sup> century: the concept and reality of *marketing*. Since 1946, marketing scholars have been trying to capture the field with a comprehensive general theory as a consistent framework of analysis. This study advances this ongoing project by theorizing and defining marketing as a unique form of social system.

To conceptually and coherently define, situate, and legitimate marketing as an organizational function, research domain, and linguistic expression, the thesis chose Luhmannian social systems theory as the key conceptual framework. The approach enabled an inquiry into the reasons for society to develop and proliferate marketing systems and unveiled their basal operations, codes, programs, and structures. The study rigorously employed historical and hermeneutical content analysis as well as rhetorical methods. Data was derived from five sources; extensive literature research, an interview-study with 5 leading global companies, a content analysis of 500 marketing job descriptions, 51 consumer interviews, and a qualitative study on brand systems.

Findings unveil marketing as a social system that communicates through and about brands to influence observers' preferences on behalf of a host system. Preferences are ephemeral orders of desires that refer to observers' budgets of money, time, or attention. A brand is defined as a form in the medium of brands that is manifested in the dimensions of output, value, access, and marking. Brand systems are conceptualized as social systems that embed brand-related communications and enrich, for an observer, the brand with meaning. The primary code of all marketing systems is "preference/no preference towards a brand." A secondary constituting code of marketing systems is adopted from the particular host system, for instance, "payment/no payment" if the host is an economic organization or "truth/no truth" in a science context. The basal operation which marketing systems utilize to induce preferences is brand-related communication. It comprises communication through brands in the medium of money, and communication about brands in the medium of meaning. As budgets are spent, preferences are manifested, e.g., in payments for brands and acceptance of brand systems.

For the first time in marketing history, this thesis consistently defines the boundaries, codes, and basal operations of marketing systems, structures marketing theories in a coherent framework, and provides researchers with a macro-level mode of observation, the marketing systems analysis.

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## 1 Introduction

*“Marketing is everything and everything is marketing.” (McKenna 1991, p. 68)*

At the beginning of the 21<sup>st</sup> century, corporate marketing is contributing to the evolution of business societies more than ever. Global corporations satisfy, enchant, bore, and annoy societies with an overwhelming abundance of products, services, promises, life-styles, and trademarks. The world religions have lost the privilege of being the best-known social institutions as the Coca-Cola brand, now recognized by 89% of the world’s population (Businessweek 2004), has taken over that coveted title. The marketing departments of the corporate world inspire demands that exceed the basic needs of most people and create potential for more production, more consumption, more money, and higher average wealth. One key to this development is the branding of products, which allows marketers to both create and reduce the complexity of offers and the consumption of an unprecedented abundance of outputs.

Along with overwhelming societal success, the practically inescapable influence of marketing messages also cultivates an oppositional side, as citizens blame corporations for exploiting nature, labor, and human weaknesses. Recent reports on excessive use and misuse of human and natural resources, driven by excessive consumption within the smaller part of the world, inspired “social noise”<sup>1</sup> against global brands (Klein 1999) and corporations (Achbar, Abbott and Bakan 2003), and made some wish they could escape the ubiquitous markets (Kozinets 2002). Consequently, business schools around the world developed curricula and student initiatives to advertise and focus on the importance of social, economic, and environmental sustainability.

At this point in time, in which marketing is both beloved and blamed for its societal success, the ancient and abandoned theory of marketing project returns. Approached with novel conceptual means, it may elicit what marketing is, why it is so successful, how it can be stopped, and how it can be enhanced. By unveiling the social fabric of marketing, a general theory may also answer whether McKenna is right when he purports that “marketing is everything and everything is marketing” (see introductory quote).

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<sup>1</sup> In the following, we use “social noise” (Lüdicke 2005) to denote the quantity of communication about a particular topic at a certain time and a certain social realm. Social noise is neutral towards attitudes. It may comprise advertising, fandom, social protest, and other contributions even at the same time and the same social context. See also section 7.7.

The following chapters outline such a theory of marketing in an attempt to answer the questions above and many others. The novel conceptual means being used are the constructs of Luhmannian social systems theory (Luhmann 1995).

## 1.1 Overview

This dissertation documents an attempt to rethink one of the most exciting socio-economic phenomena of the emerging 21<sup>st</sup> century: the concept and reality of *marketing*. As marketing is a world of its own, which it takes at least a decade of reading and practice to travel across, it is important to mention what this thesis is not going to deliver. This study does not intend to rewrite any of the innumerable theories *in* marketing, nor is it a fast practical guide on how to sell more at lower costs. It is not a basis for another marketing hype, nor a suitable asset when opening a consulting agency. And, it is not another attempt to revitalize a long-forgotten 30-year-old business idea in the new costume of marketing.

Instead, the following text will open up a new perspective on marketing within a broad theoretical and historical context. Using salient concepts of marketing, such as brands, advertising, marketers, marketing mix, and marketing management, it will analyze the history of marketing and present classic requirements for a grand theory of marketing. On this basis, and using an alternative, systems-theoretical vocabulary, the work develops a conceptual framework to respond to the requirements. In summary, the thesis provides no more and no less than an outline of a sociologically informed theory of marketing.

The thesis argues as follows. First, it maps out the status quo of the theory of marketing project and presents what the essence of marketing is said to be in current theoretical lingo. Second, it offers arguments to explain why a theory of marketing has not yet emerged, why - to the best of this author's knowledge - not more than a handful of scholars continue to care about the grand theory project, and why it makes sense to develop a theory of marketing now, more than ever before. Third, it outlines existing approaches towards a theory of marketing, highlights attempts to organize marketing theories, and discusses further relevant theoretical applications of marketing. Fourth, it provides an introduction to European social systems theory. Fifth, and as the core part of this work, it develops a consistent set of concepts on the basis of marketing and social systems theories which combine to a comprehensive theory of marketing. The thesis is rounded out with a discussion of the implications for marketing, marketers, and marketing theorists and closes by eliciting key conclusions of the analysis.

## 1.2 What is Marketing?

*“Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders” (American Marketing Association 2004).*

Even though some marketing practices are as old as human trade, the marketing concept has its roots in the United States of America in the late 19<sup>th</sup> century. The social climate at the time was inspired by a strong economic upswing. Salesmen were perceived of as a “proud symbol of American commerce,” (Converse 1959, p. 2) and business barons like Morgan, Rockefeller, and Carnegie became the idols of an adventurous and upcoming market society (pp. 19-20). The washing machine, the refrigerator, and affordable motorized vehicles were introduced to the markets at this time, and, by using their dollars, the people democratically decided (“voted”) on product success or failure (Hotchkiss 1938). Around the same time, American farmers found themselves in the unfortunate situation of being taken advantage of by institutionalized distributors of agricultural products. As a consequence, farmers founded agricultural cooperatives that organized the distribution of goods across the American continent without the support of avaricious intermediaries. The problems of market distribution that emerged with this progressive movement were both the roots and the main focus of marketing research (Bubik 1996; Butler 1917; Carver 1917; Powell 1910; Shaw 1912). In this context, Powell (1910) was the first to use the term *marketing* in a scientific publication in the Quarterly Journal of Economics, where he describes the distribution of Californian fresh fruit to Eastern markets.

The years following World War I, up until Black Friday, Oct. 10<sup>th</sup>, 1929, were often characterized as the Golden Twenties (Bubik 1996) but also the “Merchandizing Era,” (Hotchkiss 1938, p. 241) and the “chain store decade” (Converse 1959, p. 37). Marketing was on the rise, and marketers were concerned with the complexities of national advertising campaigns, market research, sales management, and strategic product policy, whereas marketing researchers were developing and integrating the fundamental knowledge of marketing. In the decade from 1920 to 1930, 29 general marketing monographs were published that summarized the methodical body of marketing knowledge (Bartels 1988, p. 358f.). In the 1930s, leading institutions like the “American Marketing Association” (1937) and the “Journal of Marketing” (1936) were founded to organize and support the emerging marketing research and practice. By 1945, scholarly research had addressed many marketing issues that became trends at the close of the 20<sup>th</sup> century. Shaw (1912), for instance, called for

customer orientation in 1912, which then became a dominant topic in the 1960s, and Clark (1924) required the elimination of middlemen in 1924, which became en vogue again with the rise of digital disintermediation in the Internet economy. In addition, consumer resistance was of interest in the 1930s (Fisk 1967), as was the social responsibility of marketing action in the late 1960s (Fisk 1967; Lazer 1969). Both are on the rise and are of interest to contemporary marketing researchers, yet motivated by very different socio- and techno-cultural research agendas (Holt 2002; Klein 1999; Kozinets 2002; Kozinets and Handelman 2004).

After World War II, marketing scholars began to develop powerful marketing management concepts as well as market and behavioral theories that are still used today (Bubik 1996; Fullerton 1988). Well-known examples are McCarthy's *4 p's* (1964), Borden's *marketing mix* (1965), Fishbein's *measurement of mental attitudes* (1967), the Boston Consulting Group's *portfolio matrix* (ca. 1970), Porter's *5-forces* (1979) and the *SWOT analysis* (ca. 1978).<sup>2</sup> Kotler and Levy (1969a; 1969b; 1971) initiated an influential discussion about the focus of marketing with their publication "Broadening the Concept of Marketing" (Kotler and Levy 1969a) in the late 1960s. They suggested using marketing principles not only in a business context but also for non-profit organizations, a suggestion that was controversially perceived (Luck 1969). Around the same time, the first editions of "Marketing Management" (Kotler 1967, 2003b) and "Marketing" (Nieschlag, Dichtl and Hörschgen 2002 (19th Ed.); Nieschlag and Hörschgen 1969 (1st Ed.)) were published. These monographs summarize, distribute, and continuously update the accepted body of marketing knowledge until today.

The quest for a general theory of marketing was launched at the winter conference of the AMA in Pittsburgh in 1946. The goal of developing such a theory was to outline a framework for future research, and elaborate the essential nature of marketing, which had become highly complex and diverse since the 1930s. Since Alderson and Cox's initial publications (Alderson and Cox 1948) there have been many suggestions on how such a theory should be constructed. Unfortunately, most authors chose a cumulative approach to embrace the complexity and diversity of marketing tasks (Bartels 1968; Hunt 1983; Vaile 1949). As it currently stands, the marketing literature shows no record of a theory that explains what marketing actually is, rather than what marketing does (Alderson 1957; Alderson and Cox 1948; Bagozzi 1979; Bartels 1968; Bubik 1996; Howard 1965; Hunt 2002; Morgan 1996; Schwartz 1963). It seems as if Hunt (2003) is the lonely hunter, looking for such a theory of marketing, while everybody else has abandoned the quest.

In the age of globalization and digital networks, marketing paradigms quickly appear and vanish, and many valuable suggestions might go unnoticed in the depths of hundreds of

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<sup>2</sup> See Brown (1995a) and Bartels (1970, p. 70ff.) for a criticism of some of the concepts mentioned.

marketing publication outlets. Yet, there are exceptions. The value of customer relationship and its management came into focus (Fournier 1998) in the late 1990s and had a major impact on marketing thought and practice, especially as computer technologies provided a means of systematically monitoring customer interaction data. The 100-year-old brand concept came into fashion in the late 1980s and survived the 1990s' discussion of its own conceptual death (de Chernatony and Dall'Omo Reilly 1998; cf. Vargo 2004, p. 3). The one-to-one marketing trend (Peppers and Rodgers 1995) was introduced in 1995 and was soon after proven inefficient in many empirical cases (Brown 2003; Palmer and Ponsonby 2002).

Around 1995, the "postmodern condition" (Brown 1993, 1995a, b) gained momentum in marketing thought (Firat and Venkatesh 1995; Fuchs 2001). The presence of contradictory market behaviors and the rejection of the structured realist worldview supported the abandonment of the theory of marketing project. As all knowledge was seen as socially constructed, grand theories and strict positivist category building lost their value. Instead, the juxtaposition of diverse alternative constructs appeared and still appears more appropriate against this epistemological background.

What is marketing today? According to the AMA, contemporary marketing practice is concerned with "creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders" (American Marketing Association 2004). With this definition, the previous marketing concept was modified, altering the exchange of goods into the exchange of values, supporting financial goals of the firm into supporting the benefits of diverse stakeholders, and the management of individual exchanges into the management of enduring customer relationships. Empirical evidence of the success of what this definition understands as marketing is given by the sheer number of 680,000 registered trademarks in Germany in 2003 as opposed to 10,000 in 1895 (Hellmann 2003).

At the same time, the emergence of marketing-related journals documents the rise of marketing research. About 155 scholarly outlets have been launched since the *Journal of Marketing* was first issued in 1936.<sup>3</sup> Until 2003, researchers from approximately 283 marketing departments in North America and Europe published more than 200,000 papers in these journals to disseminate their research findings.

Along with the unprecedented growth of marketing practice and research within the highly mobile and interconnected parts of the Western world, resistance emerged (Handelman 1999; Klein 1999; Kozinets 2002; Lasn 2000). Leveraged by the wide reach and low costs of digitally mediated communications, consumer initiatives appeared which protested against

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<sup>3</sup> See section 2.1.1.

global corporations and their brands. This time, the social movement was much more influential than the early attempts in the American 1930s (Fisk 1967). Salient advocates of resistance still argue that brands, corporations, and marketing methods are inhuman, anemic, and ruthless, and violently oppose economic calculus as the dominant social principle of judgment. The same information and communication technologies that assist new products, marketing practices, disintermediation, and business structures, also facilitate the global recruitment of protest activists and cultural jammers. As conspiracy theories continue to appear, discussing the ubiquitous influence of marketing communications and scholars and practitioners in this field of business, and ethics call for an increased dialogue between the companies' social and economic stakeholders, rather than the use of hidden means of persuasion, the theory of marketing is challenged.

### 1.3 What is the Dilemma and Why Should it be Addressed?

Superficially, the marketing discipline is in a fortunate state. Marketing research is prospering. Wherever the eye wanders, it observes results of marketing activity, such as branded products, commercials, and sponsored social activity. Ultimately, Western citizens became as addicted to music players, fashion brands, or accessories as we did to our beloved vehicles of transportation. Behind this seemingly ideal world of marketing, critical observers examine the fit between theoretical foundations of marketing activity and the changing social phenomena under scrutiny, and unveil various conceptual and empirical inconsistencies.

The most prominent and pertinacious anchor of critique is the definition of *exchange* as the core concern of all marketing activity (Martin 1985). The concept, first advocated by Alderson (1965), proliferated by Bagozzi (1974; 1975; 1979), and subsequently adopted by the entire field, was one of the most influential agreements in marketing history. Before August 2004, exchange was explicitly included in the AMA definition of marketing. After the adjustment of the definition, however, this core concept survives implicitly in the process of “delivering of value to customers” and the management of the customer relationship (American Marketing Association 2004). Most contemporary marketing textbooks promote exchange as the fundamental core of marketing action and theory. Still, the consistency and usefulness of this core construct has been questioned frequently. With the broadening of the marketing concept towards non-profit activities (Kotler and Levy 1969a), conceptual problems, such as considering watching television or an anti-smoking campaign as exchange, stimulated further critics (Martin 1985). The equations “marketing is exchange” and “all exchanges are marketing” did not seem to function for academia. In the “anti-smoking campaign, what is exchanged and for what? Who is the consumer and of what? To ascribe exchange to these situations (...) distort(s) the meaning of ‘exchange’” (Foxall 1984, p. 36). Several authors began suggesting alternative core principles. Martin (1985), for instance, proposed “behavior” to be the core principle. Foxall (1984) offered “matching.” Kotler and

Levy (1969a, p. 57) proposed viewing marketing as “a universal process” rather than only exchange relationships. These suggestions have in common that they have been unsuccessful so far, both in the scientific community and in the field. In 1979, Bagozzi (1979) himself criticized that the exchange concept is still lacking a suitable definition.

Alongside the exchange discussion, the “dominant logic based on the exchange of ‘goods’” (Vargo 2004, p. 1) is questioned. Vargo and Lusch suggest an alternative, service-centered dominant logic of marketing. They argue that the discipline is developing towards service provisions of intangible resources, co-creation of value, and relationships rather than towards more economic exchange. In suggesting this, and inspiring vital scholarly discussions, they support Achrol and Kotler’s following observation: “The very nature of network organization, the kind of theories for its understanding, and the potential impact on the organization of consumption all suggest that a paradigm shift for marketing may not be far over the horizon.” (1999, p. 162).

Another long-running discussion revolves around the definition and scope of marketing. As Martin (1985) observes correctly, the domain of marketing research and practice differs from the definition of marketing. While marketing practice is concerned with creation, communication, and delivery of value and customer relationship management, marketing theory also scrutinizes phenomena in the social environment of the organizations. For practitioners, Porter (1986) defines marketing as an enhanced distribution function, Meffert (2000a) as an all-embracing leadership philosophy, Dubs and colleagues (2002), as the integrative function of the customer acquisition and relationships management, and Morgan (1996) as function, concept, and philosophy.<sup>4</sup> When considering the pages dedicated to brands in marketing textbooks, they play a surprisingly minor role, and are even completely ignored in marketing definitions. A mismatch of marketing theory and practice is empirically most salient on the job market. An ongoing analysis by this author of 500 offerings on European and North American online job platforms elicits how practitioners explicitly represent their understanding of marketing.<sup>5</sup> Job descriptions use the word marketing in the titles of sales jobs, advertising activities, and business development functions, but also for product, brand, and communications management and the full spectrum of managing the 4 p’s (McCarthy 1964). The analysis reveals that the practical use of the notion is diverse and unspecific. In addition, the most frequently used notions in these postings, such as *marketing materials*, *direct marketing*, or *telemarketing*, speak to a predominant understanding of

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<sup>4</sup> Theoretical confusion: Porter (1986, p. 62, 74) assigns marketing to the distribution function, a core process of his value chain. The management concept of the University of St. Gallen also allocates marketing to the core business processes but without mentioning it explicitly. Additionally, corporate communication is understood as a separate task within this model (Dubs et al. 2002, p. 82f.).

<sup>5</sup> Research subjects were platforms such as <http://www.monster.com> and <http://www.jobpilot.de>.



marketing as sales- and advertising function, rather than a business leadership or management function.

From a scholarly perspective, the scope of marketing was, for instance, defined with the “Three Dichotomies Model” (Hunt 1976b; 2002 #1). In his model, Hunt opens the marketing domain towards profit and non-profit, micro and macro, and positive and normative contributions. Even though the value and correctness of this model has been widely criticized (e.g. Arndt 1982), scholars have not yet presented a more suitable schema.

While the discussion on the scope of marketing goes on, complementary business concepts are developing. Theories on corporate social responsibility (Jacoby 1973), collaborative communication (Mohr, Fisher and Nevin 1996; Mohr and Nevin 1990), stakeholder management (Berman and Wicks 1999; Blair 1998), corporate communications (Murray 1976), communication management (Will 2000), or integrated marketing communications (Rossiter 1996) are successfully overtaking sections of the original scope of marketing. These concepts emerge from the boundaries between an empowered social environment and a business of growing complexity, filling a widening gap that Achrol and Kotler describe as follows: “It is likely we will experience power transfer to a more organized consumer. Such a consumer environment will exacerbate some latent conflicts between producers and consumers, and it will be marketing’s role to mediate these conflicts.” (1999, p. 162). However, marketing research did not adopt this new role. Instead, the above emerging concepts and methods theorized on societal dynamics on the basis of communication as the core process. Marketing theory, meanwhile, was largely constrained by the exchange paradigm.

Growing resistance among citizens against brands (Klein 1999) and corporations (Achbar et al. 2003) is emerging, inconsistent with the core goal of marketing: to create satisfied customers. Large parts of marketing theory purports that customers are to be treated like royals and enchanted with great products, but nonetheless, they are running violent attacks against brands, stores, and ruthless corporate behavior. In a postmodern, technologically connected society, incompatibilities between economic principles and societal, ecological, and ethical necessities are surfacing stronger than ever. While marketing departments aim at becoming more deeply immersed in customers’ perceptions, marketplaces, cultures, and societies and scholars are more and more concerned with the forms of consumer resistance, existing approaches to a theory of marketing seem to ignore destructive social noise.

The dominance of marketers in defining the meaning of brands is starting to fade with the uncontrollable evolution of brand-related social forms. Brand communities, for instance, that autonomously emerge around various brands, use branded products for proliferating social communication and creating new friendships. The meaning of a particular brand is negotiated in these social forms in a powerful, convincing social discourse that can only partly be

influenced by marketers. A predominant marketing concept that targets exchanges and customer relationships, theorizes that the relationships within the social environments of the organization are secondary rather than primary fields of interest.

Even though they appear to be of little interest for most marketing stakeholders, the dilemmas mentioned above produce social and economic costs for society, marketing practice, and marketing research. While some scholars lose faith in the overall contribution of the marketing discipline to scientific progress every now and again, marketing students struggle with a concept that poaches from other business disciplines and does not properly align its own theory and practice (cf. Palmer and Ponsonby 2002). While some companies successfully innovate with the use of rigorous marketing theories, others obtain little help when confronted with emerging social networks, resistance, postmodern consumption patterns, etc. that cannot be understood by means of classic marketing concepts.

As scholarly marketing research decomposes into distinct islands of knowledge, exceedingly producing self-referential rather than outside goal-oriented contributions, there is the danger that it may lose the understanding, respect and trust of sponsors and partners. Due to its inconsistent definition of subject and boundaries, the discipline's competitive advantage blurs. This process of disintegration and evolutionary randomness endangers the discipline's ongoing success in the competition for scarce financial resources. Ultimately, society itself opposes marketing and brands instead of attacking particular distributions of capital or inhuman business practices. In 1995, Brown summarized this state of affairs as a "mid-life crisis" and as an "air of doubt, directionlessness and despair" (1995a, p. 164) in marketing. He proclaimed that the "Marketing concept is deeply, perhaps irredeemably flawed, that its seemingly solid theoretical foundations are by no means secure and that the specialism is teetering on the brink of serious intellectual crisis" (p. 42). Wilson and Gilligan (1997, p. 25) summarized that there "has been an increasing recognition over the past few years that marketing is, or may be facing what is loosely referred to as a mid life crisis...due to the widespread concern that something is amiss" (cf. Bartels 1974; Palmer and Ponsonby 2002). The cure, scholars argue, may be found in accepting postmodern variety, but is certainly not expected to be triggered by yet another theory of marketing approach. The theory of marketing project, so the field apparently agrees, has ultimately failed.

On these grounds it remains to be answered why a social systems theory of marketing may be overcome these obstacles and why developing a theory of marketing makes sense despite the criticism. There are at least four reasons why a theory of marketing is needed more than ever, even though the field has long abandoned the quest.

First, the gap between the theoretical concepts of marketing, marketing research and the practice of marketing leads to inefficiencies of various kinds. Even if the complexity and disintegration of marketing research were not an issue, inconsistent marketing thinking,

organization, and practice does produce avoidable communication costs in the corporate realm. Defining marketing on the level of a grand theory may allow for more consistency in marketing thought, observation, communication, and organization.

Second, a theory of marketing as exchange or as an accumulation of theories does not allow for consistently analyzing the past, present and future status quo of the discipline. Instead, it opens itself up to *Guruism* and marketing books that proclaim random trends by summarizing innovative marketing practice. A good proportion of marketing research also uses the success stories of foremost practitioners for developing ex-post theory of how marketing should be done. However, often these theories ignore the property of creativity and that this success cannot simply be reproduced by followers. Hence, marketing theory appears to be doomed to follow practice (Meffert 2000b). In this context marketing is often seen as an art, and marketing research not always as a science (cf. Brown 1996). Starting with Carver (1917), Cherington (1921), and Butler (1917) marketing research has seldom left the road which follows marketers' ideas. A consistent conceptual framework of the entire discipline that describes and defines the fabric of marketing, its evolution and differentiation from other disciplines on a solid theoretical background would allow one to theorize on conditions and future developments with more rigor.

Third, while some marketers are concerned with bringing action against file sharers rather than being the first to make creative use of emerging digital sales channels, marketing is missing out on the opportunities for re-defining businesses. As some corporations are confronted with violent social protest, they communicate operational improvements in sweatshops rather than trying to understand the protest and translating it into communication and business opportunities. This is born out of the concept which sees marketing as a hidden persuader that pushes a message with the help of advertising and produces cultural artifacts while disguising the economic goal of making money (cf. Holt 2002). In fact, a better understanding of the social fabric of the marketing discipline would allow observers to see the power and limitations of marketing in contemporary societies as well as indicating chances for market differentiation. As most people work in profit-oriented companies and are educated enough to understand the social and economic purpose of advertising, the masking of brands (Holt 2002) might not even be necessary.

Fourth, the future of marketing research depends on many factors, but above all on its credibility and over-all social and economic usefulness. If marketing research dissects itself far enough that it then appears to stakeholders as a collection of special interest groups who create knowledge self-referentially and for themselves rather than for those who mandate it, it might endanger its access to financial resources. With internal competition for scarce financial resources as a given, no scientific or empirical discipline can afford to cultivate random growth over a longer period of time. A theory of marketing could re-sharpen the boundaries as well as the purpose of marketing and marketing research. It can help regain

distinctiveness and make marketing and marketing research more accessible again. A suitable theory of marketing may also provide arguments for the relationship between marketing, marketing research, art, and science.

Given these arguments, it is necessary to ask if a grand theory is necessary after so much has been said about the postmodern condition? This thesis argues that marketing cannot be understood on the level of action. This has been tried extensively and has not produced results that could solve the problems mentioned above (Alderson 1957; Alderson and Cox 1948; Bagozzi 1975; Bartels 1946, 1970; Howard 1965; Hunt 1976b, 2002). Only a second-order theoretical framework allows for novel insights into marketing per se while creating space for more distinct theories on the first-order level of observation. Radically rethinking empirical observations on a high level of abstraction and leaving the typical path of approaching marketing may lead away from conceptual dead-ends (cf. Kuhn 1996 [1962]). Even though some marketers might be afraid of setting boundaries that limit future growth, it is likely that a general theory of marketing will leverage marketing research.

#### **1.4 How Can these Challenges be Approached?**

In the course of marketing research and practice, scholars continuously adapted marketing definitions, resolved emerging inconsistencies, and realigned marketing theory with actual socio-economic developments. Updating or even completing the theory of marketing project, however, has not been one of the successful projects. The latest debate about general marketing and the postmodern condition in the early 1990s has been fruitful for the discipline (Bolz 2002; Brown 1993, 1995a, b; Firat, Dholakia and Venkatesh 1995; Firat and Venkatesh 1995; Giesler and Venkatesh 2005; Peter 1992). The resulting concept of postmodern marketing describes society as well as its marketing practices as fragmented, hyper-real, anti-modernist, and pluralist (e.g. Brown 1995a). Yet, for the general theory project, these descriptions did not provide useful advances. A theory of marketing, anticipated as being a social-constructivist representation of marketing theory and practice, cannot but see postmodern marketing as a description of the current condition of a system rather than an inquiry into fundamental characteristics.

Being aware of conceptual problems, scholars have been creative in suggesting reasons and solutions for the dilemmas mentioned above. Alderson, for instance, argued that "Marketing as a field of study does not rest comfortably under the label of applied economics." (1957, p. 302) and thus identified managerial and behavioral principles as more suitable for understanding marketing. Kotler and Levy suggested conceptualizing marketing not as exchange but as a "universal process" (1969a, p. 57) and argued that the "crux of marketing lies in a *general idea of exchange* rather than the narrower thesis of market transactions. Exchange involves two (or more) parties (...)" (Kotler and Levy 1969b, p. 57), but organizations, individuals, and groups also market brands non-reciprocally. Subsequently,

Martin suggested the “relationship” (1985) construct as a core paradigm instead of exchange and Foxall argued for “matching” (1984) as the true domain of marketing. Hunt recently suggested “Resource-Advantage Theory” (2002) as the most promising contribution to a general theory of marketing. The most recent contribution to a general marketing discussion was offered by Vargo and Lusch (2004). The scholars purport that a paradigm shift towards exchange services has already happened in praxi. Thus, adapting a services dominant logic of marketing is a logical and necessary contribution when closing the gap between theory, general theory, and practice.

These approaches have in common that they either lack complexity or struggle with over-complexity. General theory approaches to social phenomena such as the marketing discipline and marketing research seem to require more than a shift in the core principle or a new order of existing theories (cf. Hunt 2002). In some cases, the requirements towards a general theory of marketing reach as far as including all economic, sociological, psychological, anthropological and political knowledge that is used in marketing into one consistent framework (e.g. Bartels 1968). One must doubt that accumulating theories from every field of research that has been touched by marketing researchers would be a manageable or meaningful contribution. In addition, all approaches choose unsuitable levels of abstraction. The first level of observation, which is typically used and inquires about what marketing does, is not abstract enough for conceptualizing marketing.

Taking into account these experiences, this thesis takes a different, more radical approach. According to the Kuhnian pattern, radical theoretical leaps rejuvenate and challenge a field of science every once in a while, before and after the research continues within the accepted paradigm (Kuhn 1996 [1962]). Radical ways of rethinking existing theory at its very root typically start in the mind rather than in a set of data. Therefore, they are unlikely to emerge from an empirical testing project (Kubicek 1977). In this case, an alternative theory is the beginning, better explanations and thoughts on marketing phenomena are the intended effects, and different action and empirical research may be the results.

In summary, the salient obstacle of the theory of marketing project is its lack of form. Marketing is described with various constructs, such as means, method, philosophy, function, department, or discipline, all of which are neither inclusive enough to embrace all marketing phenomena nor exclusive enough to define an outside.

The approach towards these challenges is the following: This research gives the marketing discipline a new analytical form as it reframes marketing as a Luhmannian social system. It argues that marketing systems emerge as a functional subsystem of society where communication about and through brands is relevant for achieving the objectives of a brand owner. The logic of economic exchange is dismissed as being an unsuitable basal operation and as constraining the marketing scope. The AMA-definition of marketing is also dismissed

as too narrow. Some economic processes that are conceptually assigned to marketing but hardly to marketing practice are outsourced from the marketing map and put back into classic business theoretical frameworks. Instead, the brand takes center stage.

Unlike previous economic, sociological, and behavioral attempts, the character of marketing as a system is defined on the basis of marketing literature, several small-scale empirical inquiries and Luhmannian social systems theory as a key conceptual framework. Luhmann's unique rigorous sociological theory of society and its functional subsystems provides powerful concepts for analyzing the fabric of marketing systems and their social environments. Consistent definitions of codes, programs, structures, evolution, differentiation and basal operations are offered for understanding the two-fold economic logic of financial profits and the sociological logic of procreating social noise (see Lüdicke 2005). These theoretical definitions allow subsequent research for empirical testing and falsification.

### **1.5 What Shall be Expected of a Theory of Marketing and this Thesis?**

In the above, the status quo of the marketing discipline's self-reflection and the core dilemmas were outlined and the approach of this dissertation was adumbrated. This section delineates what shall be expected of a theory of marketing in general and this thesis in particular. Hence, requirements, objectives, limitations, and desirable outcomes of this project are discussed.

So that the results deserve the ambitious title and make a difference in the scientific community, there are developing requirements for a "theory of marketing", which have been an age-old concern of marketing research (see Alderson and Cox 1948; Arndt 1980; Bagozzi 1979; Bartels 1968; Hunt 1983; Vaile 1949). In 1946, Bartels argued that there "is no *one* theory of marketing but there may be many theories" (Bartels 1946, p. 70). Twenty-two years later, Bartels specified seven theories that combine to a general theory of marketing (Bartels 1968).<sup>6</sup> Thus, all subsequent studies conceptualized a potential theory of marketing as a combination of theories in marketing without asking for the reasons for the existence of the subject of analysis and without allowing for other theoretical forms. A prominent example is the cumulative approach of Hunt's "fundamental explanada" (1983). Hunt identifies four basic subject matters, fundamental explanada (FE), of exchange: "FE1: The behaviors of buyers directed on consummation exchanges, FE2: The behaviors of sellers directed on consummating exchanges, FE3: The institutional framework directed at consummating and/or facilitating exchange, and FE4: The consequences on society of the behaviors of buyers,

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<sup>6</sup> These theories are: theory of social initiative, theory of economic (market) separations, theory of market roles, expectations, interactions, theory of flows and systems, theory of behavior constraints, theory of social change and marketing evolution and theory of social control of marketing (Bartels 1968, p. 32ff.).

sellers and institutional framework” (Hunt 1983, p. 24). A general theory *of* marketing, Hunt argues, “would purport to explain all the behaviors of all four sets” (p. 24), whereas a theory *in* marketing would purport to explain one of the sets.

Over time, Hunt’s and other approaches to a theory of marketing were implicitly proven unsuccessful (cf. Backhaus 2000; Brown 1993; Bubik 1996). The idea of grouping countless emerging marketing theories into four to seven categories did not seem to appeal to the marketing community. A major obstacle of the presented approaches was that they appeared to create more complexity than they reduced.

For this reason, our project suggests not only a different form of a theory of marketing, but also a different set of requirements. We must reject Hunt’s, Bartels’, Bagozzi’s and others’ cumulative approaches, and aim at remaining consistent with Arndt’s (1980) call for a macro-theoretical perspective and Alderson’s (1948) quest for raising the analytical level above the “empirical art” (p. 148).

This thesis defines the requirements for a theory of marketing and thus the key research question of this study as follows:

A theory of marketing is a

coherent conceptual framework that

allows for a theoretically and empirically consistent description of marketing as a societal phenomenon,

considers all practical and theoretical interests that are associated with the marketing notion,

and provides conceptual means of observation and self-reflection.

In other words, a theory of marketing must explain, on a suitable level of abstraction, what marketing is and also why and how it successfully proliferates. Defined as such, the theory cannot but abstract from particular pricing, product development, advertising, and distribution practices when answering the fundamental question of the nature and scope of marketing that has been discussed in the field for more than six decades. In order to be of distinct value, the theory instead articulates explicit and implicit knowledge necessary to understanding marketing from a second-order perspective of observation.

The prediction of future values of dependent variables is often said to be a fundamental purpose of theory. A lack of exact laws and measurements in social sciences makes precise predictions in marketing unlikely. Still, the theory should allow for eliciting likely paths of the future development of the discipline on the basis of conceptual observation and extrapolation.

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Contemporary marketing research employs not only a great variety of interest but also of methods for scientific discovery. From netnography to multi-variant statistical analysis, and from observation to web-log mining, there are few methods that have not been used to advance marketing knowledge. This thesis requires a theory of marketing to describe what to observe but not how to observe it. It thus must remain indifferent to methods.

Like any other theory, a theory of marketing must conceptualize its respective empirical observations better than alternative theories. While theory falsification may be done with a single experiment in natural sciences, a conceptual social sciences theory can only be considered inferior if there is a better theory for explaining the same empirical phenomena (cf. Popper 1959).

There are several methodological limitations. First, Emory and Cooper understand research as “a systematic inquiry aimed at providing information to solve problems” (1991). First, a systematic inquiry is a piece of work, though, that rigorously follows commonly accepted scientific methods (cf. Glaser and Strauss 1967). This thesis employs rhetoric, historical analysis, and hermeneutics as methods, of which none comes with a rigorous process. Second, developing a general theory of marketing is expected to be an interest of an accomplished senior scholar. Being a doctoral candidate, the author has only several years of industry and research experience, as well as the entire marketing literature at his disposal. This, however, might also be interpreted as an advantage. The view of a younger scholar is naturally less influenced by what has been taught and believed for decades and less constricted by the own previous work. In sum, a doctoral candidate has less to lose than a senior researcher. Third, this description of a theory of marketing will be rather complex as the underlying social systems framework is also of great complexity. Understanding the fabric of Luhmannian social systems and logic of our argument takes some effort and is not readily comprehensible in an executive summary. Fourth, as the concept is radical and suggests some shifts in marketing that will not please every recipient, it is expected to inspire resistance. This resistance, however, is welcomed for testing the validity of the approach.



## 2 Theory

This chapter introduces the core concepts that are utilized for observing, criticizing, and readdressing the theory of marketing project. It begins with a detailed account of existing approaches to a theory of marketing, a section on theories in marketing to differentiate the two levels of observation, an outline of two models that contextualize marketing in business research, and a summary of branding theory. The section describes theories of, in, and with marketing as given and present in the current theoretical lingo without criticism.

Then, it outlines sociological contributions to a theory of marketing and various societal perspectives that were previously employed in marketing research. Subsequently, the section introduces the key conceptual framework of this study, Luhmannian social systems theory, and Luhmann's concept of the economic system. This section introduces the core notions of the subsequent analysis.

Throughout this thesis we understand *theory* with Emory and Cooper as a “set of interrelated concepts, definitions, and propositions that are advanced to explain and predict phenomena” (1991, p. 65).<sup>7</sup>

### 2.1 Marketing

A theory *of* marketing explains marketing. A theory *in* marketing explains phenomena that marketing is concerned with. A theory *with* marketing contains marketing when explaining something else. The purpose of this section is to subsume the state of the art and science surrounding these three perspectives. It unveils that, as it theoretically stands, everything can be marketing. But at the same time various phenomena that intuitively seem to be marketing tasks are missing on the map of the marketing discipline.

#### 2.1.1 Theory of Marketing

The quest for a theory of marketing, a project “to increase scientific understanding through [creating] a systematized structure capable of both explaining and predicting phenomena” (Hunt 1983, p. 10), was first formally addressed at the 1946 winter conference of the AMA in Pittsburg. The goal of developing such a theory was to outline the essential nature of marketing and create a framework for future research. In 1948, Alderson and Cox wrote: “It has become evident that if the difficulties raised by events in the areas of public and private policy as applied to marketing are to be solved, they must be put into a framework that

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<sup>7</sup> Whereas humans explicitly and implicitly use theories to cope with every day life to draw meaningful distinctions and to make decisions, a rigorous social science theory includes statements about why the propositions are correct (King, Keohane and Verba 1994, p. 19).

provides a much better perspective than is now given by the literature. (...) Only a sound theory of marketing can raise the analysis of such problems above the level of an empirical art and establish truly scientific criteria for setting up hypotheses and selecting the facts by means of which to test them.” (1948, p. 139).

There have been many suggestions on how such a theory should be constructed. Alderson and Cox demand, that a “comprehensive approach (...) would need to meet several tests: (1) It should give promise of serving the variety of needs that have created the current interest in marketing theory. (2) It should be able to draw in a comprehensive way upon the starting points for theory already available in the literature (...). (3) It should provide a consistent theoretical perspective for the study of all the major classes of significant entities in marketing” (Alderson and Cox 1948, p. 148). Vaile continues: “(...) it seems likely to me that such generalizations as are useful in marketing will continue to come, in the main, from economists, psychologists, and specialists in the several scientific disciplines more generally than from students of marketing per se, since the technical knowledge required for the sound formulation of generalizations on the several aspects of marketing is both so highly complicated and so specialized.” (1949, p 522).

A similarly cumulative approach was advocated by Bartels (1968) twenty years later. He suggests constructing a general theory of marketing as the sum of seven areas of research: theory of social initiative; theory of economic (market) separations; theory of market roles, expectations, interactions; theory of flows and systems; theory of behavior constraints; theory of social change and marketing evolution; and theory of social control of marketing. Two years later, he condenses these seven areas into five fields of interest: “1. Theory of marketing functions, 2. Theory of historical institutional evolution, 3. Theory of small versus large scale activity, 4. Theory of integration, and 5. Theory of specialization” (Bartels 1970, p. 73).

The succeeding approach was Hunt’s concept of the “fundamental explanada” (1983). He argued for a general theory of marketing to embrace four general theories in marketing: the behaviors of buyers directed at consummation exchanges; the behaviors of sellers directed at consummating exchanges; the institutional framework directed at consummating and/or facilitating exchange; the consequences of the behaviors of buyers, sellers and institutional framework on society (p. 24).

The appendix of this thesis includes a tabular overview of the most salient publications in the quest for a theory of marketing from 1910 until the present day. It unveils that even though marketing research extensively produced novel approaches, none of the suggestions was ever accepted, disseminated, and advanced as a theory of marketing.

From the early days of marketing research until now the fundamental subject matter, framework, and paradigm of the marketing discipline was “exchange” (American Marketing

Association 2004; Bagozzi 1979; Brown 1995a; Hunt 1983).<sup>8</sup> The scholarly discussion about a core process began with Bagozzi's article "Marketing as a behavioral system of exchange" (1974). In this publication, Bagozzi purports that marketing organizes all exchange relationships of the company with the market, including the giving and taking of goods, ideas, and emotions. This idea was broadly accepted, still is broadly accepted (Bagozzi 1979; Brown 1995a; Hunt 1983), and was also successful as a basis for uncountable theories in marketing (Roth and Gmür 2004).

Yet, exchange was not the only paradigm that was suggested over time. Marketing has gone through several discussions about its core set of practices (Kuhn 1996 [1962]). The initial paradigm of marketing was introduced by Butler in this paper "Marketing Methods" (1917) and continued by Bartels in "Marketing Principles" (1944). Driven by the market necessities in the early 20<sup>th</sup> century, these authors conceptualized marketing as a set of sales and distribution practices. More than a decade later, Alderson argued in "Marketing Behavior and Executive Action" (1957) that a behavioral paradigm would be more suitable for marketing research. Two frequently cited subsequent articles, "Marketing Myopia" (Levitt 1960) and "The Marketing Revolution" (Keith 1960), suggested focusing on customer-centered rather than product-centered practices in marketing, not on behavior. The later, influential article "A Generic Concept of Marketing" (Kotler 1972) resulted in a broadening of the marketing paradigm towards the non-profit sector (Kotler 1972; Kotler and Bliemel 2001). The marketing discipline entered the 21<sup>st</sup> century as an organizational function that sought to understand the particularities of exchange and consumer behavior in all kinds of organizations. Despite a growing number of shallow marketing recipes for the age of connected computing (e.g. Förster and Kreuz 2003; Kotler 2003a), several serious paradigmatic discussions were being led during the last decade, some of which are still ongoing. For instance, the impact of postmodernism on marketing (Brown 1995a; Firat et al. 1995), posthuman consumer culture (Giesler 2004), market(ing) emancipation (Holt 2002; Kozinets 2002; Kozinets and Handelman 2004; Lasn 2000), or the management of customer relationships are discussed for altering the paradigms of marketing (Fournier 1998; Palmer and Ponsonby 2002).

Due to the basal processes and paradigms, the American Marketing Association accepted the role of developing, adapting, and distributing an *official* definition of marketing. In the 1960s, the association defined marketing as the "performance of business activities that direct the flow of goods and services from producer to consumer or user" (from Alexander, Ralph S., Chairman, Marketing Definitions, A Glossary of Marketing Terms, Chicago, AMA 1960). In 1987, the definition was changed to marketing as "the process of planning and exacting the

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<sup>8</sup> The "early days" can be dated back to about 1886, when the brand *Maggi* was created as one of the first European product brands (Hellmann 2003, p. 11, 21).

conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy organizational objectives.” The latest definition was introduced in August 2004, conceptualizing marketing as “an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders” (American Marketing Association 2004). These definitions provided and still provide the few common denominators of a discipline that does not have durable integrative elements other than the 4 p’s (McCarthy 1964) and the marketing mix (Borden 1965).<sup>9</sup> Whenever marketing practice drifted away from the current AMA-definition, the scope of marketing was adapted. This way, the marketing scope could change from sheer delivery to reciprocal exchange to value creation and customer relationship management and thus inclosing the customer further into the marketing concept.

When it comes to defining marketing in a business context, definitions are rather heterogeneous. Porter (1986), for instance, understands marketing as an enhanced distribution function, Meffert (2000a) as an all-embracing leadership philosophy, Dubs and colleagues (2002), as the integrative function of the customer acquisition and relationships management, and Morgan (1996) as a function, concept, and philosophy (cf. Arndt 1980). The widening set of empirical marketing tasks, which include, among others, activities such as public relations, brand management (cf. Belz 2005; Tomczak and Brexendorf 2005), product management, marketing communications, customer relationship management, direct marketing, sales channel management, personal sales, and key account management in local, national, and global markets, implies an even broader concept of marketing.

The interest of the discipline in a general theory changed over time. Early marketing theory was dominated by finding general theories, but the interest declined. While in 1974 over 70% of 40 board members of renowned international marketing journals (Journal of Marketing and European Journal of Marketing) considered the development of a general theory of marketing worthwhile (Ryans and Spijker 1974, p. 196), the interest declined to 55% of the European scholars and 44% of the North American respondents until 1987 (Howard, Savins, Howell et al. 1991, p. 10). Ryans observes declining interest: “Recently, however, except for the extensive work consumer behavior, there seems to have been less attention focused on marketing theory” (1974, p. 193). In the subsequent study, Howard offers a reason for the abandonment of the quest: “Such a diffusion of energy [due to the segmentation of marketing research] could well spell a degree of specialization that would make the study of marketing theory *passé*.” (Howard et al. 1991, p. 15). In postmodern times, a general theory of marketing does not seem to be of interest for marketing scholars. Solely Hunt (2002; 2003)

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<sup>9</sup> See section 2.1.2.

and Meffert (2000b) were recently calling for a general theory as a cure for disintegration, confusion, and Guruism.

In summary, literature shows an absence of a “universally agreed core” (Brown 1995a, p. 39), a “consistent framework of analysis” (ibid.), or a “comprehensive (...) model for the marketing mechanism” (Baumol 1957, p. 417).<sup>10</sup> Even though there are uncountable concepts and theories *in* marketing that provide a tremendous treasure of valuable knowledge, the discipline is farther away from presenting a general theory *of* marketing than ever (Brown 1995a, p. 43ff.; Bubik 1996; Katsikeas 2003; Ryans and Spijker 1974). The existing approaches do not explain what marketing is but seek to summarize what marketing does, which is a growing realm (Bartels 1968; Bubik 1996; Morgan 1996; Schwartz 1963).<sup>11</sup> Hence, over time doubt arose that a theory of marketing will ever be developed as a stand-alone theory. The opinion that “marketing theory, when fully developed, will consist of numerous complementary theories of limited scope (...)” (Beckman, Davidson and Maynard 1967, p. 20), and that “there is no one theory of marketing, but there may be many theories” (Bartels 1970, p. 70ff.) has been manifested in many accepted publications and will probably not change if a radical innovation is not presented (Alderson 1957; Alderson and Cox 1948; Bagozzi 1979; Bartels 1968; Howard 1965; Hunt 2002; Schwartz 1963).

### 2.1.2 Theory in Marketing

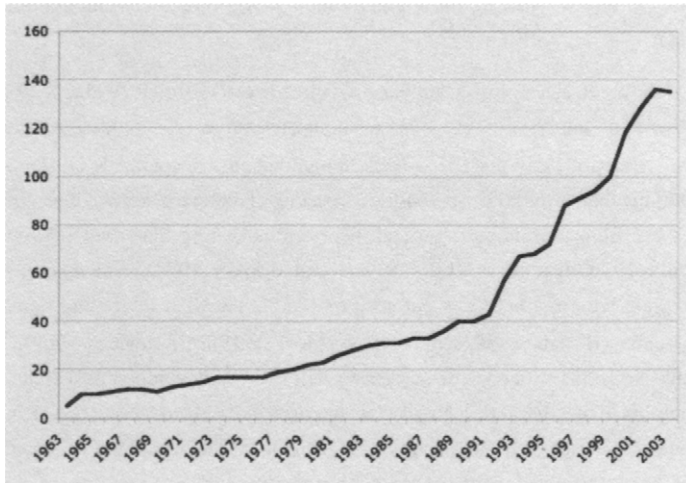
The growth and current breadth of the inventory of marketing theories is apparent in the number of scholarly publications. Since 1936, about 155 journals emerged in the field, which undoubtedly reflects a rapid growth of marketing research.<sup>12</sup> Until 2004, researchers from about 280 marketing departments in North America and Europe alone published more than 200,000 marketing-related articles.<sup>13</sup> The following figure illustrates the growth of the number of marketing journals since the *Journal of Marketing* was first issued.

<sup>10</sup> In 2002, about 100 years after the first theoretical approaches to marketing, Hunt (2002; 2003) is still in search for the “general theory of marketing”.

<sup>11</sup> There have been countless publications about marketing theory since 1946, but mainly the contributions mentioned above have been widely accepted as important and innovative approaches to marketing theory.

<sup>12</sup> The estimate number of journals is based on EBSCO Business Source Premiere-queries in March 2004, including journals with the term *marketing* in the title. Also included are the terms: communication, advertising, retail and sales. Twenty journals disappeared between 1996 and 2003.

<sup>13</sup> The number of marketing departments bases on a web directory that is maintained by Tilburg University (2004). The estimate number of journal articles derived from EBSCO Business Source Premiere-queries. Asian research is not included in these figures.



*Figure 1: Emergence of marketing related journals (1936-2004).*

Shaw's 1912 article was published in the *Quarterly Journal of Economics* long before the *Journal of Marketing* emerged (Shaw 1912).<sup>14</sup> With his monograph "Marketing Methods," Ralf Starr Butler (1917) was the first scholar to summarize conceptualizations of marketing practice. Yet not before well after World War II, some notable marketing concepts as well as market and behavioral theories were presented (Alderson and Cox 1948; Bartels 1944, 1946; Bubik 1996; Converse 1945; Fullerton 1988; Vaile 1949).<sup>15</sup>

Some of the early theories, concepts, models, and methods in marketing preoccupy marketing professionals and students until the present day. Among them are McCarthy's 4 p's (1964), Borden's marketing mix (1965), Fishbein's measurement of mental attitudes (1967), the Boston Consulting Group's portfolio matrix (ca. 1970), Porter's 5-forces (1979), and the SWOT Analysis (ca. 1978).<sup>16</sup> Kotler (1967) was the first to summarize these scholarly advances in marketing in a comprehensive handbook of marketing in the U.S.A. in 1967. In Germany, Nieschlag and Hörschgen's (1969) compendium "Einführung in die Absatzwirtschaft" was first published in 1969 and renamed "Marketing" in 1971. These and

<sup>14</sup> Their phrase: "The business man finds his practical task in searching out human wants and providing the means of gratification." (Shaw 1912, p. 706) could have been written yesterday.

<sup>15</sup> Earlier European authors (e.g. M. Luther, A. Smith or D. Defoe) have addressed sales and advertising issues from 1524 (Luther). Fullerton manages to relate even Columbus to marketing practice (Brown 1995a).

<sup>16</sup> See Brown (1995a) and Bartels (1970, p. 70ff.) for a criticism on some of the concepts mentioned.

other marketing monographs continuously aggregate, comment on, and distribute a core body of marketing knowledge (Kotler and Bliemel 2001; Nieschlag et al. 2002).<sup>17</sup>

As the discipline's fields of interest continued to diversify, Hunt introduced the "Three Dichotomies Model of Marketing" (Hunt 1976a) in an attempt to provide a conceptual map of the growing marketing research landscape. His categorization allowed for the assignment of marketing studies to eight fields of a matrix spanned by the three conceptual distinctions positive/normative, profit/non-profit and micro/macro. As a classificatory schema more than as a model, it allows for the domain of marketing research to unfold in a structured way. The first dichotomy differentiates whether the marketing research explains how marketing phenomena actually "are" (positive) or how they should be (normative). On the level of aggregation, macro topics, such as legal aspects of marketing or the impact of marketing on the economic development are distinguished from micro topics that include issues concerning the 4 p's or individual consumer behavior (Hunt 2002). Thirdly, Hunt identified differences in profit and not for profit marketing which address different questions due to the type of goods (private vs. public) an organization or other entity is concerned with.

Using this model, researchers and educators could consistently integrate emerging topics like environmental marketing (Holloway and Hancock 1968), social marketing (Kotler and Zaltman 1971), or the systems approach to marketing (Adler 1967) into the body of knowledge. The model was highly valued, often cited, and rewarded the Maynard Award of the Journal of Marketing. Yet it was also vigorously criticized, for instance, that all three dichotomies were useless or imprecise (see Arndt 1982). Hunt lists the fields of interest in the respective cells, but as he remains focused upon the 4 p's framework, he does not mention marketing's core symbolic medium, the brand, as a potential interest of marketing research.

Contemporary interests for theory construction in marketing are often incomparably distinct and specialized. With the rapid evolution of information and communication technologies, marketing and consumer culture experience unprecedented shifts, for instance in the distribution of information and power. As a consequence, marketing theory (re-)inquires high-tech marketing, customer relationship management, data mining, digital products' marketing, brand bashing, or consumer resistance in the light of emerging technologies. At the same time, subject areas such as "consumer behavior, producing, purchasing, sales management, product management, marketing communications, cooperative marketing, social marketing, the efficiency/productivity of marketing systems, marketing ethics, the role of marketing in economic development, packaging, channels of distribution, marketing research, societal issues in marketing, retailing, wholesaling, the social responsibility of

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<sup>17</sup> After the death of Nieschlag and co-author Dichtl the marketing series was continued by co-author Hörschgen.

marketing, international marketing, commodity marketing, and physical distribution" (Hunt 2002, p. 11) remain on the marketing research landscape allowing for an unprecedented variety and complexity within the discipline.

### 2.1.3 Theory with Marketing

Next to knowledge creation about and in marketing, the discipline is also conceptualized from outside within a larger business context. The salient business models understand marketing as a set of processes, an organizational function, and a part of the system of economic production (cf. de Chernatony and Dall'Olmo Reilly 1998; Graham 1993). This section scrutinizes the concept of marketing as explicated in Porter's "Value Chain" model (1998) and the European "St. Gallen management model" (Rüegg-Stürm 2005).

Porter's Value Chain models the activities a firm performs "to design, produce, market, deliver, and support its product" (1998, p. 36). The purpose of the model is to identify potentials for value creation and thus indicate sources for profit. The Generic Value Chain, which shall be valid for all businesses, displays the total value created, which consists of value activities plus margin (see Figure 1). A margin is "the difference between total value and the collective cost of performing the value activities" (p. 38).

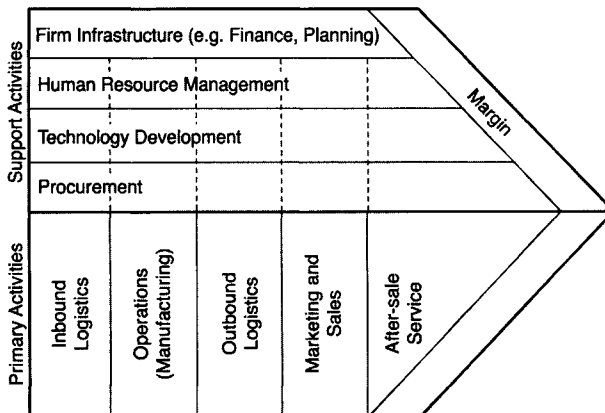


Figure 2: The "Value Chain" (Porter 1998)

How is marketing conceptualized in this framework? Porter subdivides the primary activities "marketing and sales" of the generic chain into Marketing Management, Advertising, Sales Force Administration, Sales Force Operations, Technical Literature, and Promotion (p. 47). Within the logic of marketing as exchange, Porter's positioning of marketing is clear and



undoubted. Yet in the early 20<sup>th</sup> century, marketing began to comprise various business functions, for instance branding and other forms of communication with the social environment of the organization which begin long before a product is designed, materials are purchased, and goods are distributed. These continuous processes of social interaction cannot be integrated within Porter's concept of marketing because they lie diagonally above the primary activities of the chain. As neither the branding task nor the communication activities of a firm find a suitable home in the "marketing and sales" box, we must question if this particular concept of marketing correctly models empirical reality and the state of marketing theory.

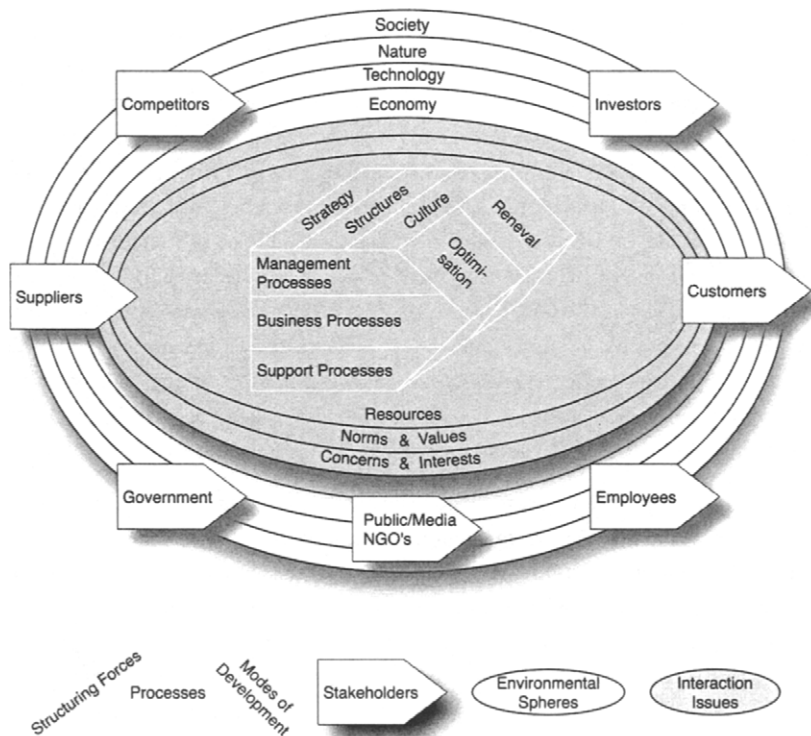


Figure 3: The "New St. Gallen Management Model" (Adapted from: Rüeegg-Stürm 2005).

In contrast to Porter's strategic management approach, the "new St. Gallen management model" (Dubs, Euler, Rüeegg-Stürm et al. 2004 (books I-V); Rüeegg-Stürm 2002; Rüeegg-Stürm 2005; Ulrich 1971) models the firm within a broader system-environment context. The model considers business, management, and support processes as well as environmental spheres, stakeholder groups, topics of interaction, organizational aspects, and modes of development

of the organization (see Figure 3). Drawing on social systems theory, the firm is conceptualized as a complex, dynamic system that interrelates with, and is dependent on various external and internal influences. The purpose of this model is to provide a comprehensive structure of the organizations for the integrated business education programs of the University of St. Gallen.

The core tasks of a business organization are identical with the processes of the Value Chain. Yet with processes such as innovation, production, customer acquisition, and customer retention it goes beyond Porter's generic model.

What is the role of marketing in this model? Marketing can be found in various places in the St. Gallen management model. First, activities such as customer processes (acquisition, retention, marketing mix, public relations), innovation processes (market pull, market push), market strategy, brand and reputation management, and segmentation are understood as core business processes, rather than unique marketing processes. Second, the "marketing concept" (Dubs et al. 2004, III, p. 115) includes market analysis, product strategy, segmentation, targeting, positioning, differentiation, marketing mix (the 4 p's) and marketing controlling (ibid.). Third, the model includes "communication management" as a key supportive process that is directed at influencing and convincing markets, public, and financial markets by means of communication (Dubs et al. 2004, IV, p. 119). This dissection of marketing tasks across various core and supportive processes provides a good example of the current state of the marketing discipline. Caught between social tasks such as branding and corporate communications and core economic tasks such as product design and pricing, marketing becomes an umbrella construct for various practices without a unique position in the firm.

In sum, the analysis of these business models unveils that the unique functional niche of marketing as an emerging business function in the age of branding, communication, and differentiation remains underdefined. Marketing, it seems, has not found its "Unique Selling Proposition." Contemporary companies and theorists rather understand the function as everything from advertising to product design to leadership philosophy but do not provide boundaries. Hence, in the concepts of strategic management, marketing is "stuck in the middle" between the chairs of design, sales, advertising, and communication, unaware of its unique processes. In the light of this situation, Brown, Gummesson, and Groonros accused the 4 p's framework of being "a conceptual strait-jacket which has served to misdirect both practitioners and academics" (Brown 1995a, p. 48).

## **2.2 Branding**

Marketing scholars and practitioners agree that brands play a central role in marketing. Therefore and because brands are a central construct of our theory of marketing, this section outlines the history and theory of brands.

Beginning in the 18<sup>th</sup> century as symbols for quality and heritage, brands have become ubiquitous socio-economic phenomena (Hellmann 2003; Riezebos, Kist and Kootstra 2003). At that time, manufacturers began to package their formerly loose goods and label them with company or product names. Merchants who had formerly attracted personally known customers with unique blends of products were confronted with competitors that produced and distributed anonymous but branded packaged goods. Branded products were soon advertised as superior and thus they were requested more and more by customers.<sup>18</sup> Among the first European manufacturers that produced and advertised branded goods were the Prozellan-Manufaktur Meissen (founded in 1710), Zwilling (founded in 1731), and Faber-Castell (founded in 1761). The German perfume manufacturer Farina, anno 1709, currently distributes its famous “Eau de Cologne” under the management of the fifth generation of heirs.

Towards the end of the 19<sup>th</sup> century and the peak of the industrial revolution and in the enactment of the legal construct “registered trademark”, brands like Coca Cola (anno 1886), Odol (anno 1893), and Maggi (anno 1886) emerged. In this period, merchants began to lose margins and market shares due to branded alternative products but also profited from larger markets through innovative distribution methods. After a period of abnegation during World War II, the rise of brands reignited in the 1950s. Popular products like Persil returned with advertising slogans like: “a great moment: back again” and continued the success story of branding.<sup>19</sup>

The registered trademark had strong effects on the economy of the late 19<sup>th</sup> century. In 1895 about 10,000 product brands were registered in Germany. In 2003, in contrast, the country’s trademark office counted more than 680,000 product and service brands (Hellmann 2003, pp. 11, 21). In the U.S.A., about three million trademarks have been filed and registered since 1885.<sup>20</sup> According to the Businessweek’s 2004 “Global Brand Scoreboard,” the financial asset value of the brand Coca Cola was estimated \$67,394 million, Microsoft was worth \$61,372 million, and Disney had a price tag of \$27,113 million. Typically, these numbers are calculated using variations of net present values. As brand equity imposes the economic logic of quantification, which is used for most effective resource allocation, onto an immaterial symbol. The brand also serves as symbolic link to social meaning, these measures are of arguable value.

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<sup>18</sup> This “ancient” strategy is now referred to as “market-pull” and is used to overcome the growing power of gate keeping supermarket chains by creating demand through advertising.

<sup>19</sup> Translated from German: “Ein grosser Augenblick! Endlich wieder” (Paul 2004).

<sup>20</sup> Source: United States Patent and Trademark Office, Annual Report 2004.

Because of their wide-ranging effects on emerging cultures, brands attracted considerable attention of marketing practitioners, consumers, communities, and researchers for more than a century (e.g. Aaker 1995; Aaker and Joachimsthaler 2000; Aaker 1997; de Chernatony 1997b; de Chernatony and Dall'Olmo Reilly 1998; Elliott and Wattanasuwan 1998; Eppler and Will 2001; Grassl 1999; Holt 2002, 2004; Shaw 1912; Tybout and Carpenter 2001). Brand researchers scrutinized individual-psychological (Aaker, Fournier and Brasel 2004; Tybout and Carpenter 2001), communal-sociological (Algesheimer, Dholakia and Herrmann 2005, Arnould and Thompson 2005; Hellmann 2003; McAlexander, Schouten and Koenig 2002; Muñiz and O'Guinn 2001; Thompson 2004), and economic-managerial (Aaker 1995; Aaker 1997; Leitch and Richardson 2003) aspects of brands. The social fabric of "brand systems" that emerge through communication about and through brands were analyzed by Giesler, Venkatesh (2005), and Lüdicke (2005; 2005).

Today, most theorists and practitioners define a brand as a "name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors" (American Marketing Association 1960, cited in de Chernatony and Dall'Olmo Reilly 1998, p. 419). The brand dimensions of value system, personality, equity, risk reducer, and image were also discussed in literature and included in alternative definitions (*ibid*).

From the wide inventory of findings in brand research, five macro-level characteristics of brands are of particular interest for our study: First, brands are established by differentiation (Riezebos et al. 2003). Their unique names, terms, signs, symbols, and designs are means to the end of recognition in a complex and abundant market (see AMA 1960-2004 Kotler 1997, 443; Tybout and Carpenter 2001).

Second, brands are attached to products as they are "a seller's promise to deliver a specific set of features, benefits, and services" (Kotler, Armstrong, Saunders et al. 1999, 443), but are typically conceptualized as distinct from products in literature. Yet, society often uses brands and products as synonyms in expressions such as "wearing brands" or "I only buy brands." As companies assign value to their trademarks, brands become products themselves once they find a prospective customer. Eventually, the legal ownership of a brand can be sold at the price of the brand's assumed equity (Aaker 1995; Grassl 1999).

Third, brands use and inspire the social creation of meaning in society. The symbols that brands employ, motivate observers to make and communicate social references, for instance to myths, values, societal feelings, or individual status (Baudrillard 1968; Holt 2004; McCracken 1986; Thompson 2004). As the meaning around brands inevitably attaches itself to the observers and their communications, brands have become almost impossible to escape in Western cultures (Holt 2002; Holt and Thompson 2004; Klein 1999; Kozinets 2002).

Fourth, brands serve as cultural resources (Lüdicke and Giesler 2005) for individual “identity projects” (Holt 2002) and community building among admirers of brands (McAlexander et al. 2002; Muñiz and O’Guinn 2001; Schouten and McAlexander 1995). As consumers establish social relationships based upon the joint use of branded products (McAlexander et al. 2002; Muñiz and O’Guinn 2001) they articulate and reproduce identities relative to accepting, rejecting, and altering brand meaning (Kates 2004; Thompson 2004).

Finally, some brands not only become powerful symbols for brand communities and etc. but also for protest movements. Anti-globalization and anti-brand movements target at both brands and corporations (Achbar et al. 2003; Klein 1999). Events like the annual “Burning Man” festival in Nevada, U.S.A., that first emerged as protest movements against social hegemony of brands or the Adbusters magazine institutionalized the opposition against brands. Burning Man, No Logo, Adbusters and other markings of protest became brands themselves as customers and mass media reproduced and distributed their labels and reproduced their ideas (Kozinets 2002).

In sum, these aspects illustrate the major impact of brands within many contemporary societies. Yet, despite the vast body of knowledge, brand theory remains inconsistent with the distinctions of products, logos, brands, claims, and social meaning and struggles with the unprecedented social evolution of technology-driven, postmodern consumption that appears paradox when looked at through these existing theoretical lenses (Brown 1993; Firat et al. 1995; Giesler and Venkatesh 2004). Drawing on concepts from postmodernism, Hold describes contemporary branding practices as ironic, paradox, unauthentic, and disingenuous (Holt 2002). In order to uphold socio-economic connectivity, he suggests understanding brands as “citizen artists” (p. 87) rather than postmodern hidden persuaders. We see the problem in theory rather than in practice. Due to the lack of distinction between economic and social dimensions of brands, which follow two completely different logics, theory is unable to distinguish economic success from the cultural impact of brands. Thus, in section 5.2.1 we dissolve this conceptual obstacle with the introduction of brand systems.

### 2.3 Sociology

Social systems have significantly inspired the grand societal theories of the 19<sup>th</sup> and 20<sup>th</sup> century (e.g. Baudrillard 1968; Durkheim [1893] 1933; Habermas 1984a; Luhmann 1995; Marx [1867] 1946; Parsons 1951; Parsons and Toby 1977; von Foerster 1979; Wiener [1948] 1961). Yet even though a number of scholars have extensively drawn on systems theories when analyzing the particularities of economic artifacts (e.g. Baudrillard 1968), marketing systems (e.g. Fisk 1967; Moyer 1967), economic systems (e.g. Luhmann 1988), brand systems (Giesler 2003; Lüdicke 2005), and some of their relations (e.g. Hellmann 2003), marketing theorists as well as sociologists remain reluctant to explore the value of social systems theory for the theory of marketing project (cf. Giesler and Venkatesh 2005).

This section summarizes the history and status quo of (social) systems thought in marketing. It begins with an overview of applications of systems theory in marketing since the 1960s. Then, it presents basic tenets and recent applications of grand sociological theories in marketing research. In section 2.3.3 and 2.3.3 it introduces the theoretical foundation of this project: Luhmann's social systems theory (Luhmann 1995, 1998). Finally, we discuss why this particular theory and no other was employed as a key conceptual framework.

### 2.3.1 The Social, Systems, and Marketing

Using social systems theory for solving marketing problems has a long-standing tradition. In 1967, for instance, Fisk tried to structure all marketing activities by introducing the marketing system as a set of marketing activities (1967). He notes that "a system is any set of interaction variables" (p. 12). Therein, a set is "a group of elements with common properties" (ibid.). "Marketing systems," he argued, separate two sets of problems: "(1) problems of stimulating demand by planning new products, by advertising and selling, and by pricing goods to attract customers and (2) problems of physical distribution to serve demand" (Fisk 1967, p. 10). Fisk's notion of the marketing system was as a solid attempt to structure a strongly diversified discipline, yet without embracing the particular advantages of social systems theory that were introduced, e.g., by Parsons (1951) fifteen years earlier.

In the same year, Adler presented an alternative systemic approach (1967). He argued that "whether we like it or not, marketing is, by definition, a system, if we accept Webster's definition of systems as 'an assemblage of objects united by some form of regular interaction or interdependence'" (Adler 1967, p. 105). As he refers to "mathematical and/or logical models to describe, quantify, and evaluate alternate marketing strategies" (ibid.) it becomes apparent that Adler's article is set in a mechanistic understanding of entities and relationships rather than in a social systems perspective.

Both of the above authors seem to ignore Halbert's earlier call for using sociology and behavioral sciences in marketing: "The concept of rational and nonrational behavior leads us naturally to consider the social and behavioral sciences as a source for marketing theory" (1965). Halbert strongly recommends integrating the social sciences into marketing for theory development, as behavioral "sciences have developed a group of techniques admirably suited for use in developing marketing theory." (p. 24). Identifying a great interest in the theory of marketing project, he concludes that an "exciting age in marketing theory" (p. 91) is still to come, yet without providing the reader with a concrete future perspective.

A great obstacle of this project is to overcome the conceptual legacy of a predominant understanding of the notion "marketing systems." Authors like Moriarty and Moran (1990) use marketing system synonymic with distribution channels and thus with a completely different meaning than our study. "Managing hybrid marketing systems" (ibid.) is, in their

context, optimization of the interrelations between online and offline ways of disseminating goods, under consideration of mediators, markets, and logistics. In the *Journal of Macromarketing* this understanding of marketing systems is also proliferated ubiquitously.

In addition to systems, the notion “social” is also used in marketing theory. Kotler and Zaltmann’s insightful article on “Social Marketing” (1971) might be one of the reasons why social systems thinking in marketing is still intuitively connected to social marketing. The goal of these authors was to broaden the concept of marketing towards the non-economic application of marketing knowledge. Social systems theory was not part of their agenda. However, the importance of society for marketing activities was reflected in their work as much as in Bartels et al’s definition of marketing as a “process in a society” (Marketing Staff of the Ohio State University 1965, p. 43).

In summary, systems theory and social marketing were of interest for the field, but not in combination. Social systems thought only recently made its way into marketing theory, when Giesler (2003) first employed Luhmannian social systems theory to conceptualize brand and protest systems. Yet even though Giesler’s notion of social systems in marketing provides a groundbreaking new prism for the discipline, it neglects the value of the social systems framework for understanding marketing itself from a second order level of observation.

### 2.3.2 Sociological Theory

Despite an apparent skepticism, grand sociological theories are en vogue in some areas of marketing research.<sup>21</sup> Especially in the field of (interpretive) consumer research, the contemporary social theories and philosophies of Foucault, Giddens, Goffman, Habermas, Parsons, and Bourdieu are widely in use as they allow for better observation, understanding, and the theoretical framing of the observations of complex social phenomena (cf. Belk, Ger and Askegaard 2003; Cherrier and Murray 2004; Holt 2002; Kozinets and Handelman 2004; Ozanne and Murray 1995; Thompson 2004). The basic tenets of Foucault’s, Baudrillard’s, Bourdieu’s and Parsons’ theories are outlined in this section. A brief discussion of their shortcomings provides reasons for using Luhmannian social systems theory as a key conceptual lens.

Foucault was, in his own words, interested in “the history of thought” (Martin 1988, p. 1) rather than in social relationships per se. Predominantly, he was concerned with the subject, with truth and with power relationships. In line with Habermas (1984a) Foucault used the analysis of discourses for unveiling freedom and oppression of the self, which he called archeology of knowledge. Using Foucaultian ideas of power and self, marketing could be

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<sup>21</sup> The skepticism is apparent in the small percentage of accepted conceptual work in academic marketing journals.

described as an ongoing discourse between economy, society, and individuals. It is also possible to think of it as a critical account of emerging power struggles between marketers, brands, consumers, and different ideologies for eliciting how or as the possibility of producers to manipulate customers in hegemonic ways. However, neither socio-critical perspectives nor discourse analysis provide a path to a theory of marketing. Both complexity and the level of observation are unsuitable for a description of marketing as discourses cannot elicit much of marketing's nature.

Baudrillard, instead, studies the meaning that surrounds objects and the consumption of signs, using the constructs "hyper-real," "simulacra," and "simulation" (1968; 1981; [1968] 1991). His ideas of differentiation of individuals through symbolic meaning are useful for supporting our theory in use rather than providing an entire framework of analysis. As society produces and consumes signs, Baudrillard's ideas support the distinction of brands and brand systems that will be introduced in section 5.2.1 below (Giesler 2003; Lüdicke 2005). Our brand systems concept differentiates the social functions of brands that Baudrillard (1972) depicts as "sign value" (e.g. brand communities, fandom, symbolic meaning of brands) alongside the economic functions of a brand that he conceptualizes as "use value" and "exchange value" (e.g. price, packaging, attributes, or distribution channel). Even though Baudrillard's perspective on the hyper-real society of simulacra is unsuitable for understanding the marketing discipline, it is good for understanding some of the consequences of brand-related communication from a different angle.

Bourdieu's constructs of social, cultural, and economic capital and the concept of *habitus* have proven useful for structuring various discourses in consumer culture theory (Bourdieu 1983; Erickson 1996; Kates 2001; Ozanne and Murray 1995). The analogies of investments, gains, and losses of capital are conceptually close to marketing as an economic function. Yet, theorizing on marketing topics through the theoretical lens of Bourdieu is meaningful as it manages to describe brands as cultural (Holt 2002; Lüdicke and Giesler 2005) or symbolic resources (Elliott and Wattanasuwan 1998) or the particular *habitus* of certain social groups. For understanding marketing itself, Bourdieu's individual-level constructs are not suitable.

Parsons' theory of social systems fulfills many requirements for a sound foundation of a theory of marketing (1951; 1971; 1977) as Parsons introduced several core notions to sociology that will be used in the following. Even though we use his concepts of symbolic media, functional differentiation, double contingency and the consubstantiality of organic and social systems, Parsons' functionalist, holistic theory of actions as basal elements of social reproduction does not go far enough for the purpose of our project. Parsons' schema of latent pattern maintenance, integration, goal-attainment, and adaptation (known as AGIL-schema) allows us to observe particular social systems and their integration into the whole system of society. With consumption styles that are characterized as paradox, fragmented, and hyper-real (see Baudrillard 1981; Brown 1993, 1995a; Firat and Venkatesh 1995), a theory of social



integration can no longer explain marketing reality. The marketing discipline with its observations and observers does not fit into Parsons theory of action, even though some parts of marketing could meaningfully be analyzed using the AGIL-prism.

The above discussion elicits how four salient sociological theories and philosophies observe, describe, and theorize social and individual realities of the 20<sup>th</sup> and early 21<sup>st</sup> century. The section unveils that these concepts allow for a better understanding of different phenomena in marketing as well as the creation of critical accounts of marketing effects on society, but do not provide suitable perspectives for understanding marketing itself from a broader social perspective. This conclusion is also valid for the other salient sociological and philosophical theories that were reviewed by this author (e.g. Berger and Luckmann 1966; Durkheim [1893] 1933; Giddens 1984; Habermas 1984b; Lévi-Strauss, Jacobson and Schoepf 1968; Marx 1885; Weber and Rheinstein 1966).

In sum, the foci of the above theories begin to explain why earlier attempts to theorize marketing by the means of sociological theory were unsuccessful. For the conceptualization of the entire discipline, a fundamental but not critical theoretical framework is needed that allows us to understand marketing while maintaining a suitable balance of complexity and abstraction from a suitable level of observation.

### 2.3.3 Social Systems Theory

*"The meaning of the emergence of systems lies in the confining of distinct areas that allow humans for coping with the overwhelming complexity of the world in specific ways. Thus, systems stabilize a difference between themselves and the environment."*  
(Willke 2000, p. 6).<sup>22</sup>

A theory of sufficient complexity and epistemological depth for understanding marketing as a societal reality on the boundaries of economy and society was presented by Luhmann as a theory of autopoietic social systems (1984; 1995).

Luhmann (1927-1998) was one of the foremost German sociologists of his time, a student of Parsons and a contemporary of Foucault, Baudrillard, Bourdieu, Latour, and Habermas. He published extensively in the German and English language. In 1969, Luhmann described his

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<sup>22</sup> Original: Es "ist der Sinn der Bildung von Systemen darin zu sehen, dass ausgegrenzte Bereiche geschaffen werden, die es ermöglichen, die menschliche Aufnahmekapazität überwältigende Komplexität der Welt in spezifischer Weise zu erfassen und zu verarbeiten. Systeme stabilisieren mithin eine Differenz zwischen sich und der Umwelt" (Willke 2000, p. 6).

life-project as: “theory of society; duration: 30 years; costs: none” (1998, p. 11). A first outline of this theory was introduced with “Soziale Systeme” (1984) in 1984 and published in Stanford under the title “Social Systems” (1995). Luhmann completed a series of inquiries concerning economic, religious, educational, jurisdictional, scientific, political, and art systems by publishing the grand oeuvre “Die Gesellschaft der Gesellschaft” (The Society of Society 1998). Therewith, his theory of society project was completed 29 years after taking office in Bielefeld, Germany, in the year of this death in 1998.

The initial question of Luhmann’s life project was how societies form and beget themselves despite the unlikelihood of successful communication among individual observers (Luhmann 1998, p. 190). If communication is conceptualized as a synthesis of three contingent selections -information, message, and understanding- successful communication is unlikely on all three levels (*ibid.*). Why would a specific piece of information impress another observer? How is a successful one selected from the unlimited number of possible forms of a message? Why would the other observer even bother to perceive or understand the message? These contingencies show the unmanageable complexity of successful communication. Yet, how come that society exists nonetheless?

With Parsons, Luhmann believed that all social systems, such as economy, law, science, politics, mass media, organizations, and intimate relationships have the same social structure, even though they use different media, forms, and codes of communication. If this similarity can be proven, Luhmann argues, social systems become comparable and their social fabric better understood. That sociology has failed to develop a consequential concept of their subject of study, the society, is due to several traditional “obstacles épistémologiques” (Bachelard cited in Luhmann 1998, p. 23), which have blurred the view of sociologists since Durkheim and Weber. Luhmann identifies and criticizes the following paradigms of sociological theory: (1) society is made of concrete humans; (2) society integrates through consensus among humans; (3) societies have regional or territorial boundaries; and (4) societies can be observed from an outside perspective. Disproving these core propositions is one anchor of Luhmannian theory. Another identified conceptual obstacle was the classic idea that society is principally insufficient. Sociologists, Luhmann argues, feel, until today, that they must employ “rational critique” to teach rather than understand its subject (1998, p. 24f.). As a consequence of these insights, Luhmann constructs a unique theory that he calls “radically anti-humanist, radically anti-regional, and radically constructivist” (p. 35).

The theory breaks with the above assumptions by introducing several core distinctions. First, it draws boundaries around the construct “society” suggesting what it is and what it excludes. Society is communication and nothing but communication. It does not live and it does not weigh as much as the sum of all people (Luhmann 1998, p. 26). Society distinguishes itself from its environments that comprise psychic systems (minds), organic systems (e.g. bodies), and machines. Thus, a human is understood as a complex amalgam of psychic and organic

systems, both of which are operationally closed, but not as an element of society. For social systems, humans are environment, even though their observations and communications are necessary for the proliferation of communication.

Second, social systems theory replaces the Cartesian dualism of mind/body with the distinction of system/environment. With this decision Luhmann gains the option for theorizing systems with principles of autopoiesis, operational closeness, and self-reference. Durkheim's and Weber's idea of societies striving for consensus led to attempts for finding core integrating mechanisms, such as morality or rationality, to maintain the coherence of society. Even Parsons was convinced that the integration of functionally differentiated subsystems is the underlying logic of the evolution of social systems. However, departing from a distinction of mind and body, from the integration of minds, and from societies made of humans and moving towards organic, psychic, and social systems that can be distinguished from their environments, opens up for a more coherent perspective on society. This perspective analyzes society in the form of an autopoietic social system.

Third, based on these fundamental distinctions as well as on current observations of "globalization," regional boundaries became meaningless when observing societies. According to Luhmann, the main mistake was to believe that researchers could describe society from the outside. Sociological theorists always claimed to maintain a critical distance to the subject of study (e.g. Habermas 1984a; Habermas 1984b). Yet, social systems theory cannot be written outside a society. A theory of society, if it wants to be complete and consistent, must include not only the subject under scrutiny but also itself as an observation of the subject.

In order to identify and describe the social form of society, Luhmann draws on several quite exotic theoretical sources (for an overview see Lee 2000). As neither objects nor humans are conceptualized as elements of society, Luhmann focuses on observation and distinction rather than people and behavior. The "laws of form" ([1969] 1999), a highly complex mathematical system that was developed by Spencer-Brown to overcome the flaws of existing math,<sup>23</sup> serves Luhmann to clearly conceptualize the system/environment distinction, the indication, and the form of re-entry (see Baecker 2001).<sup>24</sup> Scientific sources for legitimizing the

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<sup>23</sup> One example is the impossibility of dividing a number other than zero by zero.

<sup>24</sup> In the introduction of Spencer-Brown's book, the author purports that probably not many people but himself and his deceased brother ever understood their "laws of form." The following quote nicely illustrates Luhmann's decision to work with the Spencer-Brownian ideas, despite their apparent complexity: "Das Thema diese Buches ist, dass ein Universum zum Dasein gelangt, wenn ein Raum getrennt oder geteilt wird. Die Haut eines lebenden Organismus trennt die Aussenseite von der Innenseite. Das gleiche tut der Umfang des Kreises in einer Ebene. Indem wir unserer Darstellungsweise einer solchen Trennung nachspüren, können wir damit beginnen, die Formen, die der Sprachwissenschaft wie der mathematischen, physikalischen und biologischen Wissenschaft zugrunde liegen, mit einer Genauigkeit und in einem

biological and cognitive foundations and the social constructivist epistemology of the theory are Watzlawick (1981a), von Foerster (1979; 1981), and Glasersfeld (1981; 2003). In agreement with these authors, Luhmann accepts that there is no way to create knowledge other than drawing distinctions (e.g. Glasersfeld 2003; von Foerster 1979). Hence, all knowledge is seen as contingent construction rather than positive discovery (Bateson 1967; Luhmann 1995; Spencer-Brown [1969] 1999; Wiener [1948] 1961). Empirical findings in the field of psychology broadly support this idea. According to Glasersfeld (1981b), humans derive if-then-causalities from observations of the surrounding world which they use to react better towards future incidents and thereby heighten their probability of survival. This learning behavior presumes a belief in timely stability of the environment; otherwise learning would be obsolete in the first place. These self-constructed images of reality that emerge from observations, reasoning and the assumption of stability persist until other causalities or strategies are found that fit better to the actualized observations.<sup>25</sup>

Luhmann theorizes social systems as self-sufficient and ignorant. Even though they are structurally coupled with their environments,<sup>26</sup> social systems produce all elements they consist of themselves. Meaning, codes, programs, or symbolic media are created and brought forth by communication of the system within the system and about the environment, but never with the environment (Baecker 2001). The concepts of self-reference and autopoiesis are borrowed from the cognitive biologists Maturana and Varela (Maturana [1974] 1999; Maturana and Varela 1987; Varela 1979). They understand systems as distinct, operationally closed, and path depending.<sup>27</sup> Luhmann adds to their findings that not only living but also communicating systems continuously produce particular distinctions from their environment. Reckwitz (2004) calls this the dominance of the logic of boundary maintenance above the logic of frontier crossing.

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Umfang, die faszinierend unheimlich wirken, zu rekonstruieren, und können anfangen zu erkennen, wie die vertrauten Gesetze unsere eigenen Erfahrung unweigerlich aus dem ursprünglichen Akt der Trennung folgen. Der Akt selbst bleibt, wenn auch unbewusst, im Gedächtnis als unser erster Versuch verschiedene Dinge in einer Welt zu unterscheiden, in der anfänglich die Grenzen gezogen werden können, wo immer es uns beliebt. Auf dieser Stufe kann das Universum nicht unterschieden werden von der Art, wie wir es behandeln, und die Welt möge erscheinen wie zerrinnender Sand unter unseren Füßen." (Spencer-Brown [1969] 1999, p. xxxv).

<sup>25</sup> This has also been observed with ancient medication, that has proven to be biologically useless but highly effective within self-fulfilling *belief systems* (1859). The aspect of survival due to differentiation is elaborated in Darwin's thoughts on natural selection (see Glasersfeld 1981).

<sup>26</sup> Social systems need minds which need organisms which employ machines.

<sup>27</sup> The following excerpt may elicit why Maturana and Varela's findings became relevant for social systems theory: "A living system, due to its circular organization, is an inductive system and functions always in a predictive manner: what happened once will occur again. Its organization, (genetic and otherwise) is conservative and repeats only that which works. For this same reason living systems are historical systems; the relevance of a given conduct or mode of behavior is always determined in the past." (Maturana and Varela [1970] 1980, p. 27 of the online version).

These theoretical foundations demonstrate the epistemological and scientific depth of Luhmannian theory construction. The theory bases on the fundamental act of cognition -the distinction- on the fundamental act of social procreation -the communication- and the fundamental act of evolution -the autopoiesis. Such a complex theory design is unprecedented in sociological theory thus far.

On these fundaments, Luhmann constructs the core principles that unite all social systems. Luhmann assumes that systems exist and that they can be observed (1995, p. 12). Systems emerge as communication begins and continues (Luhmann 1998, p. 1138). With the use of their communications, systems proliferate distinctions between inside (system) and outside (environment). They observe themselves as distinct. The maintenance of these particular boundaries is the core and crucial objective of a system's reproduction. Due to the unmanageable complexity of an unmarked world (Spencer-Brown [1969] 1999), organisms, minds, and social systems emerge with specific capabilities and constraints. All systems evolve to encounter outside complexity with a lower, yet appropriate and manageable inner complexity and thereby structure a particular realm (see Luhmann 1995, p. 12ff.). Social systems use communications to do so. A profit-oriented organization within the economic system, for instance, organizes its system/environment distinction with the means of payments. This way it excludes all operations that are not doubled with a payment. This selection reduces inner complexity as opposed to the uncontrollable outside, which makes it possible for the organization to survive.<sup>28</sup> This self-limitation to a few valid operations is one of the core functional principles of Luhmannian systems theory and the reason why functionally distinct subsystems exist.

As the complexity of economic systems rose above manageability, the system innovated a symbolic medium: money. This medium allowed the economic system to create and handle more complex exchanges and payments and contributed to the rise and success of the system. Generally, Luhmann differentiates "dissemination media," such as books, mass media, or the Internet, from "symbolic generalized communication media" (Luhmann 1988, p. 68ff.; Parsons 1951; Parsons and Toby 1977). Symbolic media, such as meaning and language in society, money in the economic subsystem, or truth in science (Luhmann 1988, 1990, 2002), allow the system to engage in more complex communications. Media are successful as they radically reduce complexity to a simple, binary code. Selecting the one side of the code (e.g. payment) also reproduces the other side (no payment). The option of not paying, not communicating, or not creating truth is crucial as systems' communications would otherwise be meaningless and thus not existent. The payment operation of the economic system employs money as its medium that, due to common acceptance, assigns value to bank notes.

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<sup>28</sup> Due to this focus on payments, economic systems principally ignore pollution, injustice, or fraud.

The medium functions if and as long as all involved observers believe in its symbolic function (Luhmann 1988, p. 17f.). All functional subsystems that Luhmann analyzed use different basal communications and media. The political system, for instance, processes collectively binding decisions in the medium of power. The science system creates truth and untruth using written text as a medium, and education systems produce intellectual advances with the medium of marks.

Next, to describe Luhmannian social systems theory, the section explains the central concept of communication (1), the functions of meaning (2), the theory of evolution (3), and the construct of differentiation (4).

(1) As mentioned earlier, communication is the basal operation of social systems and - in contrast to Shannon's mathematical theory of communication (1948) - it is conceptualized as a limiting operation constituted by the recipient (Luhmann 1995, p. 15). Communication is genuine and self-sufficient. As collective consciousnesses among operationally closed psychic systems or complete understanding does not exist, communication becomes an operation *sui generis* and the basal entity of any social system. The first step to successful communication is a distinction drawn by an observer. An "observer" is any agent or system that is able to observe an environment. Typically, observers are human minds and organisms, but machines can also be observers. First, an observer creates information by selecting from the infinite number of possible observations (e.g. "sun is shining"). Information is a "difference that makes a difference" (Bateson 1981, p. 582) for an observer.

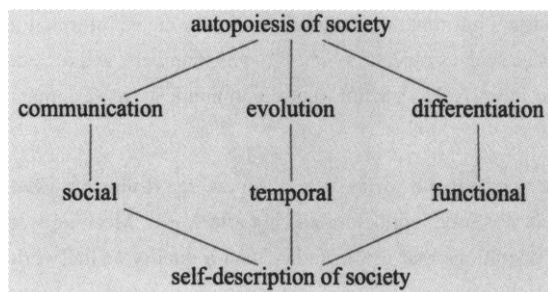
Then, the observer chooses an appropriate way to transfer this information (e.g. telling somebody), which is a message that has a particular form (e.g. an English language sentence). Communication is only constituted through the third step, namely through another observer's comprehension of the message as such (e.g. listening to the information). This way, successful communication intelligently governs three contingent selections: information, message, and understanding (Luhmann 1984, p. 194). Successful communication inspires further communications that connect to the preceding. This is only possible because communication is underspecified, which is the case in all systems except machines. Computers, for instance, exchange perfect information and do not need to continue communication after a code is transferred. If the second observer had nothing to answer to non-automated communication, any social system would cease, and there would be no society.<sup>29</sup> Thus, systems can only evolve in the presence of under-specification,

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<sup>29</sup> To make this clearer: Payments, as the form of communication within economic systems, always have further payments as a consequence. As soon as all observers of this system stop communication through payments, the system dissolves.

communication and connectivity. In sum, every communication is understood as a system, up to and including society as the inclusion of all possible contacts (Luhmann 2002).

(2) Other than living systems and machines, social systems are meaning-producing systems. Systems create meaning as they engage in autopoiesis in three separate dimensions (see Figure 4).



*Figure 4: Dimensions of autopoiesis and self-description of social systems (source: Luhmann 1998, p. 1138)*

The social, the temporal, and the functional dimension are conceptualized in Luhmannian theory through the elements of communication theory, theory of evolution, and theory of differentiation (Luhmann 1998, p. 1138).

Understanding these three dimensions is necessary to comprehend the self-referential and path-depending communications of social systems. The functional dimension is concerned with the distinction between the system and the environment, inside and outside, which is explained by the theory of functional differentiation of subsystems. In the temporal dimension, systems reproduce the distinction between past and future, before and after, which is theorized with the concepts of variation, selection, and re-stabilization in evolution theory (p. 473). The social dimension, lastly, differentiates Alter, as the observer that is associated with a message, from Ego, who understands the message as communication, an aspect which is conceptualized by communication theory (see above). Neither of these dimensions is imaginable without the other. All three are needed for the self-description of society.

Some further notes on meaning are necessary to differentiate the notion of Luhmann from the presumed conceptual legacy. Luhmann's concept of meaning bases on the following insights: Living systems create a specific system for their cells, such as the body, and thus maintain physical boundaries in space. Social systems accordingly observe their environments in order to distinguish themselves functionally. Thus, being forms with two sides, an inside and an outside, social systems self-referentially perceive and interpret outside-references (ibid., p. 45). In accordance with Spencer-Brown, Luhmann conceptualizes the reflection of these systems on their own functional distinctions as a "re-entry" of the distinction into the system.

That means, systems produces differences and observe them at the same time. As they can draw on infinite distinctions systems are originally unpredictable. It makes the functions of memorizing and oblivion necessary, that allow for manageable consistent selections, communications, and orientations (cf. Rudolph and Schweizer 2005). These functions are what Luhmann conceptualizes as meaning. He concludes that through this conceptual prism, the world (environment) is not a gigantic mechanism that determines systems' states but a potential for endless surprises and virtual information that need systems to create information and organize meaning. Thus, identities such as objects, symbols, signs, numbers, and etc., do not exist per se but are functions to recursively structure future communications (Luhmann 1998, p. 45ff.).

This leads to the insight that without meaning, no social system can emerge (Luhmann 1998, p. 44). Meaning exists in the moment it is used, not before and not afterwards. Meaning is to be understood as a product of the operations that use it, rather than a quality of the world itself as Plato described it. Crucial to this understanding is that meaning cannot be enduring neither can it be stored as it is in memory. Human memories rather use memory and meaning to reproduce structures that allow them to make selections and restrict options for future connectivity. According to Luhmann, it is a self-illusion of meaning-creating systems that enduring identities exist and that observers can rely on existing memory. Instead, all orientation is a momentary construction of continuously re-actualized distinctions (Luhmann 1998, p 45).

(3) Evolution is the theory of waiting for utilizable chances. Evolution occurs as the difference of system and environment is crossed through structural dependency (Luhmann 1998, p. 1138), which is the case when singular chances are used. The principal schema of evolution is variation (surprising communication), selection (its acceptance or rejection), and re-stabilization (dealing with the newly accepted/rejected distinction). Again, complexity (entropy) is the starting point of the theory of evolution in social systems theory. As social systems evolve, they create complexity, reduce complexity, differentiate within functional subsystems, create meaning, establish (symbolic) media, and dissolve. As a result of evolution, earth does not only have a higher biomass than ever before, but societies also comprise more communications (p. 416). The insight that social systems not only reduce complexity, but also create complexity in order to be able to react to outside irritations, is of specific relevance for understanding marketing. Baecker elaborates this notion by arguing that some business organizations reduce complexity until they become unable to react to irritations (Baecker 1999, p. 11f.).

(4) The concept of differentiation is concerned with the (functional) specialization of social systems. Three forms and levels of analysis exist which allow differentiation: interaction systems, organizations, functional systems, and society. Differentiation in general is necessary for obtaining cohesion under the condition of growth. Functional differentiation



happens in societies as subsystems overtake certain tasks. Luhmann determined, for instance, the particular characteristics of economy (1988), art (1996; 2000a), politics (2000b), education (2002), and science (1990) as functional subsystems of society. Within these subsystems, further subsystems evolve that reproduce their respective difference between themselves and their environments within the functional subsystem. Our marketing system is one of them.

Luhmann makes sure to clarify that differentiation does not mean decomposing a whole into its parts as suggested in the Cartesian logic (Luhmann 1998, p. 598). Rather every subsystem contains and reproduces the whole with its operations. Coordination is not necessary in any system except organizations. Organizations are of special interest for this thesis as they are the only systems that are able to communicate not only about, but also with their environments. Organizations proliferate their autopoiesis through decisions and the code of inclusion/exclusion. They are capable of synchronizing uncountable interactions on the basis of acceptance for decisions within a certain range (p. 837). Generally, organizations establish processes for absorbing insecurity. By transforming outside insecurity, e.g. about market development, competition, or economic situation, into system-internal securities in form of files and decisions, organizations can successfully perpetuate in unstable environments. Organizations do not have to be associated with the economic system. Organized social systems can be found in politics, in law, or schools, but are dependent on the option of exclusion and respective social environments. Important for economic organizations is their ability to create interruptions of interdependence. Due to these abilities, markets, for instance, have never been as transparent and complete as they were theorized. Companies rather created spaces that allowed for a healthy financial balance but not for equilibrium of the entire economic system. Finally, interactions are ephemeral trivial current systems of a different form than the other two system types. They emerge anywhere between observers, but are not of particular interest for this study (for more about theory of interaction and society see Luhmann 1998, p. 813ff.).

In summary, most sociological theories, including the grand theories and concepts of Foucault, Baudrillard, Bourdieu, Parsons, Weber and Durkheim, emphasize on certain instances, institutions, or problems of contemporary societies rather than on social forms. Luhmannian theory breaks with this tradition as it seeks to identify the core functional principles of all social systems, while ignoring frauds, repressions, unfairness and economic imbalances that they produced. This conceptual decision of Luhmann led to extensive criticism, especially from protagonists of the Frankfurt School. They argue, for instance, that Luhmann's theory is an anaemic, anti-human, technocratic, and rather mechanical analysis without a soul (see the documented discourse of Luhmann and Habermas in Habermas and Luhmann 1971). This is certainly true, but considering the theory's goals it is rather a strength. However, being critical cannot be the goal of the understanding of a theory of

society, neither of a theory of marketing. Describing the social form and core principles of the reproduction of these social systems is a necessary prerequisite for being able to criticize. Without understanding what marketing is, criticism is as random as many sociological observations. Without such a presumably anaemic analysis, passionate critical discourses lack a sound theoretical basis, are less effective, and will more likely miss their target. Using Luhmannian theory for understanding social systems inspires both creative and effective criticism rather than solidifying in the resignation that might occur with first reading Luhmannian theory. The core critical question will be, how to irritate a certain social system best, to make its communications turn in a direction that is favorable for a societal agenda without ignoring the main functional principles of the target.

#### **2.3.4 Economic Systems**

This outline of a social systems theory of marketing is incomprehensible without knowledge of the Luhmannian concept of economic systems. As this underlying theory approaches economic phenomena from a rather atypical perspective, the following section introduces its conceptual particularities.<sup>30</sup>

After periods of segmentary, center-versus-periphery, and stratificationary societal differentiations, Western societies are now said to be in a state of functional differentiation (Luhmann 1998, p. 613; Parsons and Toby 1977). Functional differentiated societies emerge and reproduce subsystems to communicate about particular social complexities with unique codes, programs, and structures. Each functional subsystem solves a specific social problem, for instance, a distribution problem, knowledge distribution, definition of justice, or scientific construction of truth. All functional systems are identical in using communication as their core *modus operandi* and in cultivating a particular concurrence of differentiation and equality. As they are operationally closed and distinct systems, each system has unique principles for constituting the unity against an environment (Luhmann 1988, p. 50f.). Differences emerge from alternative forms of communication or use of different symbolic media. Economic systems proliferate through payments in the medium of money.

The initial question of inquiries into functional subsystems is why a society developed a particular system and what the problem was that had to be solved? In the case of the economic system, Luhmann identifies a core concern of organizing present access to scarce goods while ensuring future supply (Luhmann 1988, p. 14, 64). The organization of allocation could have had many forms, but the predominant and socially most successful form that evolved uses payments, prices, and money. Money allows not only for functional, social,

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<sup>30</sup> The reader who is unfamiliar with Luhmannian theory and did not follow the argument from the beginning is advised to go back to section 2.3.3 as it introduces the fundamental properties of the theory.

and temporal generalization of exchanges and, thus, for a greater number of exchange options, but also ensures the self-referential proliferation of the system. Using the code payment/no payment for differentiating the system from its environment, all economic transactions are paralleled by factual or calculatory payments. That means, purchases, production, or sales are only considered processes of economic systems, if they induce costs, payments respectively. Due to its two-sided form, economic communications simultaneously recreate self-reference (payment) and outside references (e.g. fulfilled desires). Self-reference allows the operational closure of the economic system, as every communication of the system is either paralleled with a payment or does not belong to the system, whereas outside references ensure the structural coupling of the system with its environments (Luhmann 1988, p. 16).

#### 2.3.4.1 Payments and Money

Luhmann ascribed several particular systemic characteristics to payment as the core element of economic reproduction. Payments are temporal events that exist only in the very moment in which they are executed. For continuously reproducing economic systems, payments must follow payments, which is the principle of connectivity valid for all social systems. The economic system would dissolve if payments discontinue. Because of this general inherent instability the system developed ways of ensuring its autopoiesis. Autopoiesis describes the system's ability and necessity to produce all elements it consists of itself.<sup>31</sup> A salient mechanism of ensuring the autopoiesis of the economic system within a complex and instable environment is the medium of money. Each payment self-referentially requires and reproduces the symbolic value of money. As long as observers reconfirm this function of money with their payments, the system is recreated successfully.

#### 2.3.4.2 Price

Another mechanism which evolved within the economic system is the price. Prices are conceptualized as information for the communicative processes of economic systems. They inform about expected payments for scarce goods but have no memory. Prices do not comprise information on how many goods were sold, which prices were actually paid, and who bought what and for which purpose. This way, prices coordinate expectations about demand and supply while reducing the complexity of economic exchanges. For each observer, a particular price means the same and yet something different, which is an implementation of the general paradox of differentiation (Luhmann 1988, p. 110). Although

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<sup>31</sup> Analogue, the body creates its cells and the mind processes thoughts to recreate itself. Generally, there is no outside influence on autopoiesis, so that these systems are operationally closed. However, bodies need food, water, and light and minds need outside irritations to recreate. This is referred to as "structural coupling."

there is agreement on the quantitative height of a price, observers have different expectations on how a price will inspire observers. As prices are defined before payments are executed, observers cannot but define them on the basis of previous experiences. Prices themselves, however, operate without memory. The economic system does not remember who did not pay and what has not been bought.

Prices not only inspire but also refrain customers from buying goods. Hence, they allow for payments not to happen, offerings to be rejected, and prices to adapt. Prices are, according to Luhmann, predominant reasons for not purchasing, as they abstract from everything but themselves. This includes, for instance, who a prospective customer is, what social status one has, and how hard the money was earned. This way, prices de-discriminate buyers and not-buyers, but the observers' differing ability to pay also creates novel means for social stratification.

#### 2.3.4.3 Instability

The instability of the environments of economic systems deserves further consideration. As mentioned above, it is largely unknown to the system which goods will be bought next, what things will remain unsold, or if the trust in the medium of money will persist. To deal with this outside complexity and immanent risk, economic systems evolved with internal complexity and instabilities.<sup>32</sup> This understanding contradicts the contemporary belief that lean, clearly defined processes grant for organizational efficiency. The need for internal complexity results in interesting insights into the organization of organizations. Baecker, for instance, argues that by over-reducing complexity, organizations endanger their existence by restricting their ability to react to outside turbulences (1999). Organizations in the extremely dynamic economic system rather need certain degrees of freedom to react to unforeseen outside irritations.

Flexible prices are a salient systemic answer for outside complexity (erratic demand). By accepting price changes, a system can flexibly react to changes in demand. While economic systems before the 16<sup>th</sup> century preferred "fair prices" to profit maximization, the functional differentiation of political and economic systems led to more egoistic business behavior. Unfortunately, abdication of the social in favor of individual agendas largely leads to social unfairness through the extensive accumulation of money (Luhmann 1988, p. 25). This accumulation fuels the alienation of individuals from society. Not being able to accept one's society is a prime reason for many contemporary social problems (see *ibid*).

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<sup>32</sup> "Für die Systemtheorie ist es eine geläufige These, dass komplexe Systeme Instabilitäten schaffen müssen, um den Problemen Rechnung zu tragen, die sich aus der Erhaltung von geordneter Komplexität in einer noch komplexeren und weniger geordneten Umwelt ergeben" (Luhmann 1988, p. 23).

#### 2.3.4.4 Markets

Another construct which is crucial for understanding Luhmannian economic systems can be named: the market. Luhmann conceptualizes markets as internal environments for the participating systems of the economic system (Luhmann 1988, p. 94). Markets are neither media nor systems. They only allow companies to observe themselves in a kind of mirror without being able to see through to the other side, the buyer. From a systemic perspective, the environment of a social system is over-complex and intransparent so that customers, competitors, and society are invisible for the observers within the economic system. Companies observe themselves and their competitors in the market mirror by means of sales figures, market shares, and customer segments served. According to Luhmann, economic observers have no means for seeing and understanding their customers, as, in order to maintain their boundaries, economic systems must ignore everything but payments. This concept explains, why economic systems originally do not care about ecologic or social exploitation. As long as the pollution of a river does not create costs, it does not require the economic system to react. Once political systems began to emit certificates that assign prices to the consumption of ecological capital, companies reacted with their available means: they created markets and managed ecological expenses. This blindness of the economic system was an important anchor for the emergence of marketing systems.

The medium of money and its reproduction through payments are extraordinary successful because they abstract from everything but themselves and thus allow for more successful future communications. Money ignores customers' desires, producers' costs, or the source of money so that more payments can take place and all observers that have disposable money can participate. Thus, what is typically called the "market mechanism" is the powerful social creation of complexity and reduction that allows the economic system to create novel options of communication.

#### 2.3.4.5 Profit

Profit is made when the payment benefits the recipient, not the acquired good (Luhmann 1988, p. 55ff.). Payments allow for further payments of others, as money continuously changes owners. Profit, instead, enables the indirect extension of options of future payments by investing money. As the system accepts profits as a mechanism of self-control, it becomes independent from private motives, in which it differs from consumption. With profit, the system's autopoiesis reflexively refers to itself. It reacts on payments with payments. In systemic terms, the profit motive is not the accumulation of money but the operational closure of the system. Only if profits are used for future payments they become profits. This way, the system timely decouples from reciprocity.

### 2.3.4.6 Control

In contrast to Parsons, who believed that functionally differentiated subsystems converge to a common societal end, Luhmann argues for operational closeness, self-reference and autopoiesis. In the Luhmannian concept, society does not have a mastermind, or a master plan, or a hierarchical structure. Thus, no one system can coordinate or control others. All subsystems are autonomous, self-sufficient and autopoietic but also strongly dependent on one another. According to Luhmann, functional subsystems exclusively deal with the problems they create and address with internal means. The validity of this interpretation is supported by empirical evidences, such as the forms of money, prices and payments introduced above. Another example of self-reference is the economic system's reaction to inflation. To avoid the explosion of prices, economic systems create a price for money: interest. This reflexivity within the system is a good example for how systems react to internal and external complexity without being steered by a great external mechanism.

Besides, external adaptations appear if the system autopoietically develops in a direction that is considered unfavorable from the perspective of other systems, for instance, the political. By means of fiscal policy, monetary policy, taxes, or the constitution of regulatory institutions, other systems constrain the evolutionary options of economic systems. Yet, as systems always creatively react to outside references with internal means, they typically develop means of dealing with the outside irritation. These are, for instance, the utilization of tax loopholes or the circumvention of judicative regulations, through which one is systemically forced to neglect social ideas of moral, ethics, or sustainability (Luhmann 1988, p. 25).<sup>33</sup>

### 2.3.4.7 Competition and Conflict

From a systemic point of view, two core constructs of classic economic theory are theoretically outsourced into the environment of the system: competition and conflict. Competition according to Luhmann is not a conflict, not even a limited or regulated conflict, but a social order without social interaction (Luhmann 1988, p. 102). Participants of economic systems do not have to communicate with competitors to be successful (Luhmann 1988, p. 102). As competition allows the self-referential consideration of the impact of other participants' actions on the achievement of the subject's own goals, under the restriction of scarce resources, competition avoids conflicts rather than creating them. Thus, economic systems are fast in their reactions to outside changes, such as prices, interest rates, exchange rates, and etc. As they do not interact with their competitors, they operate with expectations

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<sup>33</sup> A new tax law cost the German government several billion Euros in 2000. The law allowed tax-free profits from selling company participations. Using this regulation, companies made tremendous extraordinary profits and thus withheld tax money from the citizens. Due to its programs, the economic system cannot but react this way.

on likely outside reactions. The market is the mirror for organizations to observe themselves and their competitors. When a competitor lowers a price, or a demand rises on the customer side, participants typically react peacefully and without interfering with the other's changes. This mechanism forces the economic participants to focus on professionalism and nothing but goals and functions. Observers learn by experience how other market participants react to outside changes.

#### 2.3.4.8 Balance

Observing the economy with the salient economic constructs of balance and distortion appears unsuitable from our systemic perspective. Through the prism of systems theory, economic systems are principally unstable in their continuous reproduction of payments. Defining stability as "normal state" of the system distorts the view on the systems core purpose of organizing complexity and reproducing distinctiveness. Surprisingly for classic economic theory, systems are defined as more stable if they are imbalanced. In the presence of over-supply or under-demand, scarcity clearly structures the systems and thus reduces insecurity. The medium of money and economic preferences are not concerned with balance and equality, they are rather ignorant towards these constructs of economic theory. Both money and preferences must be distributed unevenly for the economic system to function. Only this way, prices are acceptable for one and unacceptable for another observer. Equality and balance would be a deadly entropy for economic communication and thus endanger the connectivity of payments (Luhmann 1988, p. 112).<sup>34</sup>

#### 2.3.4.9 Critique

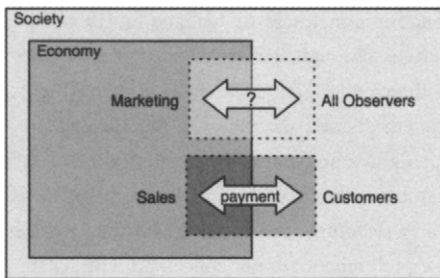
The Luhmannian concept of economic systems raises various questions, many of which were addressed by the author himself. It must be asked, for instance, if economic systems erode their environmental foundations of existence, or if the rise of a capitalistic social order commercializes cultures and leads (back) to the exploitation of labor. The French Revolution seems to have been ignited by the success of economic systems (Luhmann 1988, p. 36), but the success of the system does not necessarily lead to the success of the society. The economic system's reproduction does not depend on individual happiness or social justice. Luhmann concludes that in order to not destroy its physical and social foundations, economic systems must begin to consider environmental concerns. In the last consequence of the theory, this is only possible by converting external effects into payments. This way, they become visible for the economic system. Our theory will extend this thought by introducing

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<sup>34</sup> Socialist economies were based on the idea of equal needs and preferences. The medium of money, markets, and prices did not unfold their present systemic power in these contexts. Thus, the distribution of resources was suboptimal.

marketing systems which enable the non-economic observation of the social environments of organizations.

Although Luhmann's concept of the economy appears stringent and consistent with many available empirical observations, from a marketing researcher's perspective it remains unsatisfactory. The theory as introduced above conceptualizes the grey areas in the following figure.



*Figure 5: Salient relationships of economic systems and society*

It explains the exchange of goods for payments between companies and customers and the operational closure of the system in combination with a structural dependency on the surrounding and embedded society. It explains prices and the functions of markets. Yet due to its abstract theoretical focus, Luhmann's work lacks answers to the conceptualization of organizational functions such as branding, market research, reputation building, or customer relationship management (see the grey-white dashed box above). Empirical evidence makes the consideration of the companies' various non-monetary means necessary when attempting to understand their environments and the communication on symbolic levels without using prices. Even though these observations produce costs and reproduce the system on the inside, their particular role for the reproduction of the system remains unexplored.

According to Luhmann, the economic system operates in the mode of social blindness, as it largely did in the early capitalistic economy which Marx criticized. Empirically, the system would be in trouble as soon as consumers begin to feel the social, ecological, and political impact of economic ignorance. Indeed, some parts of the economic system actually are in trouble, as Handelman, Kozinets, Klein, and Achbar elicit (Achbar et al. 2003; Handelman 1999; Klein 1999; Kozinets and Handelman 2004). Protests against socially and ecologically ruthless corporations and imperialistic brands are on the rise. Yet at the same time, corporations are trying to establish themselves as good, friendly citizens and their brands as cultural resources (Holt 2002; Lüdike and Giesler 2005). This behavior cannot be explained



with the theories Luhmann developed himself or with existing theories of marketing. As global corporations apparently still exist and brands are ubiquitous phenomena, we inquire the systemic reactions of the economic system to overcome operational blindness with a new form of structural dependency of system and environment. This thesis suggests that this emerging form within the organization is the marketing system.

## 2.4 Summary

This chapter provided a selective and largely uncritical overview of the current state of theory in marketing and sociology. In sum it unveiled a fortunate moment in time for the theory of marketing project.

In the descriptions above we argued that the theory of marketing project did not produce satisfactorily results, despite a running time of more than fifty years. The literature reproduces a fundamental self-concept of the marketing discipline that only enables the comprehension of a small proportion of what marketing does in the emerging 21<sup>st</sup> century. The theories in use leave the discipline as well as many of its observers unsatisfied and thus create a large open and important space for significant contributions.

At the same time, considerable advances in sociology have finally provided marketing theorists with a coherent vocabulary that allows the re-approach of the abandoned theory of marketing project. A social system seems to be the form that was long amiss when describing marketing in its entire complexity and creating new, meaningful conceptual boundaries.

In retrospective, through the prism of these sociological findings, it is not surprising that the grand theory project was dismissed. However, Luhmannian theory as introduced above cannot offer a ready-made theory of marketing as well. It informs about social fabric of social systems only on the highest level of abstraction. Consequently, it does not mention how to apply the theory to understand empirical phenomena of a smaller societal scale, such as marketing. In addition, due to its complexity, Luhmannian theory has seldom been used for empirical studies, so that its methods are still underdeveloped.

In the following, we use this fortunate combination of a great but abandoned problem and a vaguely visible solution to better understand one of the most exciting and controversial phenomena of contemporary Western societies as the great challenge of and inspiration for this dissertation.

### 3 Critique

*“Marketing's preoccupation with the scientization of the producer-consumer relation has produced interpretations of marketing as a control process rather than as a communication process. Marketing scientists have been unable to see marketing behavior in terms other than cause and effect; therefore, they have developed a model that depicts marketing as something producers do to consumers” (Stidsen and Schutte 1972, p. 23).*

This section offers a detailed and actualized account of what Levitt once labeled “Marketing Myopia” (1960).<sup>35</sup> It is first concerned with the character and development of the exchange paradigm in marketing and the consequences of the paradigm’s success in academia for the discipline. Then, it elaborates on issues of change in marketing to make an argument for the lack of general theory. Before the section is summarized, scholarly criticism and methods of self-reflection are discussed that expose the concerns of marketing researchers with the current theoretical condition of the discipline.

#### 3.1 Exchange

*“The multitude of facts thus far assembled seem to add up to very little. One must conclude that something has gone wrong with the method of attack - a new and creative analysis is required” (Alderson and Cox 1948, p. 138)*

This section inquires into empirical and scholarly support of Fisk’s thesis that marketing is everybody’s business by analyzing how the discipline described its fundamental “business” over time and the consequences of respective historical decisions.

Bagozzi described the main subject of marketing practice and research in 1979 as “the process of creating and resolving exchange relationships” (1975, p. 77). The article

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<sup>35</sup> Even though “myopia” is the topic of this section, Levitt’s article had a different agenda. His work pointed at a shortsighted trust in growth of the 1960s. He argued that both success and customers have to be crafted. Hence, marketing ideas shall be considered on the highest corporate level. Levitt’s article is the conceptual basis of Meffert’s paradigm of “market-oriented leadership of the entire company” (Meffert 2000a).

summarizes the prior 65 years of development in marketing theory, while Bagozzi enhances the meaning of “marketing,” which was earlier described by Powell and Butler as an unidirectional distribution task, towards reciprocal exchange (see Butler 1917; Cherington 1921; Clark 1924; Powell 1910; Shaw 1912). Hunt refined the definition of the basic concern of marketing in 1983 by including the management and the analysis of consumption-related exchange behavior of buyers and sellers, an institutional framework, and societal consequences of exchange to the discipline’s core subjects (Hunt 1983). Hunt has probably been the salient scholar of the theory of marketing project. Currently, Hunt is concerned with developing a theory of marketing on the basis of Resource-Advantage-Theory (Hunt 1976a, b, 1983, 1991, 2000, 2002).

However, the empirical field of marketing and marketing research has changed dramatically, not only during the early 20<sup>th</sup> century, but also especially towards its end with the rise of digital communication technologies. Even though it has constantly been argued that the definition of marketing has become insufficient for describing its emerging reality, the exchange paradigm itself has seldom been challenged (for exceptions see Brown 1995a; Stidsen and Schutte 1972). Rather, it was the declared theme of marketing to understand, theorize on, and optimize all facets of exchange, from the perspective of the companies on the one hand and from the (prospective) customer’s perspective on the other. Such a conceptual design of marketing, paired with the rapid growth of its empirical relevance for producers, consultants, and researchers, led to an unprecedented diversification in research, a growth and contraction of marketing hypes, and an overwhelming complexity of the discipline for students and practitioners. Exchange and the 4 p’s (Borden 1965; McCarthy 1964) were considered to be the core of the marketing process (or conceptual straight-jacket (Brown 1993; Grönroos 1997)) and based upon these the discipline generated an amalgam of methods, means, and mindsets which can hardly be made accessible to all stakeholders.

To be able to resolve the problem in an early stage of specialization, Hunt attempted to structure the emerging marketing themes with the “Three Dichotomies Model” (1976b; 2002).<sup>36</sup> Even though this suggestion was well received, the model neither qualified for becoming part of the body of marketing knowledge nor did it replace the 4 p’s, both of which are continuously reproduced in marketing textbooks (Kotler 2003b).

Although Hunt’s and Bagozzi’s concepts of marketing as exchange include physical giving and receiving of goods and services as well as exchange of psychological pleasure, social gain, and psychological or social punishment (Bagozzi 1974, p. 77), they are still constructed around a closely restricting set of processes. Yet even though the American Marketing

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<sup>36</sup> Based on a discussion with Kotler, Hunt’s model assigns all marketing topics to one of eight fields of a matrix of three dichotomies: profit/non-profit, positive/normative and micro/macro (Hunt 2002, p. 14f.).

Association refined its classic definition in 2004 to “an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders” (American Marketing Association 2004), neither the market-driven subject matter nor the problems of the exchange paradigm have been resolved.<sup>37</sup> Instead, the discipline continues to cultivate various fundamental conceptual and empirical misalignments without addressing and reflecting on them in a concerted way.<sup>38</sup> The following sections introduce and discuss six predominant issues, or “marketing myopias” of the discipline and emphasize on their dramatic empirical and theoretical consequences.<sup>39</sup>

### 3.1.1 Organizational Issues

*„Marketing is described by the Chartered Institute of Marketing, and most British academic marketers, as being the managerial function responsible for identifying, anticipating and satisfying consumer wants and needs profitably.“ (Henderson 1998, p. 598)*

In the context of the classic theory of the firm (e.g. Gutenberg 1951, 1958), today’s marketing appears myopic in its organizational embedding into the company. The giving of goods or services (“Leistungen”) and receiving of (financial) returns was the core function and necessary qualification of all organizations within the economic systems long before marketing was invented.<sup>40</sup> Understanding exchange as the distinct function of marketing rather than as the purpose of the entire organization, leaves little room for differentiating marketing from other organizational functions that are concerned with exchange within markets, such as procurement, sales or logistics. As a result, the discipline poached on the grounds of economic functions such as management, distribution, and business philosophy,

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<sup>37</sup> With the inclusion of the practice of customer relationship management into the marketing definition, the discipline demonstrates its inability of understanding itself. It attempts to integrate both the exchange of values and an emerging social-economic trend instead of defining the unique societal and economic task of marketing.

<sup>38</sup> On reason for this situation may lie in the character of self-referential systems. As long as no better solution is presented, it is simply not reasonable for a system to attack its own foundations. Thus, radical change can only occur along with radical innovation.

<sup>39</sup> The section describes the myopias of profit-oriented corporate environments but the arguments are also valid for other types of organization.

<sup>40</sup> In the following, the concepts *organization* and *company* shall embrace both profit and non-profit organizations as long as they exchange.

trying to use a new perspective to improve practices that had been known long before marketing. Consider the following passage: “The business man finds his practical task in searching out human wants and providing the means of gratification” (Shaw 1912, p. 706). This definition was written in 1912 long before marketing was invented. In the retrospective, there is not much of a difference between this notion of Shaw concerning the businessman, the notion of the American Marketing Association concerning the marketer (“creating, communicating, and delivering value”), and Henderson’s introducing quote above.

In 1996, Morgan (1996, p. 19) conceptualized marketing as a triad of philosophy, method, and function. Nieschlag described it similarly, as maxim, means and method (cf. Moorman and Rust 1999; 1969, p. 56). These triads embrace relevant business aspects, but can a single concept be bent far enough to be understood as an organization, as maxim, means, and method at the same time, while also embracing advertising, distribution and business management? The development rather indicates that marketing emerged as an umbrella construct for various needs emerging from companies competing in more and more complex markets.<sup>41</sup> Are these needs problems of value exchange? Today, marketing finds itself on an unstable organizational ground between innovation, product design, corporate communication, branding, public relations, advertising, corporate communications, sales, distribution, and customer relationship management functions. In this position, marketing is unable to argue successfully how it should be qualified for providing better answers for any of its issues than other non-marketing functions in the company and non-marketing theories in literature (Kotler 2003b, p. 671).

### 3.1.2 Functional Issues

*“The function of a marketing organization is to stimulate and serve demand.” (Fisk 1967, p. 13)*

In many ways the exchange paradigm restricts marketing and forces it to stretch its conceptual boundaries beyond consistency. Stimulating and serving demand, the exchange of value, and customer relationship management ignore salient interactions between business and society that became crucial for economic success. For instance, responsibility towards workers or the ecological environment are costs for profit-oriented companies on the short

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<sup>41</sup> Until today, no clear distinction has been made between marketing, sales and distribution. It seems that the marketing concept has simply replaced the former economics of distribution. A (admittedly weak) evidence for this interpretation is, that the first notable German marketing monograph was titled “Einführung in die Lehre der Absatzwirtschaft” (“Introduction to the economy of sales and distribution,” Nieschlag and Hörschgen 1969) before the marketing concept reached Europe. Due to transatlantic cooperation and scientific exchange the 4<sup>th</sup> issue of the book on the economics of distribution was titled “Marketing” without major changes of contents.

run. Yet under the emancipatory influence of workers' unions and ecology movements, economic systems are forced to communicate corporate codices, ethical behaviors, and sustainable sourcing to protect or even strengthen their brand images. It is apparent, that these developments do not have anything to do with the exchange of value, are not about customer relationship management and not about stimulating demand, but they are still crucial for corporate communication and success. The cases of Enron, Parmalat, Arthur Anderson, Martha Stewart, and Michael Jackson demonstrate the importance of these elements when brands stand under social fire. These and other impertinences coming from the companies' environments have led to a rank growth of new communication-focused concepts which do not find a suitable place in Gutenberg's classical system of business administration (Gutenberg 1958) or in marketing. From a second-order level of observation, however, these tasks seem to be more central to marketing than logistics.

### **3.1.3 Communicational Issues**

Even though communication is one of the core "processes" of marketing, especially in the form of advertising, marketing is myopic towards its over-all importance for the economic system. If we assume that brands are crucial to make producers visible in complex markets, and if it is correct that brands, as they were understood before the suggestions of Giesler (2003) and Lüdicke (2005), are basically made of communications, it is surprising, how little attention brands receive in marketing textbooks and even more surprising that the definition of marketing does not consider brands at all. In the most popular North American marketing textbook (Kotler 2003b), brand issues fill no more than 18 of 706 pages.

According to two studies of this author, marketing predominantly equals advertising in the perception of the interrogated members of the North American public. They do not consider sales and distribution as a marketing task. An extensive research on the texts of 500 online job postings confirms that this understanding is also predominant in many small and medium-sized companies. Marketing staff of these companies is, for instance, mostly employed for creating advertisements with the help of agencies or organizing advertising material for sales people. In theory, marketing is apparently broader and less focused on communication.

The bridge marketing theory built to integrate communication and the exchange paradigm was to understand social communication as "sending information" (Meffert 2000a, p. 678), which is principally controllable by companies. Through this socio-technological lens, images, attitudes, expectations, and behaviors of customers can be constructed, intentionally controlled, or implemented (Schmid 2001) with marketing means (see Bruhn 2003, p. 2).

Also, in the framework of exchange there is no consistent way of theorizing and integrating crucial societal changes through a marketing lens. Brown, Firat, and others argued that postmodern communications of contradictory, disloyal, paradoxical consumers about their

product- and consumption-experiences challenge marketing researchers, as they take place far out of the reach of practice and scope of marketing theory (Brown 1993; Firat et al. 1995). With respect to the increasing technological networking of the global marketplace, Giesler and Venkatesh argued that contemporary technology-affine consumers tend to become “consuming cyborgs” (2004) whose unprecedented behaviors cannot be observed within the Cartesian dualism of mind and body. They consequently suggest analyzing this new condition of consumption within the framework of the “posthuman epistemology of consumption” (Giesler and Venkatesh 2004), which is not based on exchange but on distinction and communication. These emerging sociological approaches enable the observation of these macro-dynamics that the exchange paradigm is myopic for from within the discipline.

### 3.1.4 Observational Issues

*'Essentialism is how the network works when it protects its foundations.'* (Fuchs 2001, p. 16)

We argued above that marketing researchers have developed powerful theories in marketing but not a sufficient theory for observing marketing itself and its boundaries. Nieschlag, Dichtl, and Hörschgen (2002) ascribe this state to “research dilettantism” (Nieschlag et al. 2002, p. 16)<sup>42</sup> resulting from natural difficulties marketing researchers have when acquiring and applying in depth knowledge from economic, psychological, sociological or law-related research to marketing (Nieschlag et al. 2002, p. 16). Even though this observation may hold some truth, the problem lies elsewhere. Marketing must inevitably use these theories to observe its subject from a first-order level of observation. Yet, for observing marketing itself, it lacks an appropriate second-order level lens that allows to observe the observers. This gap barred scholars from creating a sharp view on their discipline, drawing suitable distinctions, posing target-oriented questions, and consecutively deriving a feasible form and theory of marketing as a “comprehensive (...) model for the marketing mechanism” (Baumol 1957, p. 417).

This way, marketing remained myopic in terms of self-observation. Questions about what the distinct functional niche of marketing is, which companies need marketing, and why marketing emerged around 1900 in Western societies but not in the Roman Empire, remain unanswered. Instead, marketing is frequently broadened and widened over time, following the practices of marketers.<sup>43</sup> The discipline, for instance, discussed if non-profit organizations

<sup>42</sup> In original language: “Forschungs-Dilletantismus” (Nieschlag et al. 2002, p. 16).

<sup>43</sup> In 2000, Meffert called for a theory of marketing to overcome the state of marketing research being a follower discipline (2000b).

should be considered by marketing researchers or not (Kotler and Levy 1969a; Luck 1969), but did not find an agreement on where marketing action begins and ends.

The application of the theory on postmodernity to marketing further leveraged the observational myopia of the discipline, even though it provided valuable insights into marketing's "modern" presumptions. The salient publications argue that marketing is confronted with fragmented, pluralist, contradictory consumption patterns, that everything is possible and nothing adds up in a symbolic, hyper-real world of consumption (Brown 1993, 1995a; Firat et al. 1995; Firat and Venkatesh 1995; Holt 2002). This conceptual package provides means for justifying the lack of self-definition as a natural characteristic of postmodernity. Even though the work (especially Brown 1993) provided profound insights into the constraining "modernist" presumptions of the marketing discipline, the conclusions might have been a reason for marketing researchers to mentally close the theory gap and abandon the grand theory project. In this study, we do not accept this element of postmodern thought in marketing that appears to be a socio-theoretically constructed excuse for not having drawn a distinction. Despite (post-) postmodernism, marketing and branding practice was and still is about creating strong distinctions. So is marketing theory. In this respect, postmodern theory does not help.

Surprisingly, neither market nor marketing research are part of the 4 p's framework and the marketing definition. This is unexpected because there is no other corporate function that has better means of observing the social environment than market research. Market research is an organization's observation of its relevant environments. Marketing research, instead, is research on issues relevant for marketing practice and management. Thus, companies do not do marketing research, but market research.<sup>44</sup> Both activities did not receive a suitable place in the theory of marketing project. Consequently, marketing researchers have difficulties justifying themselves and the value of their work to outsiders.

Finally, marketing largely tends to be quiet about its own history and development. Among others, the discussion of the understanding of marketing as art or science (for an overview see Brown 1996; Hutchinson 1952) led to a focus on actual marketing issues and away from the attempt to review its own history.

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<sup>44</sup> For some reason, these notions are frequently confused in marketing literature.



### 3.1.5 Individual Issues

*“Marketing is everybody’s business” (Fisk 1967, p. 4)*

On the individual level, the exchange paradigm also appears myopic. Some consumer researchers argue that there is at least one form of consumption-related interaction that does not obey the logic of mutual exchange: the romantic gift giving (Belk and Coon 1993; Sherry 1983). Belk and Coon (1993) evaluated that altruistic love is one of the major drivers of gift giving in dating-relationships. Without statistical evidence, it can be assumed that there are people who love products, brands, and organizations enough to not only pay premium prices for luxury cars but also donate respectable amounts of money to their alma mater without asking for anything in return. In a similar altruistic fashion, digital products like songs and software are distributed in online communities without obeying the laws of exchange (Giesler and Pohlmann 2003b). According to Giesler, a marginal number of file-sharers (about 1%) distribute files, whereas the majority of “sharers” (about 70%) acquire data without reciprocating (2003a, p. 3). Exchange is neither the driver of devotion nor of file sharing but both developments are crucial for marketing. Therefore, marketing researchers are having difficulties observing these phenomena within the exchange paradigm and are beginning to reframe the epistemological and theoretical foundations of marketing and consumer behavior (Giesler and Venkatesh 2005).

If marketing is restricted to inspiring and completing an exchange and staying in touch with the customer, a company largely ignores the core consequences of creating and selling products. Many products are used in public. It does not need a HUMMER vehicle and the social protest around it to establish the argument that marketing actually becomes relevant as soon as the product hits the social environment of the firm. This is the moment when the power relations between marketer and society shift (Lüdicke forthcoming). Unfortunately, marketing is theoretically not equipped to notice the trouble that brands create in society (cf. Handelman 1999; Holt 2002; Klein 1999; Kozinets and Handelman 2004).

Faced with enhancing exchange, the discipline discussed “one-to-one marketing,” “segments of one,” and “mass customization” as key innovative success factors. Many companies, such as Volkswagen, Aldi, and Levi Strauss felt the myopia of these marketing hypes. Palmer, for instance, summarized that “the most profitable retailers are not those with a personalised loyalty programme, but ones which offer standardised, low prices for all” (2002, p. 174). The exchange focus ignores that products are worn or used in a social realm. The meaning of a product develops after exchange has taken place, no matter if the customer relationship is managed carefully or not. Individualization does not make sense for many products, even though marketing theorists argued for a while that the greater diversity of products leads to

greater returns. Instead, over-customized products may have lost their social connectivity as communication about individual features could no longer emerge. Communication cannot evolve from over-volatile products, so they might fail even though the exchange lens argues differently.

### 3.1.6 Managerial Issues

*“Marketing is typically seen as the task of creating, promoting, and delivering goods and services to consumers and businesses.” (Kotler 2003b, p. 5)*

Our analyses unveil severe discrepancies between the concept of marketing in practice, in business administration, and in marketing research. According to our studies of Internet job postings and the marketing concepts of European professionals, most organizations understand marketing either exclusively as advertising and communication or as a sales function. They do not implement marketing according to Kotler’s definition above. Another type of organizations defines marketing as a function for combining various processes of market research, design, economic decision-making, and distribution. Yet, as the functions under the marketing roof remain titled product management, sales, advertising, etc., the marketing notion serves as a conceptual structuring umbrella, more than it defines a unique economic function in itself.

Strategic business models typically assign marketing to the same process category than sales and distribution. In particular, Porter puts marketing at the end of the value chain as a core process (1998). The St. Gallen Management Model, even though it conceptualizes businesses as embedded into social environments, remains surprisingly inconsistent in defining the function of marketing (see Rüegg-Stürm 2005). Marketing is seen as inherent in customer processes, in the marketing concept, and in communication tasks. Both models do not understand marketing as either advertising or sales. Whereas the value chain focuses on distribution support and advertising, the St. Gallen model uses marketing a conceptual umbrella for various practices.

The role of marketing in marketing research, as defined by the American Marketing Association, is much broader than it is seen in the typical public and corporate perception. It embraces the “creation, communication, and delivery of value to the customer and the management of the customer relationship” (2004). According to our studies, large companies such as Coca-Cola, General Motors, and L’Oréal use marketing to summarize activities in this broad conceptual sense, whereas smaller companies lean towards equalizing marketing with advertising or sales.

As postmodern marketing (Brown 1995a) and post-human consumption (Giesler 2004) enter the stage of marketing research with second-order concepts of consumer culture, the managerial myopia of the classic concept of marketing for modern practices of establishing cult brands and consumer communities can no longer be ignored. Even though these emerging theories describe the contemporary conditions precisely, the overall concept of marketing perpetuates in parallel, rather than adapting to embrace the emerging realm.

The most recent example of managerial marketing myopia suggests that “Marketing Engineering” is the bridge between marketing theory and practice (Lilien, Rangaswamy, van Bruggen et al. 2002). Lilien et al.’s mathematical approach evolves from the logic that marketing is a pure economic function that employs quantitative means of research and action for managing exchange tasks. Going back to 1912, where marketing was exclusively concerned with problems of distribution, these authors reduce marketing so far that the notion almost becomes redundant. The rise of qualitative market research and practices of corporate cultural creativity demonstrate that this concept does not represent the task of marketing nor bridges theory and practice correctly (cf. Lazer 1969).

Some observers believe that everything is marketing and marketing is everything (e.g. McKenna 1991). Thus, managers are trained to lead a company according to marketing principles, managing sales and distribution, using marketing means for attracting and retaining human resources, developing business strategies with marketing management concepts, designing products and prices, managing communications, and finally market themselves as employees. With this concept, marketing is unable to differentiate itself from its functional environment within the organization. Thus, marketing managers will have to argue for the definition of their role and the contribution it makes to avoid creating a function that seems to do everything once more, only with a different focus.

### 3.2 Change

Moving away from the aspect of exchange, this section now turns to issues of *change* in marketing. It provides an account of existing self-criticisms of the marketing discipline.

Requests for major changes of general marketing theory have accompanied the discipline from the beginning. While some scholars were working on a theory of marketing due to their own dissatisfaction with the theoretical state, most scholars criticized the discipline without providing sustainable alternatives. The following table provides an overview of the contributions on the critical self-reflection of the discipline:<sup>45</sup>

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<sup>45</sup> In his book “Postmodern Marketing,” Brown (1995a) provides us with a list of scholars who believed that marketing needed to be rethought (p. 43).

Author (Year)	Critique	Published in
Alderson and Cox (1948)	"It has become evident that if the difficulties raised by events in the areas of public and private policy as applied to marketing are to be solved, they must be put into a framework that provides a much better perspective than is now given by the literature. (...) Only a sound theory of marketing can raise the analysis of such problems above the level of an empirical art and establish truly scientific criteria for setting up hypotheses and selecting the facts by means of which to test them. " (p. 139)	Journal of Marketing
Lazer (1969)	"What is required is a broader perception and definition of marketing than has hitherto been the case - one that recognizes marketing's social dimension and perceives of marketing as more than just a technology of the firm." (p. 9)	Journal of Marketing
Bartels (1974)	Bartels identified an "identity crisis" of marketing and called for a decision on whether marketing is defined by its technology (the Kotler-Levy position) or by the class (or classes) of behaviors towards which it was directed (the Luck position).	Journal of Marketing
Nickels (1974)	Nickels' study shows that 95% of marketing educators believed that the scope of marketing should be broadened to include non-business organizations. Similarly, 93% agreed that marketing goes beyond just economic goods and services, and 83% favored including many activities in the domain of marketing whose ultimate result is not a market transaction (see Hunt 1976b, p. 19).	Journal of Economics and Business
Day (1992)	"Day (1992, p. 324, 328) points out that 'within academic circles, the contribution of marketing to the development, testing, and dissemination of strategy theories and concepts has been marginalized over the past decade,' and he observes that 'the marketing concept is nowhere to be found in ... discussion[s] of competing principles of management presumed to be causally related to the effectiveness of organizations.'"(cited in Hunt and Morgan 1995, p. 1)	Journal of the Academy of Marketing Science
Grönroos (1997)	Grönroos concludes "that the simplicity of the marketing mix paradigm, with its Four P model, has become a strait-jacket, fostering toolbox thinking rather than an awareness that marketing is a multi-faceted social process, and notes that marketing theory and customers are the victims of today's mainstream marketing thinking" (p. 322).	Management Decision
Brown (1995a)	Marketing "yet has to fulfill its promise of providing a coherent structure for the discipline". (p. 39) <sup>46</sup>	London, Routledge

<sup>46</sup> Misspellings of the original quote corrected.

Firat, Dholakia, and Venkatesh (1995)	"Existing paradigms are totally incapable of handling this situation. Marketers have to ask what kind of models are appropriate to capture the postmodern dynamic of continual motion, fragmentation and shifting signifiers." (p. 46)	European Journal of Marketing
Schneider (1983)	"Marketing science is not a specialized discipline within business science, but purports instead to be able to provide better, "market-oriented" leadership knowledge than the management sciences in business science can. (...) " (p. 200) <sup>47</sup>	Zeitschrift für Betriebswirtschaftliche Forschung
Workman, Homburg, and Gruner (1998)	The authors observe a cross-functional dispersion of marketing activities and predict that this will lead to a reduction of the need for a strong marketing function.	Journal of Marketing
Moorman and Rust (1999)	Marketing is seen "as a set of values and processes that all functions participate in implementing. In this view, marketing becomes everybody's job, which potentially diffuses the marketing function's role but increases marketing's influence" (p. 180). They conclude that marketing should co-exist with market orientation.	Journal of Marketing
Meffert (2000b)	In his review of the state of marketing science in Germany, the author bemoans that marketing is missing a general theory and has become a reactive "ex-post" science that follows practice rather than proactively guiding it.	Stuttgart, Schaefer-Poeschel
Sheth and Parvatiyar (2000)	An "alternative paradigm for marketing is needed, a paradigm that can account for the continuous nature of relationships among marketing actors." The marketing discipline must "give up the sacred cow of exchange theory" (p. 140).	Thousand Oaks, Sage
Wilkinson (2002)	"We do not necessarily agree with his [Dixon's] curmudgeon-like final conclusions - that marketing scholars have contributed only millions of facts that add up to very little" [refers to a quote from Alderson and Cox (1948), p 138]. The "big picture, its existence, and integration are not readily apparent in many texts because of the narrow, technique-oriented, normative, micromarketing orientation that is the norm" (p. 82).	Journal of Business Research
Palmer (2002)	Contemporary "'new' marketing paradigms are based on principles that are fundamentally unchanged over centuries of market mediated trading" (p. 176).	Journal of Marketing Management
Vargo and Lusch (2004)	"The dominant, goods-centered view of marketing not only may hinder a full appreciation for the role of services but also may partially block a complete understanding of marketing in general." (p. 2)	Journal of Marketing

Figure 6: Overview of marketing critiques

<sup>47</sup> The original quote: Die "Marketingwissenschaft (...) ist keine spezielle Betriebswirtschaftslehre, sondern masst sich (...) an, gegenüber dem, was die Betriebswirtschaftslehre als Lehre von der Unternehmensführung zu bieten vermag, eine bessere, weil "marktorientierte" Unternehmensführung auf den Wissensmarkt bringen zu können. Eine Betriebswirtschaftslehre, die eine solche Marketingwissenschaft als Lehre marktorientierte Unternehmensführung in ihrem Bereiche duldet, nährt eine Viper am Busen" (p. 200).

The scholarly critique of marketing above evolves around several themes. Above all, scholars complain about the lack of a theory of marketing that would guide and structure the discipline in research, practice, and public perception (e.g. Alderson and Cox 1948; Meffert 2000b; Nickels 1974; Schneider 1983). Similar to this problem, there are concerns about the future of marketing and fears of it losing importance and influence through over-diversification and over-complexity (e.g. Moorman and Rust 1999; Workman et al. 1998).

A broad stream of critique is directed at core paradigms and presumptions of the discipline. Some authors reject the exchange paradigm as unsuitable for capturing the reality of marketing action, yet typically without providing suitable alternatives. Others focus on the “dominant logic” of marketing and argue that it has shifted away from products towards services unnoticed by theorists, while again others reject modernist idea(l)s and thus suggest replacing them by postmodern epistemological beliefs and constructs of reality (e.g. Brown 1993, 1995a; Day 1994; Firat et al. 1995; Firat and Venkatesh 1995; Grönroos 1997; Sheth and Parvatiyar 2000; Vargo 2004).

Another type of critique unveils perspectives that have not been considered adequately in marketing. Among others, they criticize the lack of change through continued replication of ancient ideas (Palmer and Pensonby 2002), a lack of social and global perspectives (Fisk 1967; Fisk and Clark 1999; Lazer 1969), and call for broader accounts of the discipline itself (Wilkinson and Young 2002).

Finally, two salient debates evolve, discussing whether the core subject of marketing research is technologies or classes of behaviors (Bartels 1974; Kotler and Levy 1969a; Luck 1969), and whether marketing is an art or a science (for many Brown 1996). While some scholars argue that marketing technologies have won the first battle (see Andreasen 2000), the art or science-question is still undecided.

In summary, there have been calls for change in marketing but few successful attempts to consistently replace the core paradigms. Hence, the economic exchange paradigm withstands all scholarly attacks, as true alternatives do not exist. With every new definition of marketing, every new hype and suggestion for a gradual paradigm change, the field becomes less defined and gains complexity that does not reflect the empirical reality (cf. Ferrell and Lucas 1987).

Radically changing marketing is difficult for many reasons. First, there is neither an outside measure nor a perspective that can be used to judge on the discipline as a whole. Too diverse are the activities of marketing practitioners. While no one argues against the importance of sales and distribution, many observers protest against the social power of brand meaning. Exchange can be quantified, but the measurements miss the point. Schools’ requirements to produce more papers naturally lead to an increased diversification and the emergence of new scholarly outlets (see above) that absorb and distribute the specific findings. Without a consistent theoretical framework that goes beyond what Hunt tried to provide with the Three

Dichotomies Model, the mass of outlets and theories can neither be overlooked nor understood by the student and practitioner of marketing. Yet, such a lack is not problematic as long as the discipline fulfills the needs of practitioners and researchers, its outside perception does not suffer, misunderstandings seldom occur, trust does not fade and funding does not become scarce.

What helped the discipline is the escape into rigorous methods that gave it a more scientific, white coat, laboratory character. Proof for this argument can be found when scanning the style of articles in the *Journal of Marketing* from 1936 until today. Scientific rigor and quantitative methods have widely replaced theoretical discourses and inquiries into the nature or the social impact of marketing.<sup>48</sup> However, the escape covers rather than cures the problem of justification. Once the discipline disintegrates enough for an outside observer to appear predominantly self-referential and largely decoupled from actual empirical problems, marketing and marketing research may lose attractiveness and consecutively will not be able to attract new talents to recreate the field.

Furthermore, the question remains why marketing change does not happen in academia, but normally first in practice, which causes the discipline to adapt (cf. Meffert 2000b). Once relationship marketing, one-to-one marketing, or brand community marketing were successfully implemented by some fortune 500 companies, marketing research was quick in inventing conceptual labels and producing papers to observe, elicit, and structure what happened in praxi. When it comes to prediction of marketing trends, two methods are in use: One is to ask marketing managers what is written on their strategic agendas and the other is to make educated guesses. A theory of marketing, scholars argue, would help identify developments with more coherence and predict general directions of future developments.

As argued above, one grand problem of the theory of marketing project is the economic logic of exchange that underlies the discipline's core thought, even though a major part of marketing activity employs non-economic principles of communication. Systemically speaking, exchange/no exchange is the current definition of the marketing code. Thus, marketing seen to be a system of exchange which ignores every process or event that cannot be observed or decided on with this particular code. Major social developments such as the power of brands or brand communities can neither be observed nor reacted upon by this system. In fact, marketing did not ignore the irritations, changes, and additions the outside environment forced upon the system. As practices like customer relationship management became important for marketers, they were added to the body of marketing knowledge and

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<sup>48</sup> See the note from the editor of the *Journal of Marketing*, Roland T. Rust, from June 23<sup>rd</sup>, 2005, available on <http://www.marketingpower.com/content26019C362.php>.

the exchange paradigm was bent. This way, the discipline can still acknowledge exchange as a core process but, over time, adds values, relationships, communications, services, and other external processes to its body of knowledge without integrating it into the discipline's presumed code of exchange/no exchange. As it currently stands, the marketing code empirically is not what literature defines it to be.

On these patch-worked theoretical pillars, one may argue with Meffert, Nickels, Workman, and Moorman that the marketing age will soon to be over, or purport claim the exact opposite. The exchange of goods will remain a core business process but it can also become a commodity managed in countries where production and distribution costs are lowest. With the exchange of goods being the core process, in theory, marketing might be declared lost, but practically it is far from it. Yet, creating and exchanging values is not what distinguishes marketing from other organizational functions and value is also produced and consumed outside of the organization and the marketing realm. Theoretical adjustments are necessary.

### 3.3 Reflection

This section elaborates on methodological issues of reflection on marketing, complementing the textual critique above. It elicits salient obstacles of previous studies and prepares the methodological decisions of the present study.

Existing approaches to a theory of marketing searched for solutions in form of an accumulation of theories and activities in marketing. Theorists grouped multiple theories together to a grand amalgam of three (Howard 1965), four (Hunt 1983) or seven theories (Bartels 1968) and developed models for organizing existing theories in marketing (e.g. Bagozzi 1975; Hunt 1976b, 2002).<sup>49</sup> In sum, a theory of marketing was believed to be a logically integrated set of propositions that embraces both theory and practice of the marketing discipline (e.g. Bagozzi 1979; Bartels 1968; Baumol 1957; Hunt 1983).

Authors also implicitly demanded that such a theory must define a basal operation that is suitable for capturing the entire domain of what marketing is, what marketers do, and what marketing researchers analyze. In marketing history, researchers suggested executive behavior (Alderson 1957), management processes (Kelley and Lazer 1958), executive decisions (Howard 1965), and institutions of social control (Lazer 1969) as basal processes. Since Bagozzi described marketing as a group of exchange phenomena (1975), suggestions for alternative basal paradigms largely silenced. Later, only Hunt tried another basal orientation, the resource advantage theory (Hunt and Morgan 1995).

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<sup>49</sup> See section 2.1.1.



This literature shows that utilizing theoretical lenses from other social or behavioral sciences was a popular method when theorizing on marketing. Yet despite being of great value for the development of marketing theory, these approaches did not produce a consistent and sustainable framework that was broad enough to include marketing phenomena or narrow enough to exclude social and organizational environments. The prisms in use proved too narrow and diffuse to embrace the entire discipline without losing consistency. In sum, marketing reflection struggles with a two-sided problem: it searches for a general answer to all questions in marketing, which is hopeless, and poses unsuitable questions, which is unfortunate.

Considering the status quo described above, a theory of marketing can neither be developed incrementally nor as a summary of theories. In consequence, not only radically different answers must be found, but also different questions posed.

### 3.4 Summary

The prior review and critique of the literature allows us to draw six important conclusions on the status quo of the marketing discipline:

First, there is no accepted theory of marketing to be found in literature. The body of knowledge in marketing specialized increasingly and the findings were distributed over uncountable scholarly outlets so that the 4 p's (McCarthy 1964) and the AMA definition of marketing remain the least common denominator. As the marketing discipline is concerned with cultural studies, consumer and market psychology, feminist theory, technology, data mining, and theory of communication rather than with its unique function, it becomes difficult to distinguish it from other fields of research. At the same time practitioners abundantly define what marketing is, from sales to advertising to a way of doing business (McKenna 1991). This way, the competitive advantage of the discipline itself is at risk. Therefore a theoretical framework would have more value than ever.

Second, many authors suggested criteria for such a theory. Typically, authors require a grand theory to combine all individual and economic phenomena associated to the field. Yet, taking into consideration that such a theory of marketing would have to combine multiple theories of buyer and seller behavior, there is legitimate doubt that such a theory can ever be developed. Besides Hunt (1983; 1991; 2002; 2003), scholars seem to have given up on the topic. Only recently, with the foundation of the scholarly journal "Marketing Theory" in 2001, a new outlet to readdress the work was created.

Third, the predominant paradigm of marketing, the exchange, created at least six myopias in marketing. In organizational, functional, communicational, observational, individual, and managerial dimensions marketing is theoretically constrained and misaligned by the exchange as its core. A large part of marketing research and practice no longer fits under the roof of the

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predominant definitions of marketing. It seems that the discipline's basal operation is missing the target and blurring the view on what happens in the field.

Fourth, marketing has a problematic two-sided legacy. The "American Marketing Association" emerged from the "National Association of Teachers of Advertising" and the "American Marketing Society," which were both specialized on creating meaning. Marketing research, instead, was initially concerned with the problems of market distribution (Powell 1910). Today, marketing is defined as exchange but also concerned with the creation of meaning and social systems around brands. The resulting internal dichotomy is the most salient but best-ignored problem in marketing. The discipline is trying to maintain two distinct cultures, an economic culture of exact measurements and prediction, and a social culture of creativity, observation, and communication under its roof. Practically, this combination might no longer make sense, but still a theory of marketing must allow for theorizing on both realms with its conceptual instruments. This problem has not yet been solved.

Fifth, these two realms marketing conceptually combines are also visible in the discussions about methods amongst qualitative and quantitative researchers. For both sides it is hard to understand how quantitative methods can grasp a creative discipline, or how qualitative research can support an exact science respectively. The "art or science" (see Brown 1996) debate might have the same historical roots.

Sixth, besides the critique there is one important aspect of marketing that we will discuss in detail in section 5.1.6: For a century, the discipline was able to constitute within a competitive social environment. The number of chairs and the financial returns of marketing institutes worldwide have presumably never been larger than during the last decade, and the number of publications in scholarly outlets has also constantly grown. In itself, marketing is an unprecedented story of success.

In sum, critique on the disintegrated condition of the discipline is existent, but typically neither broad nor sharp enough. Both critique and approaches towards a theory of marketing lack one important characteristic: they have not found a suitable form. As long as there is no suggestion on how to address and then realign marketing it makes sense that scholars withdraw from criticizing the conceptual foundations of the discipline.

## 4 Methods

This section describes the methods applied to develop this theory of marketing. Instead of repeating methodological discourses about the salient dichotomies of quantitative versus qualitative data and inductive versus deductive methods or reproducing the infamous argument of rigor versus relevance, we will concentrate on epistemological beliefs, critical methodological decisions, and the design of four non-representative empirical studies.<sup>50</sup>

The present analysis bases on particular beliefs on the nature of knowledge and knowledge creation through research. This work builds up on a social-constructivist epistemological perspective that leaves little room for Kantian ideals, Platonian essentials, or Sartrean existence. We agree with systems theoreticians that there is no way of creating knowledge other than drawing distinctions (see Glaserfeld 2003; von Foerster 1979). This perspective assumes that there may be realities beyond human cognition, such as stones, trees, or doctoral theses, but that the restrictions of observing systems, such as minds, bodies, and machines, and their particular capabilities of drawing distinctions and communicating their observations, are constituent for what society agrees to be “truth” and what a “tree” or a “doctoral thesis” are (see Glaserfeld 1981; von Foerster 1981; Watzlawick 1981a). Thus, knowledge is constructed rather than discovered (cf. Bateson 1967; Luhmann 1995; Maturana [1974] 1999; Maturana and Varela 1987; Spencer-Brown [1969] 1999; Varela 1979; Wiener [1948] 1961). Consequently, it no longer matters if there is an objective outside reality, as all that counts for being “human” in the 21<sup>st</sup> century is socially constructed anyway (Giesler 2003). Luhmann himself describes his epistemological perspective, that is based upon the findings of the researchers mentioned above, as “radical antihumanist, radical antiregional, and radical constructivistic” (Luhmann 1998, p. 35). Drawing on Maturana’s, Varela’s, and von Foerster’s work, stating the concept of autopoiesis, and the distinction of organic, psychic, and social systems, this radical position is inevitable. As this thesis subscribes itself to this position, it understands all constructs in use to be socially constructed, principally contingent, and ephemeral rather than essentially naturally discovered.

On the basis of these epistemological beliefs we selected various methods to stringently construct scientific knowledge of marketing. Most previous contributions to the theory of marketing project lacked methodological rigor. Authors tried to reduce marketing complexity by either conceptually structuring existing theories with freestanding ontological frameworks (e.g. Hunt 1976b, 2002) or referring to economic, psychological, neuronal, or behavioral theory (e.g. Alderson 1957). These approaches result from the fact that scholars did not ask

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<sup>50</sup> Please read the preliminary study of this thesis for an in-depth discussion of general methodological issues (Lüdicke 2004).

what marketing is but what marketing does. In consequence, all researchers to date searched for means of embracing what marketing practitioners do and accumulated empirical observations.

To understand what marketing is, why it emerged, and why it can be successful in its procreation, an observation of society and its functional differentiation is a promising conceptual starting point. The only framework known to this author that allows us to theorize marketing from a second-order perspective with sufficient empirical consistency and rigor is Luhmann's theory of society.<sup>51</sup> First of all, the choice of Luhmannian theory provides the research with a form and also a structure for the inquiry. The subject is theorized as a social system, whereas the analysis employs Luhmannian constructs for making theoretical decisions on codes, programs, structures, communication, evolution, and the differentiation of marketing systems. This way, sociological theory becomes not only the theoretical framework but also the key method of observation and analysis.

Using a rigorous sociological theory as theoretical prism does not absolve from choosing methods of data collection, analysis, and argumentation. As the goal of this study is the development of a theory of marketing that consistently describes all marketing phenomena and their evolution over time, data can only be derived from historical sources and actual empirical observations of marketing practice and research. The second major decision of this thesis is to use historical data as the key source of information and to conduct four small-scale empirical studies to inquire about particular problems of understanding and the organization of marketing systems.

The most relevant empirical sources of general (or macro-) marketing thought are academic journals such as the *Journal of Marketing*, *Journal of Consumer Research*, *Journal of Marketing Research*, *Marketing Science*, *Quarterly Journal of Economics*, *Journal of Macromarketing* and the *European Journal of Marketing*. In addition, hundreds of monographs, conference proceedings, online texts, and teaching materials were sampled that comprised insightful historical scholarly contributions.

To analyze this data, literature on methods offers three suitable forms of analysis:<sup>52</sup> objective hermeneutics as a reflexive art of understanding a phenomenon on the basis of theoretical predispositions (Heinze 2001; Thompson 1997); critical literature analysis as an informal way

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<sup>51</sup> See section 2.3.3 and 2.3.3.

<sup>52</sup> Many frequently utilized forms and methods of qualitative data analysis, such as case studies (Yin 2003), extended case studies (Burawoy 1998), ethnographies (Arnould and Wallendorf 1994), and netnographies (Kozinets 1998), were unsuitable for this project. The level of analysis in primary empirical evaluations would not be consistent with the goal of creating a second-order account of marketing as a reality *sui generis*.

of critically analyzing theory; and qualitative content analysis as a rigorous formally structured method for analyzing text (Berelson 1954; Kassirjian 1977; Mayring [1983] 2003). For developing a theory, literature offers rhetoric as a salient method.<sup>53</sup>

The tenets of these methods were used for data analysis during the process of theory development. Literature was repeatedly analyzed by engaging in broad and deep reading, comparing, juxtaposing, and opposing (cf. Opp 2002). Themes and discourses were identified, collected, compared, aggregated and interpreted in multiple steps (see Mayring [1983] 2003). The conceptual theory development followed the guidelines of a hermeneutic analysis and structured rhetorical synthesis.<sup>54</sup> Yet besides giving advice on how to write in a convincing manner and how to structure rigorous scientific contributions (cf. Locke and Golden-Biddle 1997), most publications fall short of providing means for rethinking an existent body of work. The ways to ensure high quality are strong rhetoric, careful interpretation, precise referencing, and extensive discussion of the conceptual decisions with experienced scholars and practitioners.

In addition to the above, four studies were conducted to improve the understanding of the perception of marketing in public, the role of brands, the organization of marketing, and the use of the marketing notion in corporations:

First, alongside data collection for a qualitative consumer research project (Lüdike forthcoming), the author asked 51 visitors of the Detroit Motor Show 2005 about their attitudes towards "Marketing." Respondents answered on the basis of what they believed the notion means without being given an explanation from the interviewer. Findings unveiled that marketing was predominantly equaled with advertising. Hence, respondents found marketing necessary, important, and also entertaining. Yet, explicit rejection and aggression was expressed towards "telephone marketing" and other guerilla practices that interviewees felt to be too obtrusive.

The second study inquired into the contents of 500 job descriptions in online job platforms with the means of qualitative content analysis. Our goal was to understand the scope of marketing in organizations. In these detailed descriptions, authors carefully represented the understanding of marketing in their respective organizations. In sum the study unveiled that marketing jobs are empirically concerned with (combinations of) advertising, sales material coordination, sales, event planning, product management, brand management, sales team

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<sup>53</sup> Due to its deep rooting in existing theory, the framework of grounded theory could not be employed even though it provided useful insights into rigorous processes and saturation (Glaser and Strauss 1967; Strauss and Corbin 1998).

<sup>54</sup> Despite its length and abundance, literature on research methodology largely remains silent about how conceptual theory development is conducted in accordance with rigorous scientific standards.

management, and various other less frequently represented tasks related with the economic and social boundaries of organizations and their environments.

The third study was part of a larger consumer behavior project dealing with the distinction of brands and the social construction of meaning among consumers (see Lüdicke 2005). We conducted 79 long and short semi-structured interviews, collected extensive netnographic data, and analyzed data with hermeneutic and content analytical means (cf. Kozinets 1998; McCracken 1988; Thompson 1997). Findings elicited the social fabric of the construction of brand systems that follow a radically different logic than the economic construction of brands. This study provides empirical evidence for the conceptual decisions introduced in section 5.2.1 below.

In the fourth study the author conducted face-to-face and computer mediated interviews with marketing managers of six leading global corporations that own strong brands. Data was collected from within the automobile, body care, food, beverages and computer industries. Our goal was to learn about the use of the marketing notion in these organizations and elicit the empirical role and distinction of brand management, product management, sales, advertising, communication, and marketing. We found that every organization makes different use of the roles above, yet, in sum, they comprise the same tasks. Depending on the importance brands have in these organizations and the number of products with the same marking, brands are either managed centrally or under the direction of multiple brand managers. Product managers are predominantly concerned with McCarty's 4 Ps (1964) including promotions for particular products and brands. Sales, however, are organized and managed separately in all cases. Central marketing is mostly concerned with the management of corporate brands, sponsoring, events, and the global coordination of meaningful communication. Thus, the use of marketing as an umbrella for diverse distribution, design, advertising, communication, and branding tasks was confirmed in some cases, in others it was rejected.

From a naturalistic point of view, our methods in use can easily be criticized. The naturalistic philosophy of scientific research aims at the creation of consistent, testable, and falsifiable explanations (theories) of phenomena that can repeatedly be observed (cf. Kuhn 1996 [1962]). It lies in the nature of conceptual theories such as the present study that their findings are neither falsifiable nor re-testable in the Kuhnian sense. Alternative theories may unveil conceptual inconsistencies, show misinterpretations, and adapt or replace previous suggestions. But as researchers are key instruments of interpretation, humanistic research cannot generate explanations for social phenomenon as in such an exclusive and linear manner that some naturalistic theories can. As humanistic methods are typically less formalized than those of natural sciences, qualitative research sooner lacks coerciveness. Hence, the result of an alternative theory of marketing cannot be statistically tested "truth," nor can it provide, for instance, an entity relationship-model for making particular marketing

decisions. Rather, it offers alternative views on a subject from which testable hypotheses can be derived on various ontological levels. In addition, a novel theory may provide managers with an alternative conceptual background to enable better thinking, understanding, and conducting of marketing. Above all and in agreement with Kuhn (1996 [1962]), radical theoretical leaps typically begin in minds and not in a set of data.

Rigorous theory development requires questions on validation and testing. Opp (2002) provides four kinds of tests for conceptual theories: confrontation with alternative theories, internal contradictions, confrontation with facts, and contesting of underlying theories. In our study, alternative theories are collected, grouped, discussed, and criticized in depth in section 2. As a result of extensive discussions with scholars and practitioners there are - to the best knowledge of this author- no internal contradictions in the following. Indeed, the final judgment concerning the consistency is the challenge of the readers and reviewers of this publication. Maintaining external consistency with empirical facts and alternative theory is ensured by empirical data collection and historical text analysis. This is especially important, as general theory projects tend to lose sight of the empirical origin of the subject under scrutiny. In section 6.2.3 external consistency with the value chain and the St. Gallen Management Model are discussed to account for external theoretical consistency on a different level. Challenging underlying theories is not the concern of this publication. Luhmannian theory of society is not ready to be tested as it mainly theorizes on an abstract second-order level of observation. In our context the theory can only be proven suitable and able to correctly represent observations or not. Finally, as this work shall also be of practical relevance, marketing managers and marketing researchers were confronted with key findings. Such direct theory tests were conducted before and during the thesis was developed and continue beyond its intermediary completion to derive constant feedback on its empirical use and validity.

Finally, the credibility of this author and the rhetorical construction of the contribution are crucial for its success and the acceptance of this scholarly work (see Hirschmann 1986; Locke and Golden-Biddle 1997). As it is associated with an interpretive, constructivist tradition, this thesis cannot create credibility through rigorous empirical data collection and interpretation but through high accuracy in the use of documented sources, theoretical constructs, and arguments. This way, the result can only be falsified if it no longer explains its subject better than any other existing or future theory, if the facts the study was established on are proven incorrect, or if the argument is internally inconsistent (see Opp 2002). For that reason, it is a prime duty of the author to be rigorous in these respects.

## 5 Marketing as a Social System

### 5.1 Introduction

*"The theory defines what we are able to observe."*

*(Albert Einstein)<sup>55</sup>*

The following sections draw on the above historical analysis, the ancient requirements for a comprehensive theory of marketing, and our extensive critique of the discipline to evolve a social systems theory of marketing. Utilizing the methods mentioned above and Luhmannian theory of social systems as a key interpretive framework, the sections develop a coherent and empirically valid description of marketing. Having analyzed the problems of prior approaches, we chose to describe marketing as a social system, and communication about and through brands as their basic operation. We define "preferences towards a brand versus no preferences towards a brand" as the fundamental code marketing systems use to distinguish themselves from their environments. Unlike other authors, we place the medium of brands in the center of the theory.

The chapter subsequently introduces the key concepts and properties of marketing systems. Beginning with the historical background, section 5.1.1 describes, for instance, the co-evolution of marketing systems, industrial production, and brands. Section 5.2 outlines general properties of marketing as an autopoietic social system and introduces the central distinction between brands and brand systems. The three main sections of section 5.3 - observation and information, messages, and understanding - elaborate on the basal operation of marketing systems: communication. As systems depend on continuous communicative reproduction, the following section, section 5.4, elicits the dynamics of and in marketing systems. Lastly, section 5.5 describes the unique functional niche marketing systems create to remain distinctive within organizations and their social environment.

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<sup>55</sup> Original: "Die Theorie bestimmt was wir beobachten können."



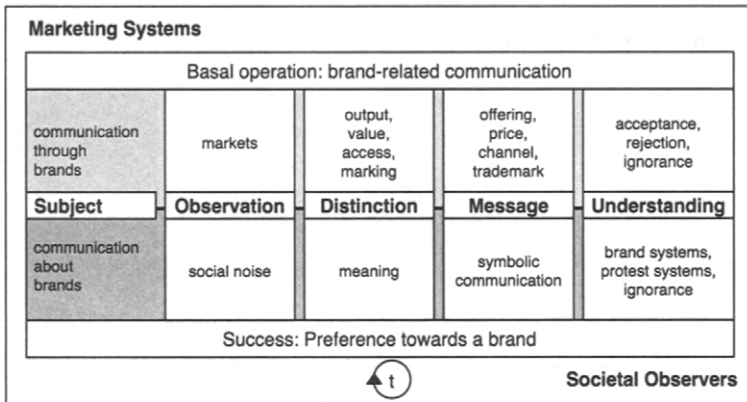


Figure 7: Overview of marketing systems

The figure above schematizes the course of argumentation. Beginning from the left side and with section 5.2, we introduce the basal operation - brand-related communication- and the code of marketing systems - preference towards a brand/ no preference towards a brand -, and distinguish communication through brands (functional-economic dimension above) from communication about brands (social dimension below). Furthermore, the figure summarizes our theoretical decisions on observation, distinction, message, and understanding in marketing systems. Marketing systems observe communications through brands by observing markets and observe communications about brands by monitoring social noise (see second block from the left, above and below the notion "Observation"). The five notions in the "Distinction" field – output, value, access, marking, and meaning - define the dimensions in which marketing systems create information through and around the medium of brands (section 5.3.1). Messages use particular media to imprint social and functional-economic forms into the medium and, thus, uniquely identify a brand (section 5.3.2). Understanding is the fundamental third event that completes a communicative operation, resulting in acceptance or rejection (section 5.3.3). Ignorance is included as an option for non-established communication.

The dimension "time" lies diagonally above the entire schema and is not displayed in the figure. Distinctions in time are discussed in the sections on evolution and communication. As marketing systems are theorized as ephemeral social systems that depend on ongoing procreation, time plays a central role in our theory.

The fading colors from marketing systems in the upper left corner to societal observers in the lower right corner of the figure symbolize the relative influence that system and environments have on the production and reproduction of brands and brand systems. In the definition of

brands, marketing systems are dominant. As it comes to the creation of meaning around brands, however, societal observers are a much stronger force than organizations.

### **5.1.1 Emergence**

This section analyses the genesis of marketing systems. Therein, it assumes that marketing systems exist, even though our data did not logically employ this construct in its reflections on marketing. We aim at answering the fundamental question of why society in general and economic systems in particular brought forth a new subsystem and successfully perpetuated it under the notion of marketing. While this section asks for why, the following sections will elicit how this novel function proliferates successfully.

### **5.1.2 Historical Background**

In the first quarter of the 20<sup>th</sup> century, a series of developments dramatically changed the way business was done in North America. “Money making” (Bubik 1996) was a reputable goal within an increasingly individualistic culture. The quantitative growth of the American population in the last quarter of the 19<sup>th</sup> century also leveraged the importance of business. From 1860 until 1900 the number of U.S. citizens tripled to about 90 million people. An ongoing urbanization challenged businesses to find new ways of distribution, whereas the sheer quantity of customers challenged the existing methods of production.

Over all, economic success was socially desirable and the fittest was to survive in the political spirit of economic *laissez faire* (Bubik 1996). Business barons like Rockefeller, Carnegie, and Morgan stood at the top of the American society, representing and inspiring the entrepreneurial spirit of the early 20<sup>th</sup> century, in which the salesman was a “proud symbol of commerce” (Converse 1959, p. 2).

In addition, various technological advances fueled productivity in the ongoing industrial revolution. Ford’s automated assembly line and the increasingly powerful railroads, motor vehicles, and airplanes allowed for larger outputs and the distribution of even perishable goods over long distances. Communication technologies such as the telegraphy, telephone, motion pictures, and (later) television facilitated the exchange of information, with a broader reach and at lower expenses. Businesses made extensive use of these new options and, for instance, raised their advertising activities or shipped fresh fruit from California to New York City (see Powell 1910).

### **5.1.3 Over-Complexity**

With the rise of advanced and decoupled production, distribution, and communication techniques, successful economic communication between market partners became a challenge at the turn of the 20<sup>th</sup> century. In contrast to agricultural economies, customers could no

longer choose between few visibly presented products from a small number of vendors. Instead, customer choice and preference building became a challenge due to the achievements of industrial production. Customers were confronted with a variety of largely similar products, intransparent prices, insecure availability, various suppliers and middlemen, even with virtual products that could neither be seen nor touched. Without a creative innovation from within the economic system, this over-complexity of consumption could have severely slowed down economic dynamics.

From a social-constructivist theoretical perspective, successful communication is principally unlikely. An inherent complexity and contingency of communication is the initial reason for social systems to emerge and evolve. To overcome such a problem, the economic system developed means to increase the likelihood of successful economic communication. Earlier, the system had invented money, prices, interest, and payments, all of which still reduce complexity through abstraction and, thus, allow for more communication through payments. As payments have no other intention but the proliferation of the economic system and the medium of money, and prices do not need to know anything about individual motives in order to function, the economic system was successful in its complexity reduction and its autopoiesis.

With growing market complexity, contemporary forms of exchange would not have been possible without systemic innovation. Choice would have been too complex for the market partners to even try working with anyone but familiar, trusted trade partners.

#### **5.1.4 Advertising and Brands**

The economic system used brands, a medium that was long in use elsewhere, to solve this problem. The medium soon unveiled its unprecedented potential to enhance economic communication. Through purposeful advertising, brands could offer differences that made a difference for customers. The product became perceivable not only as a good itself but also provided a set of symbolic distinctions. The detergent brand “Persil,” for instance, was linked to experience and quality in the observers’ minds. By branding products, the economic system enabled a broader information supply for customer decision-making in the exceedingly depersonalized economy of mass-production. Brands chiseled markings into unmarked spaces of meaning and, thus, opened up a new dimension to draw new distinctions. This allowed producers to add layers of information and, as a consequence, social values to any product. Using the distinctions offered by advertising, combined with their own consumption experiences, customers developed knowledge about how to use branded products for making better choices (Belz 2003). This way, brands became a symbolic medium in the Luhmannian sense. They allowed a broader communication in the economic systems and thus reproduced the system’s autopoiesis in a novel way.

The invention of the mass-market brand provided the system with various advantages. Using this new medium, the market was able to gain unprecedented complexity and open up for economic growth, which still continues. Brands enabled the abstraction from both suppliers' and customers' underlying intentions by referring to shared cultural meaning. This way, they allowed for more variety, reduced market complexity for the customer, and inspired more communications (payments) in the medium of money. The advertising of brands leveraged this effect by suggesting favorable interpretations for certain products. Observed and interpreted by customers, brand-related messages provided new means for making suitable decisions, not only in the medium of money but also in the medium of meaning. With a broad dissemination of advertising, it became possible for brand owners to signal social status and prestige to strangers through their brand choices. This social function of brands was possible, as other observers noticed the same advertisements at the same time, and they therefore developed a common set of cultural perceptions. The phenomenon of cultural comparative consumption emerged.

Brought to the extreme, contemporary brands provide links to elaborate sets of meaning and practices that have become known as life styles. In doing this, the medium has gone far beyond the original social gap of reducing complexity of choice that had emerged by decoupling producers and customers in the 20<sup>th</sup> century.

In summary, the medium of brands was a key to successful reproduction and the evolution of the economic system. The medium was created within the economic system to solve the specific emerging problem of incomprehensible plurality. Today, the brand is also a medium and anchor for societal antagonism (Lüdicke forthcoming). Even though marketing theory considered, but did not treat the brand as a central construct for several decades, it becomes apparent here, that both advertising and the emergence of marketing would have been meaningless without the evolution of brands as a symbolically generalized medium of communication. Although sellers have always praised the advantages of their products, symbolic and one-to-many communication of brand meaning is new to the economic system and did not emerge before the rise of the mass-market brands.

With the emergence of brands, the economic system was confronted with a market complexity that had no internal organizational counterpart. There was no function in the early theories of business administration that was assigned the task of observing the social environments of the company and of consistently communicating about brands with symbolic means. In a 1950s theory of the firm, for instance, Gutenberg (1951) combined the processes of sales, distribution, market research, and advertising under the notion "Absatz."<sup>56</sup> Brands and social communication were not considered. Due to these conceptual constraints, the

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<sup>56</sup> German for distribution.

social challenge of branding was not recognized by the economic system. Because of its distinct code of payment/no payment and the need to reduce complexity, the economic system programmed itself to neglect other forms of communication but the economic. Allowing for other types of communication to be processed within the economic system would have created a new dimension of complexity in practice as well as in business research. Instead, scholars advanced in advertising theory and separately continued to solve distribution problems.

### 5.1.5 Institutionalization

In 1937, the “American Marketing Society,” a club of professionals concerned with market distribution problems, merged with the “National Association of Marketing Teachers,” a group of people interested in best advertising practices, to found the “American Marketing Association.”<sup>57</sup> With this step, a new society, which is still a leading institution in marketing, organized the reflection on advertising and distribution topics under the conceptual umbrella of “marketing.” Since 1936, when this institution first issued the *Journal of Marketing*, this marriage proves to be of sustainable success.

According to historical accounts of business, advertising, and distribution, both advertising and distribution are ancient business functions. Even in Pompeii around 79 B.C., Roman farmers advertised their products on markets and politicians campaigned for their election with wall placards. Equally, distribution has always been a part of the economic process. Combining them to form a new business function did not create an entirely new discipline, but a new label for both. But what did this label exactly stand for?

Even though the marketing notion was already born in the U.S. in the 1930s, Europe was slow in adapting to the concept. In German textbooks, for instance, the notion was not integrated before the leading marketing compendium “Einführung in die Lehre von der Absatzwirtschaft” (Nieschlag and Hörschgen 1969) was renamed “Marketing” in its 4<sup>th</sup> edition in 1971. Other than the title, the content of the book was not changed significantly. Apparently, the meaning and the use of the marketing concept were not transparent to foreign researchers. Due to the pressure of globalizing businesses and the researchers’ necessity to “innovate” more than due to scholarly considerations, the marketing notion was finally accepted. With Meffert’s appointment as chair of the first Marketing Institute at the German University of Muenster, “marketing research” was institutionalized in 1969.

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<sup>57</sup> The Association of Marketing Teachers was named “National Association of Teachers of Advertising” until 1933.

### 5.1.6 Reflection

With the institutionalization, the emerging discipline also laid the grounds for its self-reflection and description. Scholars founded marketing chairs in about 280 academic marketing departments worldwide, about 155 academic journals emerged, uncountable marketing associations were founded, and the globalization of marketing gained momentum both in theory and practice.

Various groups of observers began to reflect on marketing and its effects on society. External observers, including general public, mass media systems, marketing associations, and marketing researchers, built relevant groups within the social environments of marketing systems that observe, disseminate, and comment on marketing communications. These groups observe marketing on the second-order level of observation with scientific or publicist methods, speak to practitioners and customers about brands, theorize on the system's overall development, and pass on marketing knowledge in classes, books, journals, magazines, on conferences, and in personal dialogues. Organizational observers, instead, that are employed to contribute to particular marketing systems, comprise market research on the first-order level of observation. They focus on the relevant environments of their respective employers and typically do not reflect on marketing itself. Our general theory, instead, operates on an even higher level of reflection as it observes how observers observe observers.

In their procreation of communication of and about marketing systems, both marketing systems and their outside observers are highly successful. Internal and outside observers apparently establish communications with high social connectivity in the Luhmannian sense. Marketing messages attract and inspire observers to communicate about and through brands, whereas observers who reflect on marketing inspire marketers and other observers with their findings on successful marketing communication and, thus, advance the particular science system concerned with marketing.

Considering this success it comes into question, what marketing research reflects on exactly and why it is successful? Answers become clearer once we ask for the interest observers in business and research itself have for reflections on marketing.

Taking into account its great diversity and conceptual volatility, it seems that marketing is extremely successful as a notion not despite but because of its lack of inherent boundaries, rules, and grand theories. As a new, unconstrained repository of emerging business ideas and market trends, including claims such as "the customer is the king," "market orientated leadership" or "companies need a marketing soul," marketing collected ideas that did not fit into existing categories of business research and practice. Even though many presumed innovations were already known in advertising, strategic management, psychology, or sociological theory, the marketing notion inspired the publishing and sale of ideas with a

novel shine and with strict focus on customers.<sup>58</sup> As the emerging field did not have rigorous scholarly standards, contributors could circumvent scientific requirements and methods of older business disciplines and freely publish business ideas under the marketing umbrella.<sup>59</sup> On the other side, practitioners that wanted to make a difference for themselves and their employers carefully monitored marketing trends and adopted some of them. This way, marketing publications were widely wanted, read, and distributed.

On the level of reflection, marketing scholars not only combined advertising, sales, and distribution issues but also addressed an organizational gap that emerged with the rise of brands, which was integrated communications. Observers positioned marketing as the function that observes markets, understands customers, designs products, communicates values, and produces cultural meaning. Originally it was the task of business leaders to decide which products were to be produced for whom, the function of advertising to announce these products and suggest meaning, and the function of distribution to make goods and services available. Yet marketing purported to have a better, unifying perspective on all these practices.

As observers made extensive use of marketing reflections and marketing practice was successful, neither researchers nor practitioners were attacked persistently enough to give up on the procreation of marketing systems. Still, some critics address marketing as a weak, fuzzy, unnecessary discipline. They argue that the discipline was unable to solve its problems and has done nothing more than create a huge brand system. The reason for this perception is that, even though marketing scholars were productive in understanding various problems and suggesting solutions, as theory currently stands, marketing does not have any problems to solve. The marketing notion is reproduced as an umbrella construct. Marketing itself is not associated with a unique set of problems but various ancient problems are associated with marketing. Scholars contributed largely to the understanding of sales, distribution, advertising, market research, data analysis, consumer resistance, pricing, branding, etc., but did not solve a single unique marketing problem. Thus, critics are right if they say that marketing is a brand in itself and has a weak product. As the code of marketing systems was

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<sup>58</sup> The idea of customer orientation and market-oriented leadership, for instance, that was extensively proclaimed as the core business success factor in the 1980s, is as old as business itself. Identical claims were made long before (e.g. Clark 1924). Even the current marketing focus on customer relationships can be seen as a rebirth of personal relationships in subsistence economies rejuvenated due to a broader customer base and novel communication technologies that allow for unprecedented forms of social automation such as cost-effective one-to-many communication.

<sup>59</sup> Marketing shares this particular success factor with many emerging disciplines, especially in the "information" or "knowledge age."

not recognized, there is only one unique marketing problem to be solved: finding out what marketing is.<sup>60</sup>

Besides, marketing research achieved more than simply refreshing ancient ideas in the light of modern times and means. Scholarly reflections contributed extensively to our understanding of consumer behavior, markets, management, advertising, protest, and other business-related processes. The social acceptance of these reflections provides the grounds for the continuous growth of marketing research.

## 5.2 General Properties

*“Brands are symbols. We live in a world dominated by commercial icons, total design initiatives, and completely integrated marketing efforts, where products are consumed less for what they are (materially) and more for what they represent (spiritually, or at least socially). We operate in a symbolic economy.” (Atkin 2004, p. 111)*

Based on the previous sections, the thesis now turns to the description of general properties of marketing systems. The guiding question is how the novel system successfully proliferates within society. An answer is suggested by unveiling codes, programs, communications, media, evolution, and differentiation of the system on the basis of our historical and original data. In summary, we identify marketing systems as systems that communicate about and through brands to influence preferences towards spending of money, time, or attention.

In addition to the suggestion of novel concepts and conceptual distinctions, we recontextualize various observations that are long known in the field but were typically analyzed or implemented with a different theoretical background. The difference to theories on particular observations is that the following account of marketing systems associates them with a consistent conceptual framework to create a comprehensive set of propositions that make a theory of marketing.

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<sup>60</sup> Due to this lack of definition and the subsequent problems of reflection, general marketing theories or paradigm discussions follow rather than lead practice (e.g. Meffert 2000b). Scholars observe changing behaviors of marketers and markets that make use of new technologies, economic innovations, and social trends and summarize their findings as a new trend, a hype, a new dominant logic, or a novel paradigm. Examples for this property of marketing reflection are endless but not surprising, as marketing describes itself as an observer of marketing practice rather than as the discoverer of new links, means, and materials that could enhance marketing practice, which is the case in many exact sciences. Thus, as marketing describes itself, it can only innovate on the level of semantic description but must leave the role of market innovation to the economic system.



### 5.2.1 Brands and Brand Systems

The first decision this theory makes concerns the unfortunate but generally accepted use of the “brand” notion.<sup>61</sup> As argued above, the current brand notion differentiates brands as symbols, names, legal entities, logos, and sounds with a particular predominant meaning, image, economic value, and personality from products. Thus, some products are not considered brands whereas others are. The difference lies in the presence of knowledge about brands and the importance of this knowledge for purchasing decisions. Except for public goods, almost every product and service today comes with a name and a manufacturer address. Thus, every product is branded with a legal marking, or a trademark respectively. In addition, as every product has a name, every product allows us to associate knowledge and meaning to this name. As the differentiation of products and brands unsharpens this distinction, we suggest the distinction of brands and the brand systems:

Brands orient observers with regards to function, quality, provenience, value and also visual, haptic and olfactory characteristics of the product. Seeing, touching, or smelling of a product as well as reading the price and the package information in a store provides the observer with knowledge about these characteristics. For producers brands are also legal constructs that allow them to defend intellectual property. For customers brands can also become symbolic links to social meaning. These characteristics are the classic economic functions of brands that exist as long as trade itself. We summarize the dimensions output, economic value, access, and marking under the notion of “brands.”

The rise of brands is not exclusively driven by economic differentiation in the above dimensions. The greater power of contemporary brands lies in their characteristic as a symbolic link. Through continuous social communication among observers about and through brands, they became visible and had semantic links to social meaning (e.g. Baudrillard 1972). This meaning exists only in the minds of observers of brand-related communications. These observers are, today, basically all inhabitants of (Western) market cultures. Social meaning emerges whenever observers communicate about a brand, for instance by praising the greatness of Porsche vehicles, and when they communicate through a brand, for instance by buying a Porsche and driving it through a crowded downtown district. These two brand-related communications actualize observers’ ideas on the social meaning and influence of brands that has become a predominant motive of purchase for many products (Atkin 2004). As these communications are socially created and reproduced phenomena that are meaningless in isolation, we distinguish them from brands. Thus, we adapt the construct of “brand systems,” first suggested by Giesler (2003). By replacing the distinction product/brand with brand/brand systems, the conceptual inconsistency of understanding

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<sup>61</sup> See section 5.2.1.

brands as a legal construct, “name, term, sign, symbol, or design (...)” (cited in de Chernatony and Dall’Omo Reilly 1998, 419) that have identities (Aaker 1995), personal traits (Aaker et al. 2004; Fournier 1998), and particular images, can be dissolved.

This distinction of brands and brand systems results in four important implications for brand theory and our theory of marketing. First, the distinction of functional-economic aspects of brands and social characteristics, such as meaning, value system, community, resistance, creates two classes of phenomena that are typically blurred in theory. Brands are produced by economics, arts, law, and technology but brand systems are true sociological phenomena. Yet even though brands and brand systems are strongly coupled, they follow different functional principles. The brand system notion takes this distinction into account.

Second, as brand systems are strongly coupled with other social systems, technologies, organisms, minds, and other brand systems, their success depends on the successful interplay amongst them. To produce and reproduce communications, brand systems eventually align with billions of heterogeneous economic, individual, and societal agendas (consider, e.g., the brand system around the brand “U.S.A.”). Competitors may, for example, use other brand systems’ characteristics to create their own distinct brands that inspire different meaning and thus allow, in sum, for more complex markets and economic wealth. Mass media may report on the brand’s features and the brand systems it creates (cf. the Apple ipod music player hype). Researchers may reflect on how observers perceive and proliferate brand systems, and observers may use the brand system’s meaning to conduct small talk, refine their identities, or socialize in communities around and against a brand and its system. If a brand system succeeds in reproducing strong and broadly accepted distinctions and ongoing communications, it may create a great amount of social noise and thus enrich both culture and economy (cf. the first German Big Brother television show). Nevertheless, if it fails to reproduce communications, or if it loses its fundamental distinctiveness, it may cease to exist (cf. the subsequent German Big Brother shows).

Third, brand and protest systems follow the same sociological principles of distinction and reproduction. What makes some observers’ behavior appear paradoxical is the eventual embedding of protest systems into brand systems and vice versa. Especially in postmodern conditions, protest is often embedded in a distinctive brand system in order to make the protest visible and attract new participants. The American “Burning Man Festival” is an excellent example. Brand systems are also embedded in protest systems. The brand system of the musician Eminem, for instance, immersed into a larger social protest system called “rap music.”

Fourth, brand systems have different characteristics. Brand systems that are based on strong distinctions or are attached to a powerful myth (Thompson 2004) can create extensive amounts of social communications or even become cultural icons (Holt 2003). Other brand

systems may uphold strong distinctions but only for a small group of observers, like special equipment for the sport of polo. The majority of brand systems evolve around unspectacular mass-market commodity goods. Some of these brand systems create extensive social noise as they are sold in masses but usually are not built on strong distinctions. Even though many of these brand systems are very profitable for the observers involved, they are more vulnerable to being forgotten quickly and replaced by other brands.

Brands as defined here are outputs with certain characteristics, an economic value, are at least accessible for purchase at one point in their history, and have a legal marking that serves as a symbolic link to a repository of meaning (see our Figure 7 above). Questions no longer revolve from the fact that there is or is not an important name on the package but whether particular brand systems are influential in differentiating and selling the respective brand. Products such as raw oil may not need a strong brand system to sell. Gucci fashion, however, could not survive without a strong brand system. As extensive symbolic communication is crucial for some but useless for other organizations; communicating about brands and thus inspiring meaningful brand systems is unnecessary for some companies, even though a name and a logo are still needed. In other cases, strong brand systems develop around markings that mark almost no relevant product or service but are still successfully perpetuated. Today's theory would classify the earlier type of brands as "not a brand" even though they made use of the legal construct, name, design and logo, while the latter one would be considered a brand.

Distinguishing brands from brand systems reveals that societal observers also implicitly and explicitly differentiate between these dimensions in their empirical purchasing practices. For example, some observers want to possess and utilize brands with exclusive brand systems but acquire copies or buy them as cheap as possible in outlets or second hand stores instead of paying the price of the brand in a suitable designer store. On the other hand, others buy a "Rolex" watch or "Lacoste" shirt even without a logo, just to feel the presence of the brand system (Grassl 1999).<sup>62</sup> Yet, both cases show that the functional-economic and social distinctions of brands are interrelated and of distinct fabric. While output, value, and marking typically correlate, observers can logically separate brands from brand systems if it comes to purchases.<sup>63</sup>

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<sup>62</sup> Brands "often retain a higher value even if they have become 'de-branded'. This explains the value of Lacoste shirts without the Lacoste label, or of Rolex watches stripped of the Rolex name: 'They are worth more than counterfeit imitations, because the brand is present even when it cannot be seen. In contrast, though the brand may appear on an imitation, it is actually missing' (Kapferer 1992, p. 10f.). This phenomenon can only be explained by assuming that even the former presence of a brand somehow transforms a product. But this precludes brands from being reduced to a simple external sign such as a name or label" (Grassl 1999, p. 3).

<sup>63</sup> This separation becomes apparent in the economic success of fake designer goods.

In order to maintain their intended form, brands and brand systems must establish a fragile balance between stability and change. Some distinctions are sacrosanct for particular brands, while others are secondary in the observers' perception.<sup>64</sup> The brand Swatch, for instance, can primarily be distinguished in the output dimension but less in brand systems. In the Michael Jackson brand, the core distinction from others is currently caused by the brand systems rather than the fading output. In the case of "Gucci," the combination of exclusive brands and consistent brand systems accounts for brand preferences. Hence, marketing systems are careful not to tamper with the fundamental distinctions of their brands, especially, when they plan to extend brands into other categories or change functional-economic features (see Grassl 1999, p. 4).

In sum, by differentiating the functional-economic characteristics of brands from the social fabric of brand systems, marketing researchers and practitioners gain a sharper view of the subject under scrutiny. Plus, it is easier to decide about the appropriate means of analysis and communication for these two separate properties. The 4 p's of marketing previously distorted this view.<sup>65</sup>

## 5.2.2 Communication

Marketing systems communicate about brands and through brands to exert influence on observers' preferences. They communicate about brands by means of symbolic communication, such as advertising, financial reporting, corporate communication, sponsoring, and public relations. This way, marketing systems inspire the building and proliferation of brand systems for observers. Through outputs, values, access, and markings of brands, marketing systems allow for and inspire payments, which are the basal communications of economic systems.

Once output and symbolic messages leave the sphere of an organization, societal observers also communicate about and through brands. They use the perceived meaning of brand systems for signaling inclusion in and exclusion from social groups. Being owners or not, they discuss brands, prices, features and their social impact with other observers. In their most intense form they proliferate brand meaning in cultic brand communities (see Atkin 2004; Muñiz and Schau 2005). With purchases, societal observers proliferate the economic system. By reselling a brand to another observer they also communicate through brands in the medium of money.

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<sup>64</sup> Consider the social protest noise "Apple Computers" generated among fans by announcing the installation of Intel processors in the next line of notebooks in 2006.

<sup>65</sup> See section 5.3.2 for more details on brands and brand systems.

The central role of the brand and the brand systems for our theory is apparent. Without brands, the empirical plurality of market economies would hardly exceed the one of communist economies. Plus, marketing systems would not exist, as they would not have a functional niche in society. Without brand systems, which embed social communications about and through brands, marketing communications would not encounter a memory and would thus be lost as soon as they appear.

There are several reasons for our decision to utilize communication as the basal operation of marketing systems instead of exchange (Bagozzi 1975), action (Parsons 1971), behavior (Alderson 1957), or transaction (Hunt 2002, p. 20). The weaknesses of the exchange paradigm were discussed extensively in section 3.1 above. Behavior is unsuitable, as it neither abstracts from psychic systems nor does it allow us to differentiate marketing action from other organizational behavior. Action as used, for instance, by Parsons, is a means to an end that can be planned and accomplished. Action theoretically involves an actor and the action itself (cf. Stichweh 2000). Both actor and action constitute themselves symmetrically in a chain of causes and effects. To improve the understanding of the actors' social activities, Parsons combines action with experience. Transaction, instead, is either congruent with action if the transaction is a one-sided process, or congruent with exchange if it is reciprocal among multiple observers. For our theory of marketing, exchange, behavior, transaction, and action are equally ineligible. None of these operations is able to embrace what marketing is, nor why it emerged. Instead, they inspire the creation of cumulated accounts of marketing-related behaviors, actions, transactions, or exchanges all of which proved to be either unattainable or myopic.

The initiation of the exchange of goods and services or of market transactions cannot be the reason for a company to develop a marketing system, as marketing systems also exist without exchange and transaction. In sum, by solely looking at particular exchanges, behaviors, transactions, or actions, we are not able to distinguish the operations of marketing systems from other organizational functions. By analyzing communication instead, we can reach deeper into the evolution theory of societies, social fabric of economic systems, and, consequently, the emergence of functional subsystems such as marketing systems. Section 5.3 will discuss the communications of marketing systems in greater detail.

### 5.2.3 Codes

The code of a social system is a binary scheme that allows the system to observe the world in a unique way. The fundamental problem that makes codes necessary for social and psychic systems is over-complexity (entropy) of the social realm. An observer could principally draw distinctions and comment on everything that can possibly be observed. Hence, functionally differentiated social systems need to make selections and focus on particular distinctions (negentropy) in order to evolve. The code distinguishes communications that are relevant for

the system from those that are not. This way, the system differentiates system and environment. Communications belong either to the one side of the code or the other, *tertium non datur* (Hellmann 2003). Complexity is reduced, as only those communications are considered relevant that are observable with this code. For European companies, air pollution, for instance, did not create payments and was thus considered to be part of the environment of the economic system. Once tradable certificates were given out, pollution became relevant to these organizations. The code must be understood as the most important and constituting distinction of a system. Next to the primary code, functionally differentiated systems typically also employ and recreate other, secondary codes. The science system, for instance, must pay salaries and the political system (usually) obey laws, even though neither payment/non payment nor truth/untruth are their primary concerns.

In line with the machine code “I/O,” or the economic code of “payment/no payment,” the one side of a code becomes meaning- and is only useful when also considering the other side. This way, codes establish unity through difference. A code splits the world, but does not allow us to decide which side to assign a particular message to. This is the task of programs.<sup>66</sup> Codes are essential for a social system to emerge as they define the purpose of a functionally distinct emerging system. With fixed codes and flexible programs, the system is equipped to reproduce both stability and adaptability (Luhmann 1998, p. 360).

What is the code of the marketing system? Considering the two-fold nature of marketing practice, can there be one code that allows the entire system to decide about inclusion or exclusion? Can there be a code that covers distribution problems and advertising at the same time? Luhmannian theory conceptualizes both payments and all other social events as communications. Thus, within this conceptual framework, a system that symbolically communicates about brands and inspires economic communication through brands can have one single code.

In the environment of economic systems, societal observers have financial budgets. If the savings ratio of a household is about 10%, 90% of the budget is available for making purchases. Which products an observer acquires is a decision relative to the budget, in favor of one brand versus another, and depending on particular wants and needs. Yet, meaningful decisions can only be made on the basis of notable distinctions. Thus, brands differentiate in the functional-economic dimensions output, value, access, and marking. Instead, the brand systems around these brands differentiate between social groups and the impact on these as the symbolic meaning around brands attaches to brand owners. Thus, they provide social distinctions as a basis of decision.

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<sup>66</sup> See section 5.2.4.

To earn a proportion of the discretionary income is the goal of any economic activity. The purpose of the marketing system, however, must have to do with this goal, yet still be distinctive. Otherwise, the system would not have emerged about 100 years ago, but about 2500 ago when payments and money arose.

We define that the functional purpose of marketing systems lies in influencing preferences towards brands. Preferences are manifestations or hierarchies of desires and needs for observers. Marketing systems try to influence these hierarchies on two different levels. First, they influence functional-economic preferences to make an observer buy a certain brand instead of any other. Preferences are manifested in purchases on the basis of favored outputs, values, access, or markings. Preferences, which are known to economists but frequently ignored by marketers, are not only made relative to competitors' brands within the same category but rather to all brands an observer can spend money on. As the budget is given and monetary resources are scarce, an observer's preference must be influenced towards buying a television rather than going out for drinks. Second, to motivate the purchase of some brands, social preferences must be influenced to make observers want, buy, use, or just talk about brand systems. Brand systems allow for the association of an observer to a social group that prefers the respective brand systems. Social preferences are influenced through social communication of organizational and societal observers. Members of the HUMMER brand community, for instance, constitute the brand systems much more actively and passionately than General Motors itself (Lüdicke forthcoming).

The relative relevance of economic or social preferences differs among brands. Organizations whose brand systems are largely irrelevant for decision making, such as bread manufactures or electric utility providers, concentrate on favorable output, value, and access to create predominantly economic preferences towards the brand. Yet, companies whose brands need strong brands systems, such as fashion or high-tech companies, will try to influence preferences towards brand systems, which are finally negotiated among all involved observers.

The discussion above only allows for one conclusion: The unique code of the marketing system is preference towards a brand/no preference towards a brand. Through communications about and through brands, marketing influences observers' preferences on how to spend a given discretionary income. Sometimes, preferences are strong enough to motivate observers to extend financial resources through credits.

The code preference/no preference towards a brand differentiates the marketing system from all other social systems outside and inside of the systems' host. In society and the economic system, no other function is primarily concerned with inspiring preferences towards brands. Other organizational functions, such as human resources, public relations, or corporate communications, also influence preferences, but their primary codes lie elsewhere. Yet, to

distinguish marketing systems from other social systems that inspire preferences towards brands, such as brand communities, marketing systems depend on a secondary code. Relative to the purpose of the respective host of the marketing system, this code can be, for instance, payment/no payment of economic hosts, or awareness/no awareness of non-profit hosts. This decision is necessary to differentiate social noise in favor of a brand from the social system that we are interested in. Thus, marketing systems always emerge within another social system and thus also recreate the primary code of this system. Primarily, these hosts are economic companies but marketing systems also evolve in political organizations, rock bands, social organizations, etc.

In sum, these two codes decide about the very existence of any marketing system. If the system fails to inspire preferences towards a brand that would have led to payments or attention or time spent, it dissolves. If the system is successful, observers prefer the perceived brand systems of one brand rather than the brand systems of other brands and buy the brand (e.g. a vehicle) or consider its messages (e.g. a political party), or spend time in the interest of the host (e.g. a social activist organization).

The confinement “towards a brand” of the code is another step towards aligning the center of our theory of marketing. Marketing systems exclusively communicate about brands. Any communication that does not mention or refer to a brand is not marketing communication. A marketing system in an economic organization that communicates without mentioning the brand is wasting financial resources, as observers cannot associate the meaning, which they are being offered to the brand. The restriction “towards a brand” includes economic preferences. All goods except public ones are brands. Therefore, marketing systems inspire preferences towards their brands (e.g. Coca-Cola) and not preferences towards other brands (e.g. Pepsi), nor towards other unrelated symbolic links (e.g. music).

This definition of the marketing code unveils a grand problem of contemporary marketing theory and practice that has been almost invisible. Creating economic preferences is a completely different task than creating social preferences, even though both are strongly related. Marketing theory does not distinguish these realms and has thus ignored the problematic two-fold nature of the discipline and practical differences of its tasks. As a result, the marketing notion remained a fuzzy amalgam of both activities in theory and practice.

By including economic and social communications into the operations of marketing systems we can distinguish different types of marketing systems. All organizations that sell goods and services must communicate through brands and, according to the current logic, evolve a marketing system. By doing this, marketing forfeits its distinctiveness because all economic organizations exchange goods or services. If there is no economic preference there is not only no marketing but also no economic system. Consistently communicating about a brand and inspiring the evolution of brand systems, instead, is a task that was non-existent before the



early 20<sup>th</sup> century and is not necessary for the survival of any economic organization. Unlike the ancient economic task of sales and distribution, the inspiration and irritation of brand systems is a truly distinct function of the emerging marketing system. Without this communication there is no marketing system but there can still be a company. In sum, our primary and secondary codes correctly describe the social function of marketing systems but also unveil a particular weakness in the current theoretical reflection on marketing that can be seen as a core reason for the misunderstanding of the notion.

#### 5.2.4 Programs

The codes provide the marketing system with unique, binary schemes of distinction. Yet, they do not mention how a system should organize its own operations around this distinction. The program construct is the solution offered by von Foerster (1981). Evolving various programs, systems regulate their own regulations. Programs enable the perception of the distinctiveness between system and environment from within the system because systems are principally unable to access outside consciousnesses. According to Spencer-Brown (Spencer-Brown), a program represents the re-entry of the distinction (code) of the system into the system. This ability of reflecting on the inside and the outside is a necessary precondition for systemic autopoiesis.

Programs have four core functions. First and as mentioned above, they allow the system to perceive its system/environment distinction and, thus, differentiate self-references from outside references. Programs are internal interpretations of a relevant perceived environment with a lower complexity. They allow the systems to decide on how to communicate with their environments on the basis of an internal understanding of the outside. Through codes, social systems reduce the overwhelming complexities of social environments by focusing on and proliferating only one distinction. Through programs they become flexibly connected to their environments. Second, programs establish rules about acceptance and rejection of the communications that the code separates. A HUMMER owner, for instance, will either ignore or reject the accusation of having made an environmentally irresponsible consumption choice as the programs of the HUMMER brand community define owners as responsible people (see Lüdicke forthcoming). Such responses demonstrate the self-referential mode of operation of psychic and social systems.

Third, programs create predictability by organizing the system (see Hellmann 2003, p. 174). Observers assume the existence of various programs whenever they communicate. Otherwise their communications would be meaningless. Programs in the form of rules, roles, strategies, or cultures organize the systems' communication and enable them to consistently react to outside stimuli. They provide a frequently updated and adapted path for evolution that would otherwise be random. Only through programs, communications can add up to a common goal of the system. Observers rely on these programs to achieve targets that are associated with the

roles they present. Forth, the code is a two-sided scheme and thus does not allow for variation. In order to survive within a complex environment such as a global market, an organization must specify its distinctiveness further. By using programs, systems can show how they differ from competitors, compete for the discretionary income of observers, and inspire payments.

Other than codes, programs are flexible. Systems update, adapt, or dismiss them if the environmental situation requires a change to ensure connectivity. Without suitable flexibility of its programs, systems cannot survive within a dynamic environment, as they would become outdated too quickly. As programs are only needed if multiple observers are involved into a systems' autopoiesis,<sup>67</sup> they abstract from individual persons that may fill a role or complete a defined task. This way, they allow for a certain degree of predictability despite the necessity of change.

Programs have many forms. Common to all of them -for instance the role of a teacher in the educational system, the processes of academic review in the science system, or the task of a president in the political system- is that programs structure expectations of the involved observers. Different programs are explicit and implicit results of communication among members on the inside of a system. They are manifested on strategic, tactic, or operative levels of abstraction, in social, functional, and temporal dimensions, and on different levels of observation.

Explicit, strategic, functional-economic programs are, for example, corporate growth, sales, or investment strategies, missions, and annual budgets of business units. Operative programs are, for instance, project plans, organizational charts, or job descriptions. Implicit programs are elements of corporate cultures, such as flexibility, pace, leadership style, or trust. In the social dimension, programs organize meaningful communications among members on the inside and about brand systems on the outside.

Within the science system, which organizes academic observations and the support of marketing systems, not only the code (truth/untruth) but also the programs differ. Roles, such as authors, reviewers, and advisors, organize communications, whereas the functional realm proliferates research methods, agreements on expected publications, and teaching loads.

The programs of economic systems are well documented in the business literature, the files of organizations, and in the archives of the mass media.<sup>68</sup> But what are programs of marketing

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<sup>67</sup> (which is a necessary precondition for the emergence of a social system anyway)

<sup>68</sup> Even though Luhmann and others explain the functions of programs in many different contexts (e.g. 1988; 1998; 2002), they did not provide a more detailed account of what the programs are and how they could be structured. Neither do other theorists (Baecker 1999; Hellmann 2003).

systems? The number of empirical programs of marketing systems that currently exist is theoretically endless. Therefore we focus on structures and examples rather than provide an account of marketing programs.

The fundamental concern of marketing programs is to allocate resources for economic and social communications to optimally inspire and fulfill outside preferences. Programs of marketing systems define structures, strategies, tactics, operations, projects, roles, and other organizational elements to manage influencing, brand-related communications of organizations.

In the functional-economic dimension, marketing programs describe market research activities, strategic and tactic business development, operational implementation, and controlling. The particular programs within these fields of action are described in depth in various marketing textbooks, corporate job descriptions, journal articles, etc. (see e.g. Kotler 2003b; Meffert 2000a; Nieschlag et al. 2002). These sources also summarize typical roles in marketing, such as rights and responsibilities of product managers, brand managers, chief marketing officers, or the sales force.

In the social dimension, programs evolve to organize the observation and influence of brand meaning in society. As the predominant meanings of brand systems are outside references to organizations, marketing systems develop programs for observing, measuring and influencing them with internal means. Methods of observation are, for instance, quantitative opinion polls, database marketing, marketplace ethnographies, or media analyses. To influence the strength and predominant meaning of brand systems, marketing systems continuously evolve their communicative options. Methods such as mass media advertising, public relations management, direct marketing, relationship marketing, viral marketing and various branding strategies are in use to improve the influence on social preferences towards brands. In business theory, the corporate communication and stakeholder relationship management functions are often not considered marketing programs. As the primary code of these functions is to inspire preferences towards brands and induce payments, they become true marketing programs in our understanding.

In the temporal dimension, marketing programs organize a paradox of permanence and change of marketing messages. Literature and practice agree that functional-economic dimensions of a brand and the suggested meaning of brand systems must remain consistent over time to effectively inspire preferences towards a brand. With consistency, trust into future quality and meaning can evolve. Due to consistent characteristics, observers can utilize experiences with brands to reduce the complexity of future decisions. Thus, whenever too many uncertain brand choices overstrain observers, they can draw on their knowledge about particular brands for re-organizing preferences. Despite permanence, economic offerings and their social meanings are also subjects of change. Without change, output quality falls back

behind evolving competitors and social meaning becomes outdated. Thus, marketing programs define what is necessary to balance consistency and change, not lastly because the legal-economic value of the brand depends on it.

From the programmatic perspective of an economic host of a marketing system, successful marketing communications provide an insurance against the risk of sudden sales shortfalls and a means to achieve premium prices. That is because marketing systems can influence preferences in two distinct dimensions. Competitors can copy, undercut, or outperform the functional-economic comparative advantages. But strong brand systems cannot be readily copied. This allows the host to gain higher margins and reduce the risk of being outperformed. Still, this insurance is only useful if a brand system is relevant for purchase and remains consistent over time.

Not only the programs of the hosts of marketing systems influence the systems' programs. Being structurally coupled to the social environment, marketing systems also observe and use societal systems and programs, such as initiatives to enforce corporate social responsibility, sustainable development, anti-exploitation, or regional sourcing. Originally, communications that do not create payments do not interest an economic organization. Yet, by gaining enough communicative volume to significantly change observers' preferences towards a brand, society can force organizations to adapt its economic and social programs. In the strict Luhmannian sense, these social changes cannot be perceived by economic systems as long as payments do not change. Marketing systems, instead, are programmed to observe society with other than economic means and are thus prepared for responding to oppositional social noise. Recent examples for marketing systems that were not prepared for reacting to social opposition were extensively discussed in the media.<sup>69</sup> Society can also leverage the preferred meaning of a brand and create an unexpected momentum for a brand. Examples are the Apple ipod music player and the Napster file sharing software. Even though companies may see salient social activity around their brands as a risk, strong social interest comprises chances for innovative brand-related communications if marketing programs react flexibly (cf. Luhmann 1988, p. 215).

Another type of external program is relevant for social marketing communications: societal themes. Themes can be understood as action programs of language (cf. Luhmann 1984, p. 216). Society uses language for its reproduction and evolves uncountable themes to reduce complexity. Marketing systems use, inspire, or connect to such themes to create greater connectivity of their communications (cf. Thompson 2004). Societal themes, such as urban

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<sup>69</sup> See, as examples, Shell and the Brent Spar disaster in 1995 and the bankruptcy of Enron in 2001 as trust into the brand system was lost quickly, even though the oil and energy provided by these companies did not change.

lifestyles, music piracy, technology addiction, consumer resistance, or terrorism function and proliferate like brand systems, and thus become useful resources for marketing systems.

Scientific observers of the marketing system play an important role in contributing knowledge for marketing decisions. Scholars structure empirical observations, label them, analyze the options within certain market situations, bundle tools of observation and communication, and hand down the information to the next generation of marketing managers at the business schools.<sup>70</sup> This way, they irritate future and present marketing programs from the outside.

Critically analyzed, the current scope of marketing programs in literature is problematic. Over time, scholars and practitioners defined more and more of the above functions as true marketing activities. Marketing monographs became thicker every year as they included presumed marketing problems previously discussed elsewhere (cf. Kotler 1967, 2003b; Nieschlag et al. 2002; Nieschlag and Hörschgen 1969). Consequently, many functional-economic programs that are defined as marketing programs overlap with the programs of the systems' internal environment. Strategic planning of business units and the resulting investment and disinvestment strategies or a SWOT-analysis of the company are core strategic management programs. The planning and organization of distribution and sales efforts are core concerns of sales departments. Pricing strategies are crucial for financial planning and controlling departments of a company. The analysis of observers' decision behavior is a prime concern of economic decision theory and consumer psychology. The research and development functions conduct product development. Advertising and public relations are distinct fields of research and creative production. From a business point of view, this inclusion cannot yet be accepted.

Although many programs certainly contribute to the creation and extension of preferences towards a brand and help the holder to earn a share of the customers' discretionary income, they are still questionably unique marketing functions. With our definitions above of basal operations, codes and programs we can now analyze and decide if salient programs and marketing hypes are true marketing programs within our conceptual framework. For instance, some scholars and practitioners understand market-oriented leadership of the entire company as a central marketing program (e.g. Meffert 2000a). According to basic business management knowledge, no form of leadership is primarily concerned with preference building or with communication about brands, yet with the allocation of scarce resources and the influence on actions of organizational observers. For this reason, market-oriented leadership is not related with marketing systems. It should be associated with the list of classic orientations of strategic management.

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<sup>70</sup> For a description of programs in academia see Luhmann (1990).

In sum, the programs construct of social systems theory comprises a good deal of all marketing research and practice. Programs are subject of frequent change and also dimensions of comparative advantage among marketing systems. Yet, our theory of marketing must abstract from frequent changes of paradigms, dominant logics, or hypes, that are nothing but marketing programs, and rather focus on fundamental unchanging particularities of marketing systems. As the definitions above finally set boundaries to the system, they allow us to theoretically exclude every trend that is not of marketing systems' concern.

## 5.2.5 Media

Media enhance the likelihood of the successful communication of a system. Media typically emerged when the evolution of a system was jeopardized by double contingency and over-complexity of a social realm. With industrial production and mass distribution of anonymous goods, the economic system was confronted by such an unprecedented over-complexity.<sup>71</sup> The system was challenged to create preferences towards products while losing the option of personally creating trust and knowledge. What the system developed to overcome this obstacle for growth was the brand. Even though other suggestions have been made, we theorized brands as communication media (Luhmann 1998, p. 190).<sup>72</sup> Brands enhance the likelihood of suitable purchasing decisions, while allowing for a higher market complexity. In consequence, economic systems and their social environments extensively use brands and brand systems for a variety of novel communications.

Brands have a severe impact on various organizational and societal observers. Marketing systems communicate about and through brands. Societal observers build communities around brands and proliferate friendships through communal utilization. Companies can offer almost identical products that differ in their markings and brand systems and so sell more of the functionally same product. With more brands observers have more choices to choose from

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<sup>71</sup> See section 5.1.3.

<sup>72</sup> Another interpretation of brands with Luhmannian theory was introduced by Hellmann recently (2003). The author suggested understanding the unity of all brands, analog to Luhmann's mass media system, as a secondary social system with the unique code brand/no brand. Individual brands, he continues, could even be considered subsystems of this system. We chose a different approach. We understand the brand as a medium that does not have own operations like the mass media system. Brand systems, instead, are conceptualized as social systems of communications around brands, rather than a system of different brands. This way, our brand systems are similar to the systems Hellmann sees as individual subsystems of brands. The code of a brand system is restricted to "this brand/all other brands" as opposed to Hellmann's suggestion "brand/no brand," as from our point of view there are no "no brands" left but public goods like air, trees, or water. The differentiation of functional, social, and temporal distinctions of brand systems that will be discussed below is adopted from Hellmann's great analysis. Interpreting Luhmann, who did not include brands in his work, a brand could also be interpreted as a program. Luhmann labeled "themes" programs of society that structure communications. Brands are to some extent themes within markets. Yet, programs allow the system to decide about acceptance or rejection of communications and to organize the system, which brands cannot.

when satisfying their needs. Through brand systems they can also chose which social groups they want to be associated with and which brand systems complements their identities.

In addition to the communication medium of brands that we also categorize as “success medium,” marketing systems utilize various “distribution media” (see Luhmann 1998). These media allow the system’s communications to reach a broader audience and temporally desynchronize information, messages, and understanding. Among these media are print media, television, radio, digital networks, and logistics. As marketing systems seek to induce preferences towards brands by means of influencing brand-related communication, they employ all distribution media available to efficiently communicate about brands.<sup>73</sup>

### 5.2.6 Not For Profit

So far, we focused on the systemic configurations of marketing systems that are hosted by economic organizations. Yet not only since Kotler and Levy’s (1969a) influential article, marketing systems also evolve within non-profit organizations. Our theory design allows for any kind of organization to develop a marketing system with the primary code, programs and basal communications mentioned above. Yet the environments of marketing systems that are hosted by non-profit organizations, their particular programs, and their underlying goals differ. While inspiring preferences towards brands is constituting for marketing systems, the secondary code of creating payments in exchange for brands is an exchangeable property. For organizations that target at awareness rather than money, such as Greenpeace, labor unions, pop-stars, religions, kids’ soccer clubs, etc., the predominant target of preference building is to share the awareness for a brand, or to share social activity time. Mostly, however, companies do not resist to receiving money or donations.

Our theory unveils that the systemic configuration of marketing systems that are not concerned with economic preferences is much sharper than the one of economic marketing systems. As the unfortunate empirical duality of physical distribution and social communication is not given in these cases, the system is exclusively concerned with creating preferences towards brand systems. Most likely, leaders of non-profit organizations will not purport that marketing equals leadership of an organization, that marketing is everything, or that every employee has to internalize a marketing philosophy. In this context these interpretations of marketing make even less sense. They rather suggest a rethinking of the scope of marketing in economic organizations.

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<sup>73</sup> See section 5.3.2.1 for a detailed account of the medium of brands.

### 5.2.7 System and Environment

In the prior sections we mentioned that marketing systems cannot exist without what we called a “host.” Marketing systems are not functional systems *sui generis* such as economic, legal, political, or education systems. They communicate about brands on behalf of a person or an organization, which typically is the legal owner of the trademark and has a particular agenda for the brand. Hosts are internal environments of marketing systems, whereas the social environments of the marketing system and the host are outside references for both. In order to proliferate in this context, marketing system must define and maintain boundaries. Once they fail to uphold their distinctiveness they become meaningless and dispensable for the host so that they finally dissolve into the environment.

Considering the theoretical decisions above, the boundaries of marketing systems and their organizational and social environments are made clearer. Marketing systems fulfill the function of creating preferences towards brands with respect to observers’ budgets of time, money, or attention and by means of influencing, brand-related communication. This is the distinct functional niche marketing systems fill in society and which allows them to perpetuate successfully among other functional subsystems. In their autopoiesis, marketing systems operate on two distinct levels: On the level of social communication, marketing systems influence observers’ preferences towards brand systems as matrices of meaning around brands. On the level of functional-economic communication, they induce and fulfill preferences towards brands by making preferred products accessible at acceptable prices. Both activities also ultimately target at inducing payments, if the marketing systems is established by an economic organization. Before marketing was described in these terms, it was considered a business function, a means, a method, and a philosophy at the same time. Hence, the marketing function within organizations remained rather unclear until the present day.<sup>74</sup>

Marketing systems differentiate themselves from their internal environments, which are other functional subsystems, with their primary code. No other organizational function is primarily concerned with creating preferences towards a brand. Due to their external social environment, marketing systems are strongly coupled. The bridge between them and the systems’ subjects of observation are not only payments and market shares but also communication in society about brands. We describe the existence and the level of societal talk about a brand with the notion social noise. Social noise symbolizes quantity or “volume” of communications about and through a brand. It is the sum of all present communications about a brand and thus a social and temporal measure (Lüdicke 2005). In the environment of marketing system many observers create social noise. This includes mass media, societal

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<sup>74</sup> See chapter 0.



observers, organizational observers, and other social systems. Through digital communication technologies, social environments actually have much greater marketing power to influence brand systems than ever before (cf. Kotler and Zaltman 1971).

In the social environment of marketing systems, not only brand systems can emerge but also protest systems. These forms create preference against a brand using the same means and logic that marketing systems use. A strongly frequented HUMMER hate page, for instance, directly follows the official General Motors webpage of HUMMER vehicles on the Google result list of the query term "HUMMER" (see Lüdicke forthcoming). This way, observers that search information on the vehicle will learn about HUMMER brand systems but also about the protest system. These social phenomena are of primary concern of marketing systems, as no other function in economic organizations can perceive social communications.

With their attempts to influence brand systems, marketing systems extend their operations far into society. Organizational observers both use strong brand systems and especially brand communities to get to know users of their products, to test new brands, and to personally influence brand meaning. Thus, with the construct of brand systems that emerge on the boundaries of organizations and society, research on word-of-mouth marketing, viral marketing, and brand communities obtains a worthy place in our theory of marketing. Also, observers that communicate against brands and attempt to turn around their brand systems' predominant meaning also appear on our marketing map. They are currently analyzed under the notion of consumer resistance (e.g. Kozinets and Handelman 2004).

In sum, this section unveils why a theory of marketing is difficult to develop. Luhmann's theoretical framework is the first and only theory that allows for conceptualizing payments and meaningful messages, which are understood as the communications of social systems, for a marketing code to reveal that suits empirical observations, and for the description of its programs and structures. Using this theory as a conceptual framework the theory of marketing project gains a form that was previously missing, the form of a social system. The conceptual decisions above reveal the empirical action radius of marketing as drawn much too far into the functional-economic direction and too close to the social dimension. Theoretically, the system would have a clearer scope and a better stand in business theory if economic communication was erased from the marketing landscape so that the systems could focus on symbolic communication, which is its original function. Also, the definition of the marketing code suggests that not only advertisements but all communications between organizational and societal observers load on brands, including financial reports, press releases, or so-called corporate communications. As this is their primary concern, these functions are programs of marketing systems.

### 5.2.8 Open- and Closeness

The previous section unveiled that marketing systems are not social islands. Yet, in order to ensure their procreation, these systems must operate in a closed form. Understood as autopoietic systems, social systems functionally resemble organic (e.g. bodies) and psychic systems (e.g. human minds). All of these systems produce the elements they consist of themselves; the body its cells, the mind its thoughts, the social system its communications. All systems are naturally inaccessible from the outside. No Ego can ever look into the mind of Alter, and no observer can perceive an environment with other means than his specific synapses. The same is valid for marketing systems.

In their autopoiesis, marketing systems produce all elements they consist of themselves. These elements are temporal and ephemeral as they are confronted with human oblivion. As communications are elusive and preferences unstable, there is no finite end to marketing systems' operations. With every communication, the system produces connectivity for further communications so that both talk about and payments for brands must never cease. At the same time, every operation of the system reproduces the system, which is the systems' autopoiesis. If marketing systems fail to create preferences towards and social noise around their brands, they fail in their autopoiesis and cease to exist.<sup>75</sup>

Despite their operational closeness, systems cannot exist without their environments. Bodies can be distinguished from the surrounding air through specific matter (skin), the mind differentiates itself from material and electrical impulses through cognition, and social systems use codes to distinguish themselves from their social environments. Systems are two-sided forms whose unity is unthinkable without the respective other side. Without environments, no system could constitute and develop its form. Distinction is the core principle. Which distinction a system chooses, depends on the evolution of the system itself. Marketing systems emerged as they differentiated from their societal and organizational environments, using the unique code of preference/no preference towards a brand and a secondary code of the host system.

The freedom of choosing a place in the functional differentiation of society also leads to blindness. Once a marketing system has developed a code and successful programs, it ignores everything this code excludes. This is a necessary condition of any system, including organic and psychic systems, because their procreation depends on the reduction of complexity through specialization. Therefore, marketing systems are, for instance, ignorant for educational issues, religion, and politics, as long as they do not affect society's preferences towards their brands and do not open possibilities for the placement of new brands. The

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<sup>75</sup> Compare Luhmann's description of the autopoiesis of the economic system (1988, p. 59).

necessary but sometimes ethically doubtful systemic blindness had earned marketing systems extensive critique. For instance, as parents began to complain loudly about children becoming spoiled by brand-related communications of economic organizations, marketing systems became alert. Without social feedback on the social impact of their brands, marketing systems would not be aware of social responsibility, environmental problems, etc. But the existence of marketing systems also ensures that economic organizations hear what is talked about in society.

The marketing systems' operations also depend on the programs of their hosts, on mass media, other brands, language, and society. Marketing systems are structurally coupled with each of these relevant systems, programs, and media. With their programs, marketing systems define how to utilize mass media, how to react to social movements, and how to spend the marketing budget granted by the host. Without brands, marketing systems would have no reason and without language and mass media no means to communicate.

Summarized with the words of Giesler (2003, p. 249), marketing systems oscillate between freedom, blindness and dependency: They are free in drawing distinctions, blind to the consequences, and, for the success of their distinction, dependent on everything they exclude.

### 5.3 Communication

*„Society is communication. And nothing but communication. And all communication.“ (Luhmann 1988, p. 50)*

Communication is the second central construct of our theory of marketing next to brands. In section 5.2.2 we concluded that marketing systems are primarily concerned with communicating about and through brands in order to influence preferences. This section first elicits the core systems-theoretical concepts of contingency, observers, and communication. Then, it elaborates in detail on the three fundamental events that establish marketing communication: information -which includes observation and information- messages, and understanding.<sup>76</sup>

Parsons used the notion „double contingency“ to describe the challenge of communication to deal with asymmetrically distributed, chronically under-defined, incomplete knowledge observers have. Principally, participants of communication cannot know what other participants know. Thus, communication is incomplete, as it cannot completely synchronize

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<sup>76</sup> As this thesis offers a meta-level theory of marketing, we refer the reader to specific literature for detailed descriptions of particular forms, media, strategies, etc.

minds by transferring information. Thus, the contingency of an observer selecting information and messages from an endless repertoire of meaning is doubled as the observer must also consider the knowledge and likely interests of other observers, which are almost unknown to him, in order to communicate successfully. Taking this into consideration, communication opens up to temporal balances, imbalances, and new under-defined spaces and, thus, for communications that successfully connect to previous communications despite double contingency. Functionally differentiated social systems evolve with their respective codes and programs to reduce the unlikelyhood of communication and to create structures that improve connectivity. So do marketing systems.

As communication creates distinctions, it marks an inner side of what is said and in parallel reproduces what is excluded. Thus, communication about an absolute, given, objective reality is impossible. Rather, what society talks about is to be seen as relative and also distinctive to what was talked about earlier. This way, communication balances and also imbalances the knowledge of observers. Hence, a certain death of communication and society would be caused by a definite knowledge overlap between observers, which, to date, only exists in machines.

In contrast to previous theories that use constructs like person, customer, seller, manager, or marketer, we use the notion “observer.” In addition to this, we distinguish two kinds of observers, organizational and societal observers. The earlier summarizes the roles in marketing, such as brand managers, advertisers, sales staff, product managers, or marketing managers, the latter embraces roles such as journalists, fans, customers, brand antagonists, or the general public. Above, we defined particular roles as programs of marketing systems. Thus, they are subject to change and implemented differently in every organization. Thus, we do not use these roles in our theory but talk of observers instead.<sup>77</sup>

Luhmann distinguishes three key types of observers with respect to three types of systems. Biological (or organic) systems live, psychic systems (re-) activate thoughts, and social systems communicate. Observers can also be an amalgam of these systems. A “person,” for instance, combines an organic and a psychic system to contribute to social systems. These persons are crucial for our theory as they are the predominant observers of brands and contributors to brand systems, but as they are also the environment of marketing systems, they are not discussed here in depth.<sup>78</sup> An emerging type of observer is the “cyborg” (Giesler 2004; Giesler and Venkatesh 2004, 2005). According to Giesler, this category becomes

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<sup>77</sup> See section 5.5.1 for an exception.

<sup>78</sup> The research steams of consumer behavior and psychology are concerned with these societal observers of brands and brand systems, whereas the field of organizational behavior inquires about organizational observers. A theory of marketing takes societal observers (especially customers) as given and does not inquire about their characteristics.

relevant as the comprehension of the behavior of consumers, which are strongly coupled, networked, and dependent on technology is crucial for the future development of effective marketing programs.

In addition, computer programs become relevant observers of brands and brand systems. For instance, the communications of web-based price comparison engines that structure online offerings on the basis of functional-economic criteria are already important for marketing systems, as they influence economic preferences.<sup>79</sup> However, Baecker (2001) states that as long as machines are unable to observe themselves as being distinct from their environment and thus are unable to develop the premises of operational closeness and autopoiesis, they will not be able to exist independently from systems.

Communication comprises at least two observers that synthesize three contingent selections: information, message, and understanding (1998). With each of its elements, the basal operation reproduces different problems and responds to them; contingency is created and overcome by the two involved closed systems; experience and observation are necessities for drawing distinctions and creating information; unlikely motivation for communication is reduced by the evolution of communication media; and autopoiesis is overcome due to the asymmetrical and under-defined nature of communication.

In sum, the basal operation of marketing systems is brand-related communication, and all brand-related communication, and only brand-related communication.

### 5.3.1 Observation and Information

*“Anything said is said by an observer” (Maturana and Varela [1970] 1980)<sup>80</sup>*

Information is a “difference that makes a difference” (Bateson 1981, p. 582). In accordance with Bateson, constructivists accept that information is derived by drawing psychic, social, or cultural distinctions rather than discovering essential truth. Observers - being humans, animals, networks, cyborgs, etc. (see Fuchs 2001)- not only have the ability to draw distinctions by observing their environments, they also tend to share information with other observers. A necessary precondition for and consequence of the observation and the drawing

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<sup>79</sup> The crucial question for marketing systems and researchers is how preferences are influenced through the use of these media. A “swarm of adolescent night-flies” that coordinates a communal evening via mobile phones, is long able to boost or end an event by negotiating and implementing mutual preferences (cool, less cool, uncool) within an instant. They, thus, strongly increase economic risk and brand systems’ dynamics.

<sup>80</sup> Quoted from page 8 of the online version of the book.

of distinctions is selective blindness. Drawing distinctions requires time and processing capacity from the observers. Thus, any selection excludes all others. Spencer-Brown ([1969] 1999) summarizes the necessity to draw distinctions and the consequential selective blindness as follows: “You can not have it both ways. Either you can see an apparent universe by being selectively blind, or you can see it all equally in which case it must disappear and so must you” (p. 194).

Observers establish social systems on the basis of differences that they put into a certain form of message that is understood by other observers and makes a difference to them. Information, the initial contingent selection, can be derived in social, functional, and temporal dimensions.

The ternary decomposition of communication and the utilization of the “observer” mark a difference to predominant paradigms of information theory (cf. Shannon 1948). In Shannon’s theory, information involves sender, receiver, message, and noise. This implicates that, despite losses through noise, information can be transferred from one agent to another. In accordance with systems theorists, we reject this understanding for the social realm, as communication between autopoietic systems cannot create almost identical knowledge within two different operationally closed systems.<sup>81</sup>

We next discuss the observations and distinctions of three social systems that are of particular relevance; (economic) organizations as hosts of marketing systems, society as their social environment, and the science system as the host of marketing research.

#### 5.3.1.1 Organizations

Organizations are sophisticated forms of social reproduction. They inspire their particular communications by implementing conditional memberships and organizing decision-making. By developing unique codes and programs, organizations allow, for instance, the efficient allocation and processing of material, financial, and human resources, the production of outputs, and the global distribution of brands, despite the great complexity of these tasks. Observers that decide to join and retain membership in an organization choose to respect the decisions of the organization and can only influence them until the organization reacts with exclusion (see Luhmann 1998, p. 826ff.).

The key questions of this section are, which subsystems of organizations produce information that contribute to marketing systems and what and how do they observe? Principally, all members, from blue-collar workers to sales personnel to chief executive officers, can and do observe communications through and about their brands. They communicate with colleagues,

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<sup>81</sup> If it could, how would it be proven?

customers, friends, and others about the products they produce and about their jobs in the organization, and hereby obtain knowledge about brands and brand systems. Thus, not only marketing systems but to some extent all organizational subsystems deal with the observation and the influence of preferences towards brands.

Marketing systems, however, are the only functional subsystems that program themselves predominantly to brand-related communications. By participating in and contributing to organizations, they also obey strategic decisions of their hosts, ensure budget abidance, and employ staff. Yet, these programs are the prime concerns of other functional subsystems, not marketing.

Economic organizations allocate resources on the basis of strategic decisions, financial planning, and profit estimates to optimize financial returns. Thus, the marketing systems of these hosts are firstly required to provide quantitative information. Markets are the primary subjects for marketing systems to derive such information. In the market mirror, marketing systems observe quantities, prices, relative market shares, the potential size of target groups, etc. of their own brand and others (cf. Luhmann 1988). Kotler dedicates 218 pages (of 706) of his "Marketing Management" textbook to the established means of market observation (2003b). Methods comprise strategic planning, the gathering of information and measurement of market demand, the scanning of the (macro) marketing environment, the analysis of consumer and business markets and behaviors, the dealing with competition and the identification of target markets (ibid., p. 89-309). German textbooks, instead, predominantly focus on research methods than on particular subjects of observation to inform students about means that can be employed to derive reliable information (Meffert 2000a; Nieschlag et al. 2002).

Even though Kotler explicitly describes branding as "the art and cornerstone of marketing" (Kotler 2003b, p. 418), the economic analysis of brand value takes up no more than 18 pages of his monograph. Methods for analyzing brand meaning are described in only 22 lines. In German textbooks the observation of brands deserves equally little attention.

Instead, consultancies – such as BBDO, Interbrand, A.C. Nielsen, Gesellschaft fuer Konsumforschung, Young & Rubicam, and McKinsey – and a few marketing researchers – most salient Aaker, Kapferer, Keller, Sattler, Simon, and Sullivan – developed means for observing and financially evaluating brands. Zimmermann et al (2001) list 26 methods for brand evaluation that are currently used in the industry. Approaches range from business-finance oriented models, over psychographic- and behavioral-oriented methods to composite financial/behavioral approaches. BBDO Consulting, for instance, employs the most complex approach to derive monetary brand value from brand earnings before taxes, brand sales performance and potential, brand net operating margin, advertising support for the brand, brand strength in the industry, international orientation of the brand, and the brand's

developing prospects (Zimmermann et al. 2001). Interbrand, instead, claims to be able to identify the exact proportion of earnings that is exclusively brand-induced and employs market analysts' forecasts to derive discounted projected profits (Businessweek 2004). Despite their broad acceptance, the reliability of most methods is still questionable as they either ignore relevant data or rely on critical sources.<sup>82</sup>

Zimmermann et al purport that brands account for 56% of the total monetary value of the top 100 German enterprises (2001, p. 6). If that observation is even only partially valid and the value is the discounted price premium observers will pay for buying one brand instead a similar other one, brand meaning is of central concern to organizations. In contrast to organizations that employ the constructs "brand personality" and "brand identity" (e.g. de Chernatony 1997a) when describing the socially constructed meaning of their brands, we use the brand systems notion.

To be able to meaningfully communicate about and through brands, marketing systems observe communications around their brands and also observe societal changes, trends, hypes, styles, myths, icons, etc. that are crucial for creating messages which connect to existing meaning. For an observer, brand systems emerge through a common history with a brand in the social realm, extraordinary individual or communal consumption experiences, talks with others about brands, knowledge of the provider derived from mass media reports and shopping experiences, presumed knowledge of what others think about a brand owner, or knowledge of how the presence of a brand actually affects a social environment. This socially induced knowledge make brands function as symbolic resources in and for society.

How can brand systems be observed? The characteristics of marketing systems mentioned above suggest measuring communications. Social communications about brands happen in society. In particular, they are conducted in interactions among people and in organizations, clubs, parties, or families. These communications about a particular brand add up to form the social noise around a brand.

In order to understand societal observers and the effect of their brands in society better, marketing systems observe the consistence, quantity, and direction of this social noise and where it is predominantly produced. Marketing systems ask if a brand system proliferates

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<sup>82</sup> Similarly to the existing means of marketing observation of brands, they are principally inside-out approaches. The methods use organizations' internal economic data and enrich them with competitors and financial market data to extrapolate brand value. This way, they ignore the importance and the social and dynamic character of brand systems in society. This includes ignorance towards human oblivion, the consequential need of continuous reproduction of brand systems, and an over-estimation of the stability of preferences. Measuring, for instance, the value of the brand "Michael Jackson" at the time  $t=0$  (before the accusation of child abuse) with the methods mentioned above does not provide any data about the value decrease in  $t=1$  (after the charge was communicated) and the increase in  $t=2$  (after the verdict not guilty was spoken) as the numbers included do not capture these changes.



preference or rather dislike, how much the brand's design and function has already inspired talk, and if the brand itself or the brand systems creates the larger proportion of the observers' preferences.

In sum, marketing systems draw functional-economic distinctions when they analyze preferences towards prices, product features, qualities, designs, and distribution channels in the market mirror, and they draw social distinctions when they scrutinize the predominant meaning and social effects of brand systems, the cultural references these systems use, and the character of the social groups observers aspire access to through brand purchase. In agreement with scholarly and empirical observations, and despite the weighting in marketing textbooks, we suggest a different theoretical balance of economic and social observations in contemporary marketing systems. Brands are the central subjects of the functional-economic analysis but brand systems also clearly make a difference. The observation of brand systems already gains empirical importance because marketing systems have become more important of organizations when inspiring preferences towards brands in global markets.

#### 5.3.1.2 Society

As society, the most relevant environment of marketing systems, cannot be suitably addressed, marketing systems use the notion *consumer* as salient construct for addressing their most important outside observers. In marketing research, the notion became almost when it was being used to theorize on basically every human activity, from shopping, to prayers, being a citizen, and living friendships, as scholars rejected the economic perspective the construct originally expressed.

For our study, we dismiss the consumer construct, as it does not capture the crucial conceptual point. The effect of brands and brand systems in society does not only depend on those who buy and consume but on every being that observes and communicates. Thus, observers, no matter if or what they buy, are a more suitable construct for marketing systems. Societal observers draw distinctions, communicate about them, and perceive and reflect on messages. Without observers that aspire but do not or cannot consume a brand, the relative social effect of brand systems and preferences would not emerge.

Societal observers adopt the roles of customers, flight attendants, the unemployed, retirees, children, rock stars, and anyone and anything that is able to observe and communicate in some way. In their psychic systems, human observers evolve programs that economic theory denotes as desires, wants, and needs. The physical needs of human observers largely overlap, as they must eat, sleep, house, etc., but their preferences towards things and services are still different. On a higher level of needs, social needs and the need of self-realization differ extensively among observers and so do their preferences towards the brand systems that can provide the things they desire.

Like organizational observers, societal observers see, buy, test, use, consume, reject, or dispose brands and ignore, make use of, or contribute to brand systems. Yet, the means to observe these observers are different. Having scarce resources of time, attention, and money, societal observers use their knowledge of brands and brand systems to gain market orientation and make wise purchasing and utilization choices. Knowledge about brands, derived from physical experience and social observation, allows observers to make choices without drowning in marketing complexity.<sup>83</sup> The conscious or unconscious observation of marketing messages helps to shape societal observers' knowledge of brands systems. Therefore, most observers accept and utilize organizational messages to facilitate orientation in markets and cultures.

Over time, observers develop "theories" that allow them to anticipate the social effect of brands and their functional value. Such theories, such as "Mercedes Benz vehicles have superior quality," organize the relationships between individual and social needs, wants, desires, and the respective preferences towards brands for an observer. To be able to rely on these theories, observers must actualize them frequently. This way, societal observers become receptive for brand-related communications of organizations and those of other observers. Observers that especially care about their own social impression, or have a small discretionary income, spend large amounts of time on the validation of their brand-related theories in order to avoid making a fashion faux pas or wasting money (see Holt 2002).<sup>84</sup>

To update their knowledge of brand systems, observers draw on diverse information sources. Marketing messages are only one source among a mass of TV shows, public message boards, magazines, webpages, social clubs, brand communities, and other social systems. The most influential of all sources are probably those that are closest to the environment of an observer. These are family, friends, neighbors, employers, and all other relationships in which observers communicate about and through brands.

Our theories on brands and brand systems have long become what Bourdieu conceptualizes as an embodied form of "cultural capital" (Bourdieu 1983). This form of "brand literacy" is used to satisfy social needs and influence other observers' views towards an aspired self. It also provides observers with an extensive amount of brand-related information (capital) that can be used to establish or uphold communications, for instance, among friends that are fans of Apple computers.

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<sup>83</sup> A Western citizen can easily test the power of this mostly unconscious effect of brand systems by trying to purchase comestibles in a Chinese supermarket for the first time.

<sup>84</sup> According to our qualitative survey with 52 North American car fans, public observers like or at least believe marketing messages to be useful, as long as they do not become as obtrusive as corporate telephone calls.

The societal observation of brands and the proliferation of brand systems developed in many social forms. Based upon the utilization of particular brands, observers built distinctive communities with particular codes, structures, and programs (Kozinets 2002; Lüdicke 2005; McAlexander et al. 2002; Muñiz and O'Guinn 2001). Other brands are only observed and consumed privately, as society defines their brand systems as negative. Again others are displayed extensively in public to take advantage of their brand systems' positive social effects.

As societal observers draw new meaningful distinctions and communicate with others with the goal of inspiring their preferences towards their preferred brand, they support the respective marketing systems. Especially in brand communities, the meaning of brand systems is negotiated in a more active manner and proliferated without marketing systems' direct influence. The more societal observers are enabled to communicate about brands by using interactive media that digitally bridge time and distances at fairly low cost, the more the voice of organizations in the social negotiation of meaning loses influence. As many recent examples demonstrate, public observers can turn around brand systems' predominant meaning quickly, leaving organizational observers unprepared and powerless to counteract.

In summary, societal observers observe social, functional, and temporal distinctions that brands and brand systems offer, and try to understand their observations within their own self-referential cognitive schemes. As they draw new distinctions and communicate with their environments with the purpose of creating preferences towards or against brands, public observers can support and oppose marketing systems' efforts.

#### 5.3.1.3 Science

*"Such a diffusion of energy could well spell a degree of specialization that would make the study of marketing theory passé (Howard et al. 1991, p. 15).*

One particular group within the societal environment of organizations and marketing systems observes markets and marketing systems from within the science system. The label that unifies both is "marketing research." Programs of the science system define, among others, the roles of professors, doctoral candidates, reviewers, editors, and gurus. The code of science systems is defined as "truth/not truth" (Luhmann 1990). Hence, science systems evolve from this code and with the help of their programs decide, which contributions are attributed to the one and which to the other side of this code. Whatever is recognized as truth has connectivity in the system and advances the respective discipline, what is not recognized as truth is dismissed.

Observers that deal with marketing research are concerned with finding, and respectively constructing truth in the context of marketing systems and their social environments. In their publications, observers produce relevant information for practitioners, researchers, and societal observers. Rigorous constructions of reliable, reproducible results are derived from the strict application of scientific methods. To disseminate scholarly marketing knowledge, a strongly diversified landscape of scholarly outlets synchronizes specialized marketing-related information with the different interests of societal or organizational observers.

According to our brief analysis of the number and focus of marketing journals, outlets publish the truth which is broadly accepted about marketing management (e.g. strategic marketing, marketing forecast, product management, marketing communication, international marketing, industrial marketing), marketing in certain industries (e.g. banking, health, tourism, sports), marketing in society (macromarketing, public policy and marketing, public relations research, business ethics), marketing in different organizations (social marketing, non-profit marketing), marketing of different offerings and target groups (e.g. services marketing, marketing to children, young consumers marketing), research and education in marketing (marketing theory, market research, marketing research, marketing education), consumer research (consumer behavior, consumer psychology, consumer culture theory), advertising and branding (brand management, strategic advertising management), sales and distribution (e.g. retail and sales management, personal selling), and the use of new media in marketing (e.g. direct and interactive marketing, database marketing, marketing intelligence software).<sup>85</sup>

For as long as the marketing notion exists, scholars have suggested theories, structures, and frameworks for organizing the subjects of marketing research.<sup>86</sup> This thesis uses none of the existing approaches, as they do not fit into our theory design. Instead, we suggest the use of the systems theoretical constructs introduced here for structuring existing marketing research. For marketing researchers, all dimensions of our theory of marketing are of interest, and in most of these dimensions research has already been done. For instance, in the realm of marketing systems observing their environments, myriad papers and books were written. In the realm of marketing systems' evolution, publications on the history of marketing thought exist. In the realm of public observers observing brands, researchers created knowledge of customer-brand relationships and the social impact of brand systems. A complete list of marketing research interest and its association with the respective theoretical notions would not create much value in our context. Thus, it shall be left to the reader to allocate his own or

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<sup>85</sup> This list is certainly far from complete, even though it covers the core subjects of 250 marketing-related scholarly journals.

<sup>86</sup> See section 2.1.1.

favorite scholarly work with our theoretical framework and, thus, test the fit of this outline with the reality of marketing research.

Due to the lack of theoretical means, researchers mostly did not comment on the self-observation and description of marketing systems. Existing grand theory-studies inquire what marketing does or should do, but typically ignore how particular social instances understand, describe, and perpetuate themselves. Our theory of marketing provides marketing systems with new conceptual means of self-observation.

As the theory does not intend to create preferences towards brands, it evolves in the environment of marketing systems, and in the respective science systems.<sup>87</sup> As the theory already provides means for observing marketing systems and their environments, including marketing research, it is a second-order observation of marketing research. As it allows for the theory to observe itself with its own constructs, our theory of marketing becomes truly self-referential.

The structural coupling of science systems concerned with marketing research and marketing systems interested in marketing research seems to have evolved into a mutually beneficial relationship. Marketing research with a practical agenda generates data from marketing systems and their social environments to create information for marketing systems. Other research only creates information for marketing research itself. Thus, through extreme differentiation in marketing research, some fields of marketing research reach a level of self-reference that scares practitioners away from rigorous but irrelevant findings and detaches research from its original purpose. In addition, the overwhelming quantity of publications makes it difficult for observers to reliably distinguish scrap from contributions.<sup>88</sup>

Mutual influence comes along with the structural coupling. Crossing the boundaries back and forth, both systems are especially fond of creating, proliferating, and dismissing marketing hypes. Hypes, no matter if they are created in science or marketing systems, give them reasons to collect more data and create more information as well as ways for them to gain more power or attain larger budgets in the organization. In consequence, the marketing system reacts on (particular) scholarly irritations as much as scholars react on marketing innovations.

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<sup>87</sup> Unless this thesis creates preferences towards the "Theory of Marketing"-brand.

<sup>88</sup> For excrescences of unmanageable growth and the resulting frauds see the "SCIgen"-project of Stribling, Krohn, and Aguayo [<http://pdos.csail.mit.edu/scigen/>] and the "Social Text"-affair of Sokal [<http://www.physics.nyu.edu/faculty/sokal/>].

### 5.3.2 Messages

*“Communities make meaning through public, symbolic expression: They sing it. Dance it. Burn it. Eat it. Wear it. Tattoo it on their face, and shave on their heads. ‘The unity of a group, like all its cultural values, must find symbolic expression,’ writes sociologist R. M. MacIver, ‘the symbol is at once a ... means of communication and a common ground of understanding. (...)’ (Atkin 2004, p. 111)*

The second selection of the three-fold sequence of communication is concerned with the formulation of messages, which are particular forms within media. In order to share information, observers must choose a message (e.g. “Buy brand X and become more successful”), a medium (e.g. English language and print media), and a form (e.g. publish this sentence in a magazine) in which to deliver. Again, a transfer of information from one observer to another is believed to be impossible within this theoretical framework, as all autopoietic systems, including human minds, are self-referential, operationally closed systems. Unlike the computerized exchange of bits, a message is conceptualized as an offering and does only enable, yet does not guarantee an understanding of observing systems.

This section elicits the messages marketing systems produce, the media they employ to provide these messages, and the general forms marketing messages can take. Therein, a medium is defined as a composition of loosely coupled elements, such as the definition of languages (Luhmann 1998, p. 198ff.). A form, instead, uses these elements as a medium and creates exact combinations with them, such as a sentence or a book.<sup>89</sup> Forms are bound to observers as they are created by observers and dissolve over time. Media, such as air, language, meaning, or electronic media, are lasting, but none of them have a particular form, nor can they be assigned to particular observers.<sup>90</sup>

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<sup>89</sup> A ray of light, for instance, observed on a church floor, is a particular form of the medium light. It appears and disappears while the medium still exists (Luhmann 1998).

<sup>90</sup> Schmid theorizes four layers of a “Media Reference Model” that distinguish infrastructures from transaction, implementation, and community designs. This approach allows for a better understanding of the forms of electronic media and organizations (e.g. Schmid 1997). Yet, the way the model is designed does not allow the conceptualization of symbolic media such as money, meaning, power, or brands as self-referentially reproduced media that are continuously updated every time they are used.

### 5.3.2.1 Media

Luhmannian social systems theory distinguishes two types of media: distribution media and success media (Luhmann 1998, p. 202ff.). Distribution media, such as language, printing press or the Internet, evolved to further disseminate information at less costs and with more degrees of freedom. These media allow us to decouple information from time, place, experiences, and trust in particular ways. The Internet, the newest distribution medium, saliently represents the inherent paradox of all distribution media, as information is lost through abstraction and gained through availability. Marketing systems use most, if not all of these distribution media to disseminate messages.

Success media, instead, are symbolically generalized media. They emerged when societies began to create timely and physically decoupled, unmanageable complexities (Luhmann 1998, p. 204ff.). In order to overcome overwhelming socio-cognitive demands, for instance in the realm of trade, organization, intimacy, or politics, social systems began to evolve and reproduce symbolic media. This was the time when money, power, love, meaning, and brands emerged. Luhmann calls these media “symbolically generalized” as they have no basis other than the symbolic communications that perpetuate them. As the value of money is long decoupled from the value of gold, the medium only exists because observers use it to make payments based on the trust in the medium. Once trust is lost, the medium of money is also lost. Through its existence and procreation, money both motivates and conditions economic communications.

Luhmann’s historical analyses show how the emergence of media is bound to distinct purposes. No symbolically generalized medium evolves without a reason. There is always a problem of social coordination that has to be solved. The universal medium that underlies all types of communications is “meaning” (Luhmann 1998, p. 44).<sup>91</sup> Meaning emerges and reproduces in all communications. Without meaning, social systems would have no means to communicate and also no motivation, as nothing would make sense.

Marketing systems use various distribution and success media to structure themselves, observe their environments, and disseminate messages.<sup>92</sup> Whereas most media are also utilized by other social systems, one medium is unique to marketing systems: the medium of brands. With its emergence and continuous proliferation, the medium allowed for

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<sup>91</sup> In the original: Sinn.

<sup>92</sup> The entire variety of media that marketing systems use to deliver messages shall not be listed here in detail. Media and their most effective utilization are subject of advertising, product design, pricing, branding, and distribution theories.

unprecedented facets of economic and social communication.<sup>93</sup> As long as observers in social environments of economic systems believe in brands and make use of the social effects of brands systems, the medium of brands perpetuates successfully. As brands provide a symbolic link (marking) to brand systems, based on a set of functional-economic distinctions, observers can utilize brands for functional purposes, the respective brand systems for their identity projects (cf. Belk 1988), and both to anticipate consumption experiences. This way, brands stabilize und irritate observers' preferences and allow for suitable purchasing decisions despite great market complexity.

For this theory of marketing, we define brands as an amalgam of distinctions in five dimensions: output, exchange value, access, marking, and social meaning (cf. Gutenberg 1984, p. 529f.). The particular forms (brands) that marketing systems develop within these dimensions allow societal observers to distinguish brands from one another. The first four distinctions are of economic provenience. Providing distinctive outputs, values, markings, and accessibility, they allow the system and its environments to communicate through brands on markets and to satisfy functional desires, needs and wants (cf. Schierenbeck 2000, p. 253ff.). The fifth distinction, meaning, emerges in the form of a social system that we call brand systems. Brand systems provide society with reasons and meaning to communicate about brands and to produce and satisfy social desires, needs, and wants (cf. Giesler 2003; Lüdike 2005).<sup>94</sup> These five constituting dimensions of the medium of brands require further definition:

### *Output*

The primary set of distinctions that brands offer on markets is summarized as the output. By providing vehicles, Internet access, information, a good time, or anything else, organizations evolve from the production of a result that has certain distinguishable features. Marketing systems are involved in the definition of these outputs on the basis of their observations of markets and society. Instead, the host of the marketing system develops and produces the output after negotiating about the requirements and the designs with the marketing system. A result may be a mobile music player with a certain set of functions and a design that links it to a particular life style. General forms of outputs are goods and services. As observers only

<sup>93</sup> The economic system itself is operationally closed through payments in the medium of money. Brands are (theoretically) not a necessary media for economic systems and thus not of their primary concern.

<sup>94</sup> Support for this conceptual definition comes from various sides, yet typically less consequential. Grassl, for example, writes: "An advertising practitioner has, without metaphysical sophistication, best described the brand concept: 'A brand is more than a product; it's both a physical and perceptual entity [. . .] The physical aspect of a brand (its product and packaging) can be found sitting on the supermarket shelf (or wherever). It is mostly static and finite. However, the perceptual aspect of a brand exists in psychological space - in the consumer's mind. It is dynamic and malleable' (...)" (Grassl 1999, p. 6).



perceive differences and have limited time and capabilities, we conceptualize outputs as distinctions from any kind of environment. Outputs that do not distinguish on output from other outputs or alternative social or economic messages cannot induce preferences. As marketing systems are programmed to inspire preferences, they influence the design of the output.

### *Value*

The second dimension of the medium of brands is the (economic) value. Based on the resources that the production of outputs consumes, economic systems calculate prices and margins and estimate returns. In the medium of brands, economic value is defined not only based on costs but on the total value a brand provides for an observer in all five dimensions. By defining a particular value, brands self-referentially reflect their presumed outside value in the design. In the economic system, values are expressed through prices, which are ephemeral distinctions that allow observers to accept or reject an offer, and which are reproduced exclusively through payments. Hence, to communicate the economic value of a brand to societal observers, the medium of brands draws on the symbolic medium of money. Thus, the form that economic systems use for expressing and communicating the value of a brand is the price. Other forms of defining the value of an output are also in use in social systems (see Belk and Coon 1993; Giesler and Pohlmann 2003a; Kozinets 2002; Sherry 1983).

### *Access*

Outputs with defined value and markings can only become brands in our definition if they are accessible at one point in their history. Without access, communication through brands cannot take place and brand systems have lower chances to proliferate. Hence, marketing systems are concerned with influencing the access of the observers to brands.<sup>95</sup> The forms of access are manifold. Marketing systems create broad access to brands or (artificial) scarcity, deliver quickly or let observers wait, use mass-market channels or exclusive outlets, communicate meaning through niche outlets or mass market publications, etc. Once a producer no longer provides a brand, access becomes the subject of secondary markets such as collector exchanges, flea markets, and online trading platforms. To establish access, economic systems and their marketing systems created programs named logistic, wholesale, retail, e-trading, etc., but also developed means of advertising and public relations for organizing access to their meaningful messages about brands. The definition of access also comprises the dimension of time. Organizational observers define when and how long a certain brand is accessible to observers on primary markets. Our understanding of brand systems as societal

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<sup>95</sup> See section 5.5.1 for a description of the distinction of marketing systems from sales and distribution functions.

narratives, with brands as the protagonists, emphasizes the importance of designing the temporal dimension of access.<sup>96</sup>

### *Marking*

The fourth set of economic distinctions that constitute a brand is the marking. Due to legal constraints and economic advantages, most organizations of Western market economies apply trademarks to their outputs and use language, colors, forms, sounds and other symbolic media to differentiate one marking from others. The marking allows observers to recognize a brand, compare values and output features, choose from alternative access sources, attach consumption experiences to the brand, talk about a brand with friends, etc. Hence, marking of outputs became a fundamental concern of economic systems in general and marketing systems in particular as it provides a symbolic link to social systems that emerge around brands. With the invention of the markings of outputs, economic systems allowed for unprecedented market complexity. With the emergence of marketing systems that communicate about and through the resulting medium of brands, this complexity even became manageable for social systems.

### *Meaning*

Distinctions within these four dimensions define a brand in an economic-functional manner.<sup>97</sup> Yet, in exceedingly complex and homogeneous markets, marketing systems not only communicate through brands but also about brands and provide observers with an additional layer of information and distinction. Once perceived and continued by observers, communication about brands evolves into brand systems. Marketing systems inspire and irritate these systems by suggesting meaning in symbolic communications using language, film, print, events, and other vehicles as media. Societal observers accept, reject or ignore the suggested meanings in various forms of understanding, including conspicuous consumption. General forms of these messages are advertisements, corporate communications, public relations, etc., which are concerned with the creation of preferences towards brands.

Influencing economic and social forms of brands to create consistent brand-related communications is a core challenge of marketing systems. These general types of communication strongly differ in character and methods, but are also structurally coupled through the medium of brands. This link between brands and brand systems is crucial for marketing systems to effectively and efficiently induce preferences. The design of an output

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<sup>96</sup> See section 6.2.2.

<sup>97</sup> In the definition of these dimensions, marketing systems also self-referentially include the assumed value and predominant meaning of brand systems.

can, for instance, be designed to fit into, or inspire a certain lifestyle. Restricted access through exclusive shops, for instance, communicates exclusiveness and is associated with users of high social status. The value of an output is not only a means for economic, but also for social self-selection. Observers that can and want to purchase a brand distinguish themselves from those who reject a price.

Historically, this link and the effective proximity of brand dimensions is one key reason why marketing systems and researchers combined sales and advertising problems under the conceptual roof of marketing.<sup>98</sup> Instead of defining the dimensions of brands systemically as output, value, access, marking, and meaning, scholars suggested and accepted the marketing mix (Borden 1965) and the 4 p's (McCarthy 1964) as part of the comprehensive framework of marketing activities. The reason why these frameworks remain "conceptual straight-jackets" (Grönroos 1997, p. 322) in our view is that they are incomplete and predefine forms rather than the medium of brands. In particular, *prices* are forms of value definition in the medium of money, but marketing systems are not restricted to using prices to define value. The *product* notion is conceptually restricting as it distracts from services and other non-economic outputs. *Promotion* means economic communication about brands, which is, for instance, advertising temporary special offer prices on flyers, and is, as such, ignorant of social brand-related communications. The definition of *place* readily ignores the dimensions of time and the social meaning of distribution channels. And finally, what is currently understood as *brand* and what we conceptualize as marking and brand systems are completely ignored by these concepts. In sum, the 4 p's framework is insufficient and misleading, as it is an incomplete aggregation of observations that cannot be theoretically validated as a comprehensive framework for all aspects in marketing.

The organizational and societal observers' communications about brands use the four functional-economic distinctions as a motivation to create meaningful brand systems. The distinct design of the extra-large HUMMER vehicles, for instance, inspires many societal observers to talk about the car and build diverse opinions. Observers use these emerging brand systems and their brand choices to associate themselves to particular social groups (e.g. HUMMER owners) and distance themselves from other groups (e.g. Toyota Prius drivers).

Marketing systems utilize specific media for specific purposes. Selections are made with respect to the anticipated most effective and efficient ways of disseminating information. Yet, as not only organizational observers influence brand systems but also societal observers, the inspiration of preferences through meaningful communication is a rather complex, risky task. In addition to predicting, for instance, economic output quantities, marketing systems must anticipate and continuously observe how society makes use and sense of the brand.

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<sup>98</sup> See section 2.1.1.

How and if marketing systems influence these dimensions of the medium of brands depends on the agenda of their hosts and the way in which they are offered. We may distinguish three extreme cases to illustrate this dependency: Economic hosts that supply brands whose brand systems are irrelevant for the creation of preferences, such as most independent bakeries, are predominantly concerned with designing the four economic dimensions of their brands. In this case, marketing systems are concerned with market observation, the design of outputs, the definition of value, and the organization of access, whereas the marking only has the function to help observers to recognize the host in the market, and the brand system only contains observers' individual consumption experiences. In cases where the predominant meaning of brand systems is crucial for preference building, for example in the car, designer clothing, or cigarette industries, marketing systems put a strong emphasis on inspiring meaning and irritating their social environments with symbolic messages. A third extreme case is, when marking and brand systems exist before the brand is even accessible. Creating social noise before providing brands is a typical program of marketing systems that introduce outputs with temporarily restricted access, such as movies or computer games, yet it has also been used in other areas, for example for the introduction of vodka (Kates 2004). Our conceptual distinction of brands and brand systems firstly elicits these different orientations of marketing systems within a consistent framework of analysis.

In sum, the powerful medium of brands allows society to observe economic systems and economic systems to observe society in unprecedented ways. Marketing systems seen as functional subsystems observe their brands in society and communicate about them to induce preferences; researchers inquire on the perceptions and the selection of brands and the social fabric of brand systems; and societal observers develop brand preferences to make suitable decisions for private and public utilization of goods and services.

### 5.3.2.2 Forms

*The object of consumption is "a system of classification, and not a language." (Baudrillard 1988, p. 16)*

A message is a particular form created by temporarily combining the elements of a medium. Forms are, for instance, a spoken sentence in the medium of language, a ray of light on a church floor in the medium of light, a mail in an electronic distribution medium, or Harley Davidson bikes in the medium of brands. We define a brand as a form in the medium of brands. Marketing systems are concerned with the creation of forms in the medium of brands and brand systems. As marketing systems have communicated about and through brands for more than 100 years, they have already produced uncountable empirical forms and continuously produce new ones. To implement brands, they also use media that have been

developed by other social systems, such as money, language, Internet, music, or the printing press. Thus, a brand is a set of definitions in the dimensions of output, value, access, marking, and meaning. In the following, we discuss the general forms that marketing systems imprint in the medium of brands.

### *Output*

The empirical forms of outputs are infinite. Anything that is technically, physically, and socially feasible can be produced and become a form in the medium of brands. Yet, with respect to profit goals, efficiency and effectiveness, economic systems program themselves to only produce outputs that have a high likelihood of creating incoming payments that exceed the outgoing, which is, in systemic terms, economic connectivity. Output decisions are initially made based on the assumed needs, wants, and desires of observers, which are estimated by means of market observation. As observers compare brands and decide according to their preferences, marketing systems observe their relevant societal observers and evaluate various forms of outputs to successfully influence the existing preferences towards their brands. Non-economic organizations typically define outputs in the form of information. The output is the basal dimension of a brand. It carries the marking, a value, and is made accessible. The output is also the basal and ancient entity of economic communication. As outputs are paralleled with payments, once they are purchased, they become a manifestation of the observers' functional-economic preferences. Business management literature extensively discusses the distinct forms of outputs that brands adopt. Salient forms are, for instance, consumer products, services, luxury goods, or commodities (cf. Schierenbeck 2000).

### *Value*

Values are information for communicative processes of marketing systems. Through different forms of values, marketing systems coordinate supply and demand among organizational and societal observers. The particular value assigned to a brand depends on its economic characteristics, such as production costs, quality of the output, and the values of other offerings, but also on estimated social value of the brand systems for societal observers. Economic systems use prices as the predominant form of value definition. Next to prices, they have developed sub-forms such as premium-, dumping-, market-, or cost-based prices (cf. Varian 1980) to react to specific market characteristics. Marketing systems of economic hosts are concerned with the form of prices not only because they coordinate economic allocation but also because they transport symbolic meaning. When marketing systems, for instance, choose to inspire strong brand systems to create preferences, they typically ensure consistency between the other dimensions of a brand (e.g. output), the brand systems (e.g. luxury brand), and the form of the price (e.g. premium price).

Marketing systems of non-economic organizations develop various other forms of value for their outputs. Organizations that motivate social activists to achieve a common social goal, for instance, use the form of “social time spent” as value. Environmental organizations, instead, use “awareness” as a relevant form of value. Political parties define the value of their brands with the number of “votes” their party can collect. In sum, instead of defining prices, these organizations employ other empirical forms to coordinate demand and supply and measure success.<sup>99</sup>

### *Access*

In order to make a difference, brands must be accessible for observers at some point, yet not for every observer and not at all times. Brown (2003) reports, for instance, that some marketing systems purposefully and successfully “tease” prospective customers by keeping products scarce and, thus, spinning the respective brand systems into more socially exclusive directions. Particular industries, such as mass commodity manufacturers and producers of perishable goods, are interested in efficient forms of creating fast stock turnovers. In economic organizations, accessibility needs sophisticated management and is the concern of distribution and sales functions. Even though, with the notions sales and distribution, business theory emphasizes on internal processes rather than on results, the goal is still access. Distributing a good does not mean that an observer can actually find it in a certain time and at a certain place, this is the purpose of the access dimension of brands.

Marketing systems, researchers and logistic service providers inquire into and develop distribution and retail programs for improve the organization of access for observers at the right times, in the right quantities, and at the right locations. Salient forms in the dimension of access are personal selling, online retailing, chain retailing, and wholesaling. Marketing systems choose particular forms not only with respect to their economic advantageousness, but also with respect to the symbolic message that particular implementations of access communicate. With the definition of an output, forms of access, and a price, the three core dimensions of ancient subsistence and early industrial economies are defined. Yet, economic systems as they proliferate today would not exist if there was no other means of differentiation but output, value, and availability, neither would marketing systems.

For marketing systems, definitions of access include the consideration of the aspect of time. Time is not only relevant in the relationship between organizational observers and societal observers but also among competitive organizational observers. Salient forms which business

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<sup>99</sup> A social organization that, for instance, offers sponsorships for children in developing countries, rewards their donors with reports on and pictures of the supported children rather than a good or service. This way, the organization shows the donor the great value their money creates, even though an output is neither acquired nor can be sold. In these cases the social value exceeds the price.

theory developed in the dimension of time are, for instance, called first mover, early adopter and late follower.

### *Marking*

To uphold visibility in the exceedingly complex markets of the early 20<sup>th</sup> century, economic systems began to mark the origin of their products on the product or package. The predominant form of marking is the trademark. Trademarks are claims of origin but also symbolic links to brand systems. Today, marketing systems and their societal observers perpetuate these symbolic links on various ontological levels. Markings put names on particular outputs (e.g. Puma Shoes), classes of outputs (e.g. Puma Golf Sport), or companies (Puma AG). In business theory such forms are, for instance, called umbrella-, niche-, mass-market-, multi-, and corporate brands. Yet "brand" stands for the trademark in these classic definitions.

As a trademark itself is only a registered name, marketing systems flank them with unique logos, colors, designs, sounds, etc. to enhance the distinctiveness towards and recognition by observers. Some trademarks and their logos, such as "Coca Cola," "Microsoft" or "IBM," are known by up to 90% of the global observers (Businessweek 2004). Hence, market researcher institutes assign financial values of up to 69 billion US dollars to the possession of the legal trademark "Coca Cola" (ibid.). While creating social noise and preferences, marketing systems convert the name, that costs no more than a marginal registration fee, into a symbolic link and a new form of economic output. However, considering the distinction of brands and brand systems, we see it as a fallacy to believe that future cash flows are acquired by the possession of a symbolic link. The economic value rather lies in the strength and predominant meaning of brand systems. As brand systems cannot be owned by anyone, they can be lost in the minute the legal trademark is sold to an owner disliked by societal observers.

### *Meaning*

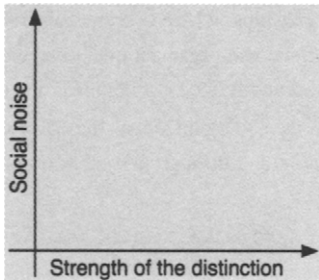
Brand systems surround a brand with meaning by communicating about the brand. Some philosophers and marketing theorists argue that contemporary societal observers purchase and use brands to vest themselves with assumed symbolic meaning rather than to consume its function (Baudrillard 1972, 1981; Fuchs 2001).<sup>100</sup>

Brand systems emerge whenever observers refer to a brand in communications about them and through conspicuous utilization of brands in public. So far, brand system research introduces two dimensions for differentiating the salient forms of brand systems: social noise

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<sup>100</sup> Baudrillard goes as far as arguing that the economic system produces all needs: "there are only needs because the system needs them" (Baudrillard 1972, p. 82).

and strength of distinction (see Figure 8). Whereas some brand systems comprise extensive social noise, others largely remain unnoticed by society. And whereas some brands perpetuate great distinctiveness in the five dimensions of the medium of brands, others do not differentiate visibly from other brands. All combinations of these two dimensions are possible and existent in contemporary markets.



*Figure 8: Schema for differentiating forms of brand systems*

As information about brand meaning is chronically under-defined, brand systems cannot be formed the same exact way than the other four dimensions of the medium of brands. This is also the power of these social phenomena.

The predominant form that marketing systems use in various media to inspire brand systems is advertising. Advertisements suggest meaning around brands and provide observers with ideas on how it might feel to consume a brand. Hence, advertisements induce brands systems in two ways: by suggesting meaning around products and by providing artifacts and reasons for communication (cf. Baudrillard [1968] 1991, p. 203). Advertising research shows that people do not trust advertising as a source of reliable information (Coulter, Zaltman and Coulter 2001). Still, Baudrillard argues, “consumers believe in advertisements the same way they believe in Santa Claus: Their internalized, infantile patterns of behaviors are rationally refuted but still exercised through a need for stability” ([1968] 1991, p. 207).

Brand systems must be incomplete and fragile in their predominant meaning to inspire societal observers to communicate about them. Using television spots, events, sponsoring and other means, marketing systems send out bits of meaning, while leaving space for interpretation and extrapolation through observers. “General Motors,” for instance, suggests a HUMMER driver to be bold, individual, fearless and protective in their advertisements. Yet society also talks extensively about insecure, irresponsible, gas-guzzling drivers of urban assault vehicles (Lüdike forthcoming).<sup>101</sup> This partly even violent social discourse around the

<sup>101</sup> See, for instance, the HUMMER hate page <http://www.fuh2.com> [08/16/2005].



brand creates extensive social noise and recognition, especially in the North American market. The opposite case is when brand systems are so well received that observers use them for naming an entire output category, such as “Kleenex” or “Rollerblade” (Grassl 1999). In summary, brand systems allow observers to discover “his-her place in an order, all the while trying to jostle this order according to a personal trajectory” (Baudrillard 1972, p. 38). By providing observers with knowledge about social effects of consuming a brand, brand systems inspire preferences, communication, and even friendships, whereas brands abstract from these particular interests. Power relations between societal and organizational observers begin to shift, as societal observers are enabled to overrule brand-related communications of organizational observers by extensively creating social noise.<sup>102</sup> Organized in the form of brand communities, observers extensively communicate about and through particular brands and thus create brand systems in a unique, dense form.

### 5.3.3 Understanding

*“Normally, communication is induced by a lack of knowledge.” (Luhmann 1998, p. 39)*

Where there is understanding there is communication. Understanding completes a communication event as an observer receives a message from another observer (Luhmann 1995).<sup>103</sup> As autopoietic systems are operationally closed, their only means of understanding is the self-referential observation of messages but not the transfer of meaning (Baecker 2001). To adequately unveil our concept of understanding for this theory of marketing, we differentiate functional-economic from social understanding and use two distinct modes: acceptance and rejection. Ignorance is defined as the third, negative value of understanding that is given whenever a message remains unobserved. Both acceptance of a message and rejection are modes of understanding as they presuppose perception of a message as a message.

As described above, the primary medium marketing systems employ is the medium of brands. Brands transport messages in the five dimensions mentioned above so that they can but must not be noticed by societal observers. Four of these five dimensions deal with functional-economic distinctions, the fifth deals with societal meaning. Conceptually, these dimensions

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<sup>102</sup> When the original sailing equipment of “Helly Hansen” was suddenly worn by rap music artists and presented in their music videos, the manufacturer was confronted with an unexpected change of predominant meaning of Helly Hansen brand systems and only had little means to alter them. At the same time, the company sold more units than ever.

<sup>103</sup> As opposed to an accidental gesture or a message intended for another observer.

induce two distinct types of preferences towards brands so that their understanding is also distinct but interrelated.

A functional-economic message, which is a particular branded product (brand), is accepted when an observer obtains a brand against payment. It is rejected, if an observer prefers not to pay for the brand and to not obtain the output.<sup>104</sup> The message is ignored if observers do not perceive the brand, for instance, because they cannot access or recognize it or are not interested in the brand. If there are not enough observers who accept the brands of an economic organization, it is not able to generate sufficient monetary returns and the marketing system and its host will cease to exist.

Social messages of marketing systems are accepted if societal observers observe and proliferate brand systems in favor of the organization. In society, observers build fan clubs and subcultures around brands, chat with friends about them, consume them publicly, and sell or dispose their brands. Alternatively, messages are rejected if societal observers resist or strongly alter the suggested brand meaning. When the Nike antagonists, for instance, publicly combined pictures of sweatshop workers with the claim “Just do it,” they incorrectly applied the original marketing messages to communicate the opposite. Social protest must not exclusively be inspired by the rejection of advertisements, as it was the case with the provoking “Benetton” campaign, but is rather often inspired by the economic practices of a host, such as a company’s sweatshop production or a political party’s radical positions, or a particular output, such as the extensively gas-consuming HUMMER vehicles. Protest against brands is socially organized in anti-consumption institutions, academic research departments, etc., that adapt the social fabric of a protest system. Protest systems emerge where society has no other means of reaction but opposing meaning.

Social messages can also be ignored. Due to what is called “information overload,” observers are forced to ignore almost 100% of the brand-related messages they possibly could observe. As more and more organizational observers compete for attention to induce preferences, and as the cognitive capabilities of humans and other observers are not only restricted but the attention span is even decreasing, it becomes less likely that brand-related social communication will reach interested observers. Marketing systems thus find new forms of making themselves understood.<sup>105</sup>

Defining understanding as a necessary third step to establish communication has profound consequences for our understanding of marketing systems. Consequences arise for both

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<sup>104</sup> Theft of a branded-product in a store can be conceptualized as de facto acceptance of the economic message (output, distribution, price, and marking) with rejection of the legal law of reciprocity. Still, the message is perceived as such.

<sup>105</sup> See section 5.3.2.2.

generic groups of observers, those that are organizationally embedded in marketing systems and those who observe them in their environment.

As brands and brand systems have distinct functions, observers can freely choose to accept, reject, or ignore economic messages while accepting, rejecting, or ignoring the respective social messages. Examples could be the purchase of a “Lonsdale” shirt without knowing their social meaning,<sup>106</sup> the usage of a luxury upper class “Mercedes SLK” in a pimp environment, or the appliance of a fake “Rolex” watch. In any of these cases a particular combination of acceptance, rejection, and ignorance of functional-economic and social messages, being purposeful or accidental, is apparent. As brand systems are relative to their observers and to situations, their predominant brand meaning is often unknown to observers. Especially the gradual differences between “cool” and “uncool” concerning fashion brands are basically impossible for most outside-industry observers to perceive. Support comes from the mass media that contribute largely to observers’ enlightenment as they define and disseminate what they perceive of as “in” and “out.”

As brand-related communications must be perceived to exist and become relevant, marketing messages can only be understood as “value propositions” (Vargo 2004, p. 7) for a social environment. Consequently, gluing placards to a wall and selling outputs do not comprise marketing communication. Rather, the messages leave the boundaries of the organization to find understanding and be proliferated in society. Thus, the goal of creating preferences towards a brand can only be reached if messages create connectivity to societal observers. Connectivity comes with observers’ interests in brands and marketing messages. The higher the interest of observers in the message itself or the addressed brand, the greater the likelihood of social connectivity and ongoing communication. As argued earlier, the most effective and efficient messages fall on the fertile grounds of existing cultural knowledge and inspire observers to create new cultural elements. The individual interests of observers are as unknown to marketing systems as they are diverse. Marketing systems therefore develop market segmentation programs to anticipate interests better. Being financially constrained, they dissect relevant “target groups” with socio-demographic criteria that appear to be the best available means to make distinctions. From a systemic perspective, a classification of observers according to their interests and their belonging to social groups appears to be more meaningful and more attainable with the means of information technologies.

In addition to individual preferences and understanding, social interpretations and discourses among observers and mass media are relevant for marketing systems. The ways in which society picks up messages and extends them into social life is largely out of the reach of organizational observers. The webmasters of the HUMMER hate page “fuh2.com,” for

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In North America some observers would associate the brand with neo-Nazi ideology.

instance, purport to have an influence on the lowered HUMMER sales in 2004 as their page appears on the second place on the “Google” search engine and disseminates antagonistic information.

Organizational observers seem to be prepared for continuous communication with protagonist societal observers as they developed, for instance, programs of “relationship marketing” (Fournier 1998). Yet, marketing systems still seem to be unprepared for the case of negative social response. The Shell’s marketing system, for instance, was apparently caught by surprise when the Brent Spar platform sank and negative social noise exploded in Europe in 1995. Societal observers, on the other hand, become more and more sophisticated in accepting, rejecting, and procreating brand-related communications. Members of the “Apple” brand community, for example, gratefully carry Apple’s marketing messages on to other observers (cf. Muñiz and Schau 2005).

Between brands, brand systems, organizational and social observers, mass media are the most influential social mediators. As almost all the knowledge we cannot perceive personally about the world is derived from mass media messages, these messages are a predominant source of information (Luhmann 2000c). Outside of the reach of organizational observers, mass media largely enhance, reject, filter, and alter connectivity of brand-related messages. As they discuss brands and brand systems they became not only observers themselves, but also loud social voices whose information on brand systems must be accepted, rejected, or ignored by societal observers.

Understanding goes a long way into the psyche of observers. Human desires are, according to Maslow (1943) and other authors, physically predefined, psychologically developed, and socially constructed. Brand-related communications play a salient role in the social construction of desires, as they account for a great proportion of human life experiences and discussion topics. Conceptualizing preferences as ephemeral orders of desires that prioritize the spending of a given budget of money, time, and attention, and accepting the social importance of marketing messages, the theoretically unlikely yet still highly successful connectivity of many marketing communications becomes clearer. Empirically, observers are interested in understanding marketing messages because they extensively provide social connectivity. Ignoring or not understanding a brand systems’ predominant meaning can lead observers into social isolation in extreme contexts. The distinctions brand systems communicate about are relevant for observers to consistently employ brands as cultural resources based on individual desires. Returning to the “Lonsdale” brand example above, ignorance towards or wrong understanding of the brand systems can have severe, even physical consequences for an observer that decides to wear the brand in the wrong social

environment.<sup>107</sup> Yet, as knowledge about brand systems can only be derived by observing communications about and through brands, most observers do so rather than ignoring them.

The distinction between acceptance, rejection and ignorance seemingly neglects the case of misunderstanding. Misunderstanding is conceptualized in our theory as the gap between intended information and perceived information. It naturally happens due to the self-referential interpretation of messages by operationally closed observing systems. Messages that are ignored cannot be misunderstood. Messages that are perceived as misunderstood by an observer must previously have been either accepted or rejected by another observer. A gap only emerges due to the communication about messages that were misunderstood.

Marketing systems address the issue by observing brand systems as they are factually addressed in society. From a societal perspective, messages initially cannot be misunderstood but only accepted, rejected, or ignored. If Ego accepts meaning found in a particular form of marketing message that does not suit the meaning Alter intended to deliver,<sup>108</sup> and the gap becomes relevant for marketing systems but not for the observer that proliferates the perceived meaning. Misunderstanding only becomes relevant in brand-related communication among societal observers when the chance for reflection is given to or forced upon an observer.

Even though understanding typically only requires a short time span, some forms of marketing messages proliferate in society for decades. Brands can survive very shortly (bananas) or almost eternally (diamonds), brand systems can also be short-lived or remain cultural topics and resources for decades without being proliferated by organizational observers. The Apple Newton brand system, for instance, still proliferates among a small group of fans even though "Apple" has discontinued the brand and is no longer updating the brand systems (Muñiz and Schau 2005). Recently companies began to make use of latent brand systems by reviving brands in the form of "retro-brands" (Brown 2001).

Both marketing systems and their social environments must understand the messages of the respective other in order for marketing systems to survive on the long run. If societal observers ignore a brand, the respective marketing and economic system must dissolve sooner or later. If society ignores only the brand systems of a brand by not perceiving the advertisements and not communicating about the brand, companies can still survive and marketing systems will focus on distribution. If marketing systems, instead, ignore societal communications, marketing messages can still be accepted.

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<sup>107</sup> For instance, wearing this presumed skinhead brand at a punk rock concert.

<sup>108</sup> See, e.g. the case of "Mercedes SLK" as a pimp ride above.

In summary, this thesis no longer uses exchange but communication as the core process, fundamental explananda, and *raison d'être* for the marketing discipline. Hence, section 5.3 describes the three constituting elements of communication, information, message, and understanding, as the basal operation of marketing systems. The medium of brands and its particular forms stand in the center of marketing communications. Brand-related messages are created based on observations and by organizational observers drawing distinctions. The selection of a communication medium and the design of a particular form of a message are the subsequent steps. Understanding completes the communication event. In the form of communication through brands, communication is established when observers purchase a branded product. In the form of communication about brands, communication takes place when observers perceive and proliferate the suggested meaning in the social form of brand systems. Successful marketing systems provide messages that proliferate among societal observers in the intended meaning without further stimulation, and thus create sustainable preferences towards a brand.

## 5.4 Evolution

*"There is nothing static about the marketing revolution, and that is part of its fascination"(Keith 1960, p. 38).*

This section deals with the genesis of marketing systems. In the Luhmannian framework, evolution is conceptualized as a sequence of variation, selection, and restabilization (1998).<sup>109</sup> Variation is the self-reproduction of systems with unexpected forms of communication. Selection is the necessary consequence of variation and concerned with the structures and expectations of systems. Innovative forms of communication force systems to decide whether to repeat and immerse a form into the system or to reject and forget it. Restabilization is concerned with maintaining the unity of a system within its environment after having selected a variation (Luhmann 1998, p. 454).

To analyze the evolution of marketing systems we distinguish two research subjects: the system itself as a unit of analysis, and its communications. On both levels, marketing systems maintain the fragile balance between continuity and change. In their communications through and about brands, marketing systems decide on providing societal observers with continuity or innovation in the medium of brands. In their own existence as social systems, they establish stability in expectations through ongoing reproduction and rejection of acceptable

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<sup>109</sup> Luhmann draws on the neo-darvinist concepts of variation and selection and adds the third construct, restabilization, to account for the autopoietic properties of social systems.

and unacceptable communications. Hence, marketing systems produce predictability for all participating observers.

Evolution is a core, inescapable property of all social systems. Evolution answers to emerging social complexity like the evolution of systems, media, and forms ensure ongoing procreation. As marketing systems typically reproduce within volatile economic or social environments, variation, selection, and restabilization are especially relevant. Classic economic theories assume stability and balance with the condition of continuous growth of societal wealth (e.g. Keynes 1973). Management theory uses, for instance, stakeholder value and market share to theorize about evolution. Yet despite empirical evidence, economic and business theories ignore that every action of an organization constitutes its necessary social reproduction. Thus, the economic system, as well as any organization that contributes to it, is, from a systems theoretical perspective, concerned with procreation rather than stability. Our systems theoretical perspective suggests an understanding of marketing systems and their hosts as dynamic social phenomena that have no physical matter to ensure existence, so they dissolve once they can no longer generate payments. Luhmann's theory of evolution improves our conceptualization and understanding of the extraordinary development of marketing systems.

In the moment they emerge, evolutionary developments of and in marketing systems are difficult if not impossible to study for outside observers, as they typically begin in a distinct social subsystem rather than in a high noise "marketplace drama" (Giesler in revision). In retrospective, however, we can distinguish normal marketing practice from the evolutionary developments of marketing systems. Thus, this section analyzes the social fabric of evolution in and of marketing systems. As it focuses on form rather than content, we will remain on the level of salient examples, rather than create a complete account of events.

#### **5.4.1 Evolution of Marketing Systems**

Above, we outlined about 100 years of marketing history.<sup>110</sup> The analysis unveiled that marketing systems co-evolved with the medium of brands and the necessity of economic systems to efficiently organize their brand-related communications. The analysis also illustrated that marketing systems were extraordinary successful in their evolution within and against dramatically changing social, economic, and technological environments.

Various authors have provided insights into the evolution of marketing as an economic function. Studies covering the 20<sup>th</sup> century typically inquire changing conditions, such as seller versus buyer markets or transaction orientation versus value creation (see e.g. Meffert

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<sup>110</sup> See sections 2.1.1, 5.1.2 and 5.1.5.

1994; Nieschlag et al. 2002). Studies that reach further back into marketing history use, for instance, general societal developments or changes in the theory of science as anchor points (e.g. Bubik 1996; Dixon 2002; Fisk and Clark 1999; Hotchkiss 1938). While these descriptions and self-descriptions of marketing (must) remain heterogeneous and imprecise, the practical evolution of marketing action can be sketched out with greater rigor. The rise of brands, the upsurge of marketing-related publications, and the growing numbers of marketing practitioners, for instance, allow for reliable quantifications of growth and provide evidence of the marketing systems' evolutionary success.

Unlike fundamental struggles with the very essence and meaning of marketing (see Brown 1995a; Howard et al. 1991; Meffert 2000a; Ryans and Spijker 1974), fundamental evolutionary leaps are rare in marketing history. Abiding by the concept of marketing as the exchange of goods and services or of value, organizational and scholarly observers constricted themselves to gradual, normal evolution in the Kuhnian sense (Kuhn 1996 [1962]). Among the most impactful innovations in marketing evolution is the extension of the scope of marketing from an exclusive business function to the inclusion of non-profit organizations (Kotler and Levy 1969a; Luck 1969). With the "new dominant logic" (Vargo 2004) of marketing, Vargo and Lusch suggested to shift the focus of marketing from exchange of values to services. Yet, these and other contributions are *ex-post* conceptualizations and conceptualizations of gradual practical evolution, rather than radical innovations.

While great leaps are rare and the gradual evolution of forms and theories are the daily business of marketing systems and their scholarly observers, adopting and discussing the presumed innovations of radical, life-saving, cutting-edge characters is en vogue in marketing systems and research. Inspired by best practices in the realm of technological advances, market changes, multi-optional consumers, postmodernism, consumer emancipation, etc., authors frequently tell organizational observers to change the ways they perceive their empirical problems and how to create preferences successfully. Due to, despite, or ignorant of these ephemeral (pseudo-) innovations, marketing systems continuously managed to inspire more brand systems, allowed for more market complexity, produced more brand-related communications, gained more acceptance, and provoked more criticism than ever before.

As this dissertation is a description of the marketing discipline by a scholarly observer, it theoretically contributes to the evolution of marketing systems once it is perceived by an organizational observer. It introduces a new paradigm to marketing theory and practice that sets boundaries, conceptually alters the basal operations, and elicits marketing in a coherent conceptual light. The suggested evolutionary leap our theory of marketing project makes, allows us to consistently analyze marketing phenomena and the discipline itself on a fundamental, solid theoretical basis.



### 5.4.2 Evolution in Marketing Systems

Besides the evolution of marketing systems that was discussed above and the functional differentiation of marketing systems that we will discuss in section 5.5, marketing systems also change the ways in which they observe, make distinctions, formulate messages, and observe the impact of their messages.

The social and economic environments of marketing systems that cultivated an unprecedented level of brand-related social noise force any system to continuously (re-) create distinctiveness. Marketplaces where preferences towards brands exist are normally populated by enough brands to cause for a particular brand to become completely to the observer due to the competition. Hence, providing salient distinctions in the medium's five constituting dimensions are requisite for contemporary marketplace complexity and a fundamental responsibility of marketing systems to make brands visible for observers.

Distinctive brands and brand systems are reproduced through ongoing economic and social communication. As distinctions are differences from a status quo, marketing systems continuously innovate and evolve brands. Otherwise brands would go unnoticed. To a certain extent, marketing systems continuously develop their media, forms, and information with every communication they establish.

Evolutionary leaps in the practice of observation induce new means of making distinctions. The practice of "mining" for information in computer-generated accounts of economic communications is a salient example for variation in marketing observation (Han and Kamber 2000). This type of program allows organizational observers to find patterns in the behavior of buyers, derive information, create meaningful messages, and influence outputs, values, and the access of brands based on quantitative data. The financial success companies achieved by using these new means of observation led to positive selection and adoption in the repertoire of marketing systems. As a consequence, marketing systems developed new programs and structures in their self-organization to efficiently use these methods. Another recent example of successful variation is the rise of the observation of particular phenomena in consumer culture with humanistic methods to learn about the meaning of brand systems (Arnould and Thompson 2005).

The innovation of brand-related communications is a core task of organizational functions such as product development, distribution, sales, advertising, or corporate communications. A positive selection of variations takes place when observers manifest preferences towards brands through payments and the ongoing communication about brands. The evolution of brands is shown in the dimensions of output, value, access, and marking:

Variations and selections in the output dimension are practically endless. Creating an ontology of all outputs that were invented until today would be meaningless for the purpose

of this study. Important in our context is the invention of brands themselves as a complex output and medium of communication of economic systems. Brands extended the classic dimensions of product, price, distribution, towards meaningful elements and narratives of culture that required a master narrator in the form of marketing systems (Twitchell 2004).

With the rise of digital products, such as software or recorded music, and luxury brands in fashion or the high-end automobile industry, the range and utilization of values changed dramatically. In the first context, marketing systems invented, for instance, the “follow the free”-program for reaching critical masses of connected customers, using locking-in effects, and selling complementary services and advertising space. In the luxury context, instead, the price of a frazzled blue jeans designed by Tom Ford of Gucci was as high as 3715 U.S. dollars in 1999.<sup>111</sup> These examples of evolutionary changes in the use of distinctive economic value demonstrate the innovative power of marketing systems and the decoupling of prices from the economic input value of the output. They also demonstrate the rising importance of network effects and brand systems.

Recent evolutions in the field of access to brands are also technology-driven. The utilization of radio frequency identification technology (RFID), for instance, allows organizational observers to provide radically new supply chain concepts, reaching from logistics to in-store services. Technology also shifts the importance of the concept of ownership. As digitally downloaded music, for example, remains hidden on the hard disks of computers and music players, marketing systems innovate models to replace the ownership of music with the access to music.<sup>112</sup> The success of this radical change in the access dimension is dependent on adequate value and output definitions, as even though ownership is not functionally required for many products, observers still prefer to possess them.<sup>113</sup> Other variations and successful selections in the dimension of access are the creation of artificial scarcity to enhance exclusivity (Brown 2003), the opening of online shops, or the rise of factory outlets.

Within the dimension of access, marketing systems developed various modes of entering, serving, and leaving markets with respect to the most suitable point of time. Variations are, for instance, achieving first mover status or being a follower, or innovating brand systems or free riding others. In order to make the intended difference in a market that is populated by many active organizational observers, time plays an exceedingly crucial role in the evolution of brands and brand systems.

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<sup>111</sup> See <http://www.pimkie.de/mode/jeansguide/index2.html> [08.22.2005].

<sup>112</sup> See “current projects” on <http://www.markus-giesler.com> [09.11.2005]

<sup>113</sup> The “Mobility” car sharing service is an example of how to organize access to individual transportation without possession.

Variations are also visible in the dimension of marking. On the structural level and with respect to market positioning and output type, marketing systems successfully evolved and selected forms of umbrella or company brands (e.g. Siemens), store brands (e.g. Migros), premium brands (e.g. Lexus), e-brands (e.g. ebay), family brands (e.g. Nivea), or hybrid brands (e.g. DaimlerCrysler). On the level of implementation, markings were frequently enriched with novel distinctive dimensions.

On top of creating functional-economic distinctions of brands, marketing systems provide observers with suggestions of meaning through brand-related communication. A recent variation in advertising brand meaning is the utilization of billboards which send messages to observers' cellular phones once they are come close to the Bluetooth sender in the board (Patrick 2005). Over time, not only the media, forms, and the volume of advertisings changed dramatically but also their social effects. With rising abundance and similarity of commodities the importance of brand systems inclined for various output categories in various markets. Meaning itself became an output of economic systems so that some products and services in the classic sense became dispensable. Evolution of meaning around brands goes as far as allowing organizations to successfully sell a virtual property on the moon, researchers to get positive feedback on computer generated scholarly papers, and people to become stars of society without having any talents. Extreme cases of meaning becoming the "real" output are the price of 188.938,88 Euro paid for the former Volkswagen vehicle of Pope Benedict XVI, or the price of 1.200 U.S. dollars for a panty owned by the artist Sarah Connor (Ammann 2005).

The evolution of the social and financial impact of brand systems is apparent in the emergence of brand communities. Admirers of a certain brand evolve a good proportion of their lives around the communal consumption of particular outputs (McAlexander et al. 2002; Muñiz and O'Guinn 2001). Thus, some marketing systems aim at re-creating trust towards brands that was lost with the growing anonymity of early 20<sup>th</sup> century markets. Such evolving means of creating trust and retaining customer relationships are developed under the notion customer relationship management (e.g. Verhoef 2003).

The evolution of the understanding of brand-related messages is strongly related to the innovation of distinctions. Every variation of marketing communication is not only confronted with internal selection and stabilization but also with outside acceptance, rejection, or ignorance. Only by observing understanding, marketing systems can decide about selection or rejection of a new form and consequently about the restabilization of the system. Observing payments for brands and the proliferation of brand systems after sending out test messages allow marketing systems to reduce the risk of communicative failure.

In sum, as marketing systems are true social systems, they continuously evolve and all of their means of communication. A marketing revolution that Keith refers to in our introductory

quote has not been found in literature. We rather found a continuous, gradual marketing evolution.

## 5.5 Differentiation

*„It was not enough to invent the soap. It was also necessary to create people who wash” (Joseph A. Schumpeter).*

The predominant contemporary form of social differentiation in Western societies is “functional differentiation” (cf. Parsons 1951, 1971; Parsons and Toby 1977).<sup>114</sup> This form is based on the identification and description of distinct, operationally closed but structurally coupled autopoietic systems that take over specific functions in the procreation of society. Salient functional systems of Western societies are, for instance, science, religion, law, politics, economy, education, and art (e.g. Luhmann 1988, 1990; Luhmann 1996, 2000b, 2002).

In the context of differentiation, the notion of “structural coupling” (Luhmann 1998, p. 601) is also of central importance. Even though social systems take over distinct functions and observe their environments with unique codes, they are interrelated. The communications of most systems irritate the communications of other systems. An explicit advertising campaign from the economic system, for instance, may inspire a lawsuit, or a political decision may allow for different ways to educate children, and a piece of art may become a religious symbol. Hence, by communicating, systems enhance and restrict the communicative options of other systems without standing in the way of their autopoiesis. Systems remain distinct and operationally closed, but self-referentially react to one another.

The theoretical question that underlies the concept of differentiation is how societies maintain coherence with the condition of growth. Earlier theories suggest differentiating the whole from the parts of society, and search for means and master plans of societal integration (e.g. Parsons 1971). Luhmann replaces this structure by theorizing on a three-sided form of system, environment, and their distinction. Every system that emerges within a functional niche of society thus reproduces the distinctions of the larger system, introduces new distinctions, and proliferates its own programs, codes, and structures (Luhmann 1998). The differentiation of novel systems irritates their social environments as they are forced to observe their new environment and build structural relationships.

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<sup>114</sup> Luhmannian social systems theory knows four forms of societal differentiation: segmentary differentiation, differentiation of center and periphery, social stratification, and functional differentiation (Luhmann 1998, p. 613).

The differentiation of subsystems within these functional systems, such as the emergence of marketing systems within the economic system, has the effects mentioned above on society, including a further systemic property: By communicating, subsystems not only reproduce code and communications of the host system, but also reproduce a unique second-level code to differentiate themselves from other subsystems within the host system. In this context, systems theory distinguishes between two relationships: system to system- and system to environment-relationships. For the marketing system, the system to system-relationship deals with the autopoiesis of marketing systems within (economic) hosts, and system to environment-relationships deal with payments or attention.

The following section elaborates on marketing systems that are institutionalized in economic and non-economic organizations and describe the particular system to system- and system to environment-boundaries. The second part of this section looks into the relationship of marketing systems and society.

### **5.5.1 Marketing Systems in Organizations**

An abundant literature on business management describes organizational hosts of marketing systems as social forms that allocate scarce resources, such as physical production factors, time, attention, and money, to create means for satisfying human needs and outputs for market exchanges (e.g. Schierenbeck 2000). Outputs can be goods, services, information, meaning, aid, etc. Per definition, the power and functional niche of organizations in society is to produce outputs with a suitable balance of utility creation and costs.

Marketing systems proliferate in economic and non-economic organizations, in global corporations and small businesses, in developed and in developing countries, and many other social environments. The reason for marketing systems to develop in any organizational context is the presence of a functional niche to be filled.

Marketing systems can only emerge and be successful if they are able to solve a distinct set of functional problems with particular codes, structures, programs, and media, that no other subsystem can address better than them. Thus, no matter what programs and structures their host systems have, marketing systems differentiate themselves from their systems-internal environments by stabilizing a fragile balance of autonomy and structural coupling, by using of the code preferences towards a brand/no preference towards a brand. Differentiation through this code and further unique systemic properties are the fundamental *raison d'être* for a subsystem. As marketing systems are embedded into host systems they also perpetuate their codes and programs, such as payments and profit. Still, subsystems are not to be understood as part of a larger, centrally coordinated whole. Instead, marketing systems are autonomous, operationally closed, autopoietic systems that exist as long as they distinguish between system and (internal) environment.

To analyze the empirical differentiation of marketing systems in organizations, we will look at data of the second and the fourth study described above and distinguish the use of the notion itself from practices that are associated with marketing.<sup>115</sup>

In study number four we analyzed the marketing systems of five global corporations. Findings unveiled a strong discrepancy between the extensive social noise that the marketing notion provokes in society, and the marginal meaning that the concept has in these companies. Interviews unveiled that the marketing notion is seen as an umbrella construct for various business practices rather than as a process or function itself. Many observers within these companies associate their responsibilities with marketing, but effectively they are employed as product and brand managers, corporate communication staff, advertising experts, sales people, or product designers. Product and brand managers of these companies overlook all product-related processes from market research to product design, distribution, and customer retention. In other respects, corporate communications departments, are concerned with maintaining corporate brands through image campaigns, sponsoring, events, and other social activities. The use of the marketing notion appears to be exchangeable in these contexts. Becoming aware of this situation, a German car manufacturer eliminated the marketing notion from the definitions of top central business areas (“Zentralbereiche”) and now uses the notion to summarize corporate communication and branding activities.

The tendency in small and medium-sized companies is otherwise. They make extensive use of the notion but with quite a different meaning and often far away from textbook definitions. Our second study inquired into the contents of online postings of marketing positions in Europe and North America. It unveiled that these companies use titles such as “marketing manager” to describe responsibilities reaching from the production of brochures, to advertising, road-sales, product management, and customer relationship management. The results speak of an empirical lack of definition and differentiation despite the hundreds of definitions offered by marketing scholars and practitioners.

From a business students’ perspective, marketing is often described as a fuzzy all-embracing indistinctive concept that creates a lot of social noise around itself while providing little content. Hence, many students –especially those of other subject matters than marketing– perceive marketing as a creative invention of advertisements, learnt off by heart but impossible to learn with rigor.

In summary, the studies find the marketing notion to be a rather meaningless umbrella construct. From a bottom-up perspective, various functions are associated with the marketing discipline, yet top-down marketing does not dissect into unique organizational functions.

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<sup>115</sup> See chapter 4.

Rather than that, we find product management, communication, sales, advertising, etc. below the notion, which are classic business functions. Thus, the marketing notion as it is practically used to date has not found its distinct conceptual niche. Therefore, it is of little value when differentiating economic practices and unsuitable for theoretically eliciting a unique function within particular social systems. Yet despite this observation, the notion is still used and proliferated by almost any business organization.

The analysis of the empirical condition of what we outlined above as a marketing system, leaves a different impression. Empirically, social phenomena whose communications not only can be observed but also cannot be ignored, exist and extensively produce meaning. There is no doubt that many organizational observers are employed to communicate through and about brands, induce preferences, and influence societal observers to purchase and use particular brands. Yet the organization of marketing systems within businesses is different from what our theory suggests, which is probably due to the lack of definition of the discipline's empirical boundaries.

For theoretically eliciting the functional niche of marketing systems in organizations, we must find out where communications emerge in organizations and society that are in accordance to the theoretical definition of marketing systems above.

It became apparent in the argument above that those particular philosophies, methods, and practices do not enhance our understanding of the unique function of marketing in society, but rather confuse it. Alternatively, we conceptualized marketing systems as the only functional subsystems of organizations that are primarily concerned with employing brand-related communications to influence observers' preferences towards brands. Although any other social system may also contribute to this end, only marketing systems' autopoiesis depends primarily on this particular code and basal operation.

In addition, marketing systems are defined as functional subsystems rather than grand social systems. Hence, they cannot close operationally without also proliferating the code of a host system. The secondary codes, that marketing systems employ in addition to preferences towards a brand/no preferences towards a brand, depend on the particular programs of the hosts. In profit-oriented organizations the code is payment/non payment, in not for profit-organizations it might rather be awareness/no awareness for an issue, or investing time/not investing time for a voluntary project.<sup>116</sup> Even though hosts have different empirical forms, the five distinguishing dimensions of brands - output, value, access, marking, and meaning - are given in any type of organization.

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<sup>116</sup> The development of distinct codes for not for profit-organizations is yet to be done. As it is not the primary task of this thesis to provide them, these codes are suggestions rather than theoretically deduced knowledge.

The boundaries of the primary organizational functions of four of these five dimensions and marketing systems are discussed in the following:

First, the core dimension of differentiating marketing systems within their hosts is concerned with distinguishing the system from the production of outputs. The core functions of inbound logistics, manufacturing, and outbound logistics allow the host to communicate through brands, as they produce and deliver the output (see Porter 1998). Yet, the predominant goal is effective and efficient production under the restrictions of scarce time and money. In order to be able to consistently communicate through and about brands, marketing systems influence design and features of outputs to create the highest estimated social connectivity. Ignorance towards social meanings of certain forms and designs can endanger the success of a brand and its brand systems. Thus, marketing systems seek to ensure coherence between the predominant meaning of brand systems and the symbolic link outputs deliver.

Second, assigning values to outputs is the distinct function of financial calculation. In addition to providing estimated future demands for a brand, marketing systems are involved in value definitions as values also deliver meaning. To avoid inconsistent messages, the assumed outside interpretation of, for instance, prices must be aligned with the economic value, the exclusivity of access to the brand, and the social value of the brand systems. No other classic organizational function covers this function.

Third, access to output is the core responsibility of sales and distribution. Yet, marketing systems also influence the design of channels that outputs are made accessible through. Channels, such as a representative flagship store or webpages, are, again, core dimensions of consistent symbolic brand-related communication.

Fourth, administrating the legal marking of brands is a property of a legal department of an organization. In this dimension, marketing systems are responsible for the design and social fit of the symbolic elements that organizations add to legal trademarks. Various dramatic mistakes made with names that had an extremely unsuitable meaning in the addressed societies, indicate the importance of fitting symbols into respective cultures (for examples see Will 2001). To ensure the coherence of names, symbols, jingles, colors etc. with output, value, access, and brand systems, is a key program of marketing systems.

In addition to influencing the functional-economic dimensions of a brand, marketing systems produce and coordinate messages that are sent to affect the predominant meaning proliferated in brands systems. In contrast to the influences mentioned above, communication about brands is a function that emerged with marketing systems in the form of advertising and was not previously done by another business department. Providing society with messages about brands became common, as organizations began to differentiate their brands through suggested meaning. Early advertising was concerned with announcing outputs and their functional-economic dimensions with reference to a trademark. In a few cases, vendors of the



18<sup>th</sup> century also used symbolic cultural references such as “The Russian Royal Family uses our fine cutlery” (Jasper Dinner Ware).<sup>117</sup> Yet, only with the rise of brands and industrial production in the early 20<sup>th</sup> century, the consistent influencing of brand meaning in the forms of cultural categories, taste, life styles, or societal idols became a possibility to differentiate and ensure competitive advantage. Marketing systems evolved to fill this functional gap by designing and coordinating brand-related communications of diverse business functions.

Besides influencing the five dimensions of brands to produce consistent messages, brand-related communications also occur in financial communications, human resource management, innovation, sales, and other functional subsystems that are currently seldom associated with marketing systems:

Messages of finance departments and top managers, for instance, influence how financial markets, mass media, and society perceive an organization and the corporate brand as an anchor. Mistakes and inconsistencies in the ways financial results or management decisions are communicated, have led to severe damage of brands.<sup>118</sup> As marketing systems coordinate brand-related communications, they must consider these messages in their observations and communication as well, even though businesses are typically not organized this way.

The messages of human resource departments also clearly produce brand-related communications to create preferences towards a brand. The way human resource functions advertise job openings is even similar to the means marketing systems’ use to communicate about brands. Yet, the preferences at aim are different, as human resource managers predominantly seek to create preference on how to spend working time rather than money, awareness, or social activity. Marketing systems, again, ensure the consistency of these messages with the generally targeted meaning.

As it comes to the economic function of personal sales, both types of brand-related communication are combined. In their daily business, sales staff aims at influencing both, functional-economic communications through, and social communications about brands. In the current understanding, they are the synapses of marketing systems that reach furthest into society. Although it is inconsistent with marketing literature, the sales function is organizationally distinct from the marketing functions in the case of the organizations we analyzed. Sales functions are hierarchically either above marketing (e.g. Zentralbereich Vertrieb of the car manufacturer) or below it (e.g. the “bottlers” of the beverage company). That is because the success of sales employees is measured with economic sales figures,

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<sup>117</sup> Source: A. Middleton, Schulich School of Business, Toronto.

<sup>118</sup> See the social noise the CEO of the Deutsche Bank created by showing a victory hand sign after a public trial on fraud in 2005. Society complained loudly about the leader and readily associated his behavior with the business ethics of the Deutsche Bank.

respectively economic preferences towards a brand, but does not include preferences towards brand systems they create personally. Even though brand systems' meaning is predominantly attached to sales persons in many businesses, organizations seldom value these personal relationships as crucial means of brand-related communication. In coordination with sales, marketing systems define and observe communications through and about brands in the sales realm. Yet again, the predominant code of marketing systems differs from the code of sales departments. Thus, their functions are and must be distinct and marketing is not sales.

The analysis above unveils various characteristics of marketing systems: It shows that brand-related messages are designed and produced by many different functions within an organization. This situation creates various boundaries of marketing systems with other organizational functions, as marketing systems are concerned with consistent brand-related communications. Any of the contact points of organizations with society existed before marketing emerged, as companies have always purchased, produced, sold, financed, employed and innovated. Novel in the 20<sup>th</sup> century is the function of coordinated influencing of brand meaning that allowed marketing systems to develop and functionally differentiate within the organization. Hence, marketing has -at least theoretically- nothing to do with market-oriented leadership or business philosophy.

The core organizational program that lies behind the necessity for integrated brand-related communications is the belief that messages must be consistent among all dimensions of the brand to be effective and efficient. Yet some organizational observers believe that it does not matter what the predominant meaning of brand systems is, as long as there is some social noise that inspires payments. However, to our knowledge, there is no example of organizations that successfully communicated inconsistently about their brands themselves. In the case of HUMMER, for instance, organizational communication about the brand remains very consistent while at the same time society loudly attacks the vehicle. In consequence, opposition below an upper threshold of noise may even help the brand system as it makes it more distinctive and visible. Theoreticians and practitioners agree that marketing systems themselves must -at least officially- communicate consistently into one meaningful direction to be effective.<sup>119</sup> Inconsistencies among output quality, value, quantities accessible, marking, brand systems, human resource communication, financial success of the organization, and the behavior of executive officers can quickly write off expenses into the building of strong brand systems and inspire observers to rethink their preferences towards a brand.

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<sup>119</sup> This does not mean that organizational observers cannot silently publish an officially forbidden commercial on the Internet and create positive social noise that does not attach to the organization but the brand. There are many empirical examples, such as unofficial television commercials for Ford's "Sport Ka" or for Bridgestone tires, whose true sources are not communicated.

Our distinction of the marketing notion in theory and practice from our description of marketing systems unveils that the autopoiesis of these systems is independent from scholarly descriptions and practical use of the notion. Being an analytical construct, “marketing systems” does not need to be used as a notion in organizations in order to make them “real.’ Rather than that, our novel perspective allows for a better observation and understanding and consequently structuring and guiding of an empirical phenomena.

In sum, what makes marketing systems necessary and thus distinct in contemporary organizations is the need for consistent brand-related communication due to the complexity of markets and society, the numerous boundaries with other functional systems, and the sheer quantity of messages that companies send out to sell brands and inspire accepted, positive, influential brand systems. In practice, marketing is often used to organize functions of advertising, sponsoring, or e-communication that are novel to the business. At the same time, marketing systems empirically neglect coordinating with various functions that produce brand-related communications, such as human resources, financial reporting, corporate communication, public relations, or the communications of executive officers.

### **5.5.2 Marketing Systems and Society**

Marketing systems make a difference in society. Not only do they became salient subsystems of economic systems, but brand-related communications also became universal means for organizations which seek to create preferences towards brands, including aid organizations, churches, political parties, or rock bands. The effects of “markets of meaning” and a rising acceptance of communications through and about brands fundamentally changed not only the social fabric of contemporary societies but also their psychic and organic environments. From the abundant observations of marketing in society, we only pick up on those aspects that appear different in the light of our theoretical perspective.

In the following it is important to account for the differences of marketing as system of brand-related communications, brands as outputs with values, access, and markings, and brand systems as socially negotiated connotations around brands. Marketing systems are distinguished from brand systems on the code and program level. While brand systems are concerned with organizing meaning around brands and developing forms and structures for its successful proliferation, marketing systems communicate about and through brands in the mandate of a host. Marketing systems, no matter if their observers are economic or social organizations, seek influence, whereas brand systems seek community by negotiating the conditions of inclusion or exclusion.

The frequent use of the claim “everything is marketing” (e.g. McKenna 1991) indicates the unprecedented breadth of impact that marketing systems have on society. Apparently, some observers believe that whatever is done can be viewed as a marketing activity, including

building friendships, going to school, or being a professional. Based on the theoretical background above, this claim cannot be held onto. In opposition to the notion of *consumption*, which can be used as a perspective on almost everything observers do,<sup>120</sup> marketing is the conceptual title of a social phenomenon with distinct characteristics. However, it is impossible to ignore that marketing communications have become ubiquitous and almost inescapable in contemporary societies (Kozinets 2002). Every observer uses brands to satisfy physical needs and wants, while brand systems have become exceedingly important as a new form of complex social stratification.

Baudrillard described the success of brand systems as suitable means for satisfying social desires with the notions “simulacra” and “hyperreality” (1981). The author argues that social reality no longer exists in the conventional sense. Instead, society continuously produces, reproduces, and actualizes cultural symbols and, thus, gives more room for a hyper-reality. For marketing systems, these notions describe a familiar subject. The inspiration of brand systems is nothing but the brands’ proliferating symbolic of “sign exchange value” (see Baudrillard 1981) and thus the hyperreal connotation of a brand for an observer.

Yet, marketing systems do not only suggest connotations for brands, but their messages are also perceived from a second-order level of observation. Marketing communication self-referentially teaches society that the careful design of brands and communication about them are useful means for reaching social, individual, and economic goals. Thus, communicating about oneself, or a country club, or the offering of a toast with a presumed imprint of Elvis became accepted social practices. The *economization of society* is a consequence which describes the acceptance of the dominance of economic behavior over love, friendship, or faith. The economic code of payment/non-payment, reciprocity, and typical styles of communication and action in business seem to become superior modes of communication. Marketing systems both advance this superiority and counteract by employing “weaker” modes of social communications than the economic.

Marketing systems’ creative design and coordinated delivery of brand-related messages also became powerful means of temporally synchronizing the communications of entire societies. By providing and loudly communicating the launch of a new “Apple” computer model, the opening ceremony of the Olympic games, or a European soccer Champions League final, for instance, marketing systems allow society for talking about the same topic at the same time and thus synchronizing the communications of hosts, actors, mass media, and all other

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<sup>120</sup> The authors owes this understanding of “consumption” to a discussion in the consumer behavior class of E. Fischer and K. Main at York University, Toronto, Winter 04/05.

observes in an unprecedented way.<sup>121</sup> Historical analysis unveils that amongst political disputes, wars, terrorism attacks, and environmental catastrophes, marketing systems were able to inspire the highest levels of social noise. The political system and the messages in the mass media typically create extensive social noise before major elections. Yet even their communications have been conducted by marketing systems for a long time. Hence, the emergence of marketing systems and their ability to develop powerful programs and structures to inspire social noise, provided societies with means for social differentiation and integration at the same time.

The effect of the synchronization of social noise comes into sight once marketing and brand systems are conceptualized as ephemeral social phenomena that depend on ongoing communicative reproduction. As the analysis above unveils, this reproduction is predominantly comprised in the social environments of marketing systems rather than the planned communication of the systems. Societal observers use and reproduce brands and brand systems extensively based on their own agendas. They accept, reject, or ignore marketing messages and alter them to fit to their identity projects. Thus, organizational observers often find their brands surrounded by brand systems with unintended meaning. As society proliferates brand meaning, the power of marketing systems is strongly constrained, especially as society develops new technological means of information exchange among observers.

In addition to the option of synchronizing communications with their brands, marketing systems also support acceleration and isolation within society. With every new distinction that these systems suggest, they separate observers that perceive from those who not perceive the message and open room for further sub-differentiation. As brands become more homogeneous, marketing systems are forced to introduce such new means of inclusion and exclusion, new cultural elements, new trends, etc. to maintain their distinctiveness in a competitive market environment. Consequently, societies dissect, accelerate, and develop more complex symbols under the influence of marketing systems, which begin to overwhelm some societal observers and to inspire protest.

As ignoring marketing messages and brand systems became almost impossible, the abundance and overwhelming noise marketing systems induce led to extensive rejection. Due to the power of marketing communications, school children, for instance, can be excluded from in-groups at school for not wearing the right sneakers. Parents, who cannot afford the

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<sup>121</sup> The marketing system of the first German "Big Brother" television show, for instance, provided Germany with a new, "hot" topic for social communication. Daily television reports on what happened in the container, where participants voluntarily lived under the 24/7-surveillance of cameras, inspired infinite communications among German colleagues, friends, and families. The new and interesting brand and its synchronized, visible, accessible production became a salient element of German culture at that time.

higher-priced keys to social acceptance, complain about this dominant power of marketing systems. Drivers of sport utility vehicles, whose superior utility is extensively communicated by marketing systems, were recently attacked for being irresponsible, selfish, and socially ignorant (Lüdicke forthcoming). As a consequence of these changes and the unveiling of unethical production practices of some organizations, observers began to reject certain brands, attack stores, create movies about evil corporations, give lectures on the negative effects of brands, and support research initiatives on socially sustainable development of business.

The fact that marketing systems are successful even though most observers are aware of the two-fold code of marketing systems underlines the growing importance of brand systems. Observers know that economic marketing systems do not communicate primarily to help observers to choose brands wisely, but also to serve a host that depends on profits. Still, they perceive marketing messages and adapt, reproduce, or reject them for their own communicative references. Even though observers know that the economic value of a pair of Gucci jeans is not 1.500 US dollars, some still buy the brand and extract sufficient value from the brand systems' link to social exclusivity and superiority.

According to our first study,<sup>122</sup> most North American observers find marketing useful. Using the notion of "marketing" predominantly in the sense of "advertising," all 51 respondents reported that marketing is important for retrieving information about brands. As it comes to telemarketing, however, sympathy and understanding comes to a sudden end. The broad acceptance of marketing messages led to the evolution of various forms of social systems around brands. The form of the "brand community" (Muñiz and O'Guinn 2001) is a salient example of how observers organize parts of their lives around the use of and communication about brands. Affiliation towards brands can go as far as tattooing a logo on the body, or praying to a chief executive officer (Muñiz and Schau 2005). For these observers, brands systems are narratives and marketing systems are the narrator (Firat and Venkatesh 1995; Twitchell 2004).

Despite the extensive societal, economic, and ecological criticism against the influence of marketing systems, the analysis above also unveils a currently completely neglected property of marketing systems. Our theory shows that marketing systems play a crucial role in importing societal concerns into economic systems. According to social systems theory, the economic system can observe its social environment exclusively with means of payments. Hence, the economic logic ignores societal problems such as unsustainable development, over-consumption, unethical behavior, unhappiness, obesity, or pollution. Marketing systems as theorized above, instead, observe society with economic and non-economic means. As they

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<sup>122</sup> See chapter 4.

depend on societal dynamics, they carefully listen to gradual changes, trends, and overall societal and economic development to enhance the connectivity of their communications. This way, marketing systems are organizations' functional synapses for non-economic concerns, such as ethics, sustainability, equality, and global fairness.<sup>123</sup> Consequently, societal activists can only irritate economic systems by irritating their marketing systems with loud social noise around and rejection of brands. If their social environments do not correct them, marketing systems make, for instance, use of an existing fear of terrorist attacks to inspire trends to drive huge and presumably safe gas-guzzling vehicles. Hence, from a sustainability perspective, marketing systems pose threats but also offer chances.

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<sup>123</sup> Certainly, every organizational observer is able to import these concerns into the organization, but only marketing systems are programmed on doing so.

## 6 Discussion

*“The recognition that an existing paradigm is inadequate leads to a scientific revolution, in which an older paradigm is replaced in whole or in part by an incompatible new one” (Kuhn 1996 [1962], p. 91).<sup>124</sup>*

This chapter suggests and discusses implications of the above concept for the theory of marketing, for marketing theory, and for marketing practice.<sup>125</sup> To our best knowledge marketing was never described as a Luhmannian social system before. Hence, even though our theoretical constructs are empirically induced by marketing practice and theoretically deduced from scholarly work, they have never been used in marketing theory and practice and have not yet influenced marketing systems. Thus, we will next utilize the novel theoretical framework to evaluate the condition of marketing, indicate theoretical weaknesses, and discuss alternative solutions.

In summary, this thesis provides a novel conceptual framework for observing and understanding marketing as a social phenomenon. According to McKenna, “marketing is everything and everything is marketing” (1991, p. 68). Such statements were the initial spill and motivation of this work. With rigorous scientific means we showed that McKenna’s claim is neither true nor useful for marketing, business, and society.

In conclusion of the analysis above, we define marketing as a *social system that communicates through and about brands to influence observers’ functional-economic and social preferences on behalf of a host system*. Marketing systems observe society to create maximum connectivity for their messages. They formulate messages using various distribution and communication media to imprint forms in the medium of brands. Marketing communications are established once observers understand marketing messages in the forms of acceptance and rejection. Observers accept marketing messages by paying for a brand and/or proliferating the respective brand systems with their social communications. They reject a message by not buying and/or opposing brand systems’ predominant meaning.

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<sup>124</sup> Cf. Dixon (1989, p. 59).

<sup>125</sup> We will not discuss this topic as it comes to suggesting most successful forms and marketing programs. A general theory describes its subject from a second-order level of observation and does not intent to provide solutions of this level.



In order to proliferate themselves and their host systems, marketing systems create distinctions in five dimensions: output, value, access, marking, and meaning. While the first four dimensions are defined as a “brand,” meaning emerges and perpetuates in the form of “brand systems.” The emergence of marketing systems within an organization depends on its ability to differentiate itself from other organizational functions. Even though all functions of organizations aim at obtaining payments, time, or awareness to reproduce the media, codes, programs, and structures of the organization, only marketing systems are concerned with the coordination of brand-related communications of the organization.

The key principle of brand-related communication is consistency. As marketing messages must be understood in order for the system to survive, marketing systems support other organizational functions in their production of symbolic meaning. They influence, for instance, the design of an output to create a consistent message, while innovation and design remains a core task of product development. They suggest sales prices to symbolize exclusivity, even though pricing is a task of the finance department. And they contribute to the design of distribution channels to ensure consistency in the dimension of access to brands.

The scholarly reflection on marketing was (partly) useful for marketing practice, interesting for the creation of knowledge, and rigorous in its methods, but also conceptually disintegrated and unsuccessful in defining its own theory. For the first time in marketing research, the above outline introduces a coherent conceptual framework for understanding the emergence, empirical procreation, and social fabric of marketing. Using concepts radically different from previous approaches, we identify the unique code of marketing, the predominant programs, the self-reflections, its evolution, and its functional differentiation within society and organizations. The thesis concludes that there are marketing systems, that they make a difference in society, that they are often poorly defined both in theory and practice, and that these systems attract extensive societal and scholarly attention.

## 6.1 Theoretical Implications

*„You know the difference between a real science and a pseudoscience? A real science recognizes and accepts its own history without feeling attacked”  
(Michel Foucault cited in Martin 1988, p. 2).*

This section draws on the requirements towards a theory of marketing mentioned above which scholars suggested over the last six decades, to reflect on the theoretical contribution of

our theory of marketing.<sup>126</sup> Subsequently, we discuss how this theory fulfills its own requirements.

As stated in section 2.1.1, Alderson and Cox demanded that a comprehensive approach to a theory of marketing “would need to meet several tests: (1) It should give promise of serving the variety of needs that have created the current interest in marketing theory. (2) It should be able to draw in a comprehensive way upon the starting points for theory already available in the literature (...). (3) It should provide a consistent theoretical perspective for the study of all the major classes of significant entities in marketing” (Alderson and Cox 1948, p. 148). The theory outline above describes marketing systems on the solid theoretical basis of cognition research, communication theory, marketing theory and the theory of autopoietic social systems. Thus, it is not only based on existing marketing theory but also on fundamental research outside of the discipline (ad 2). As it observes and describes marketing as a system with distinct characteristics, it provides a consistent analytical framework (ad 3) and, by the same token, organizes the scientific study of marketing systems and their social environments. Yet, through empirical analysis, the system defines the scope of the theory, and theory does not define the scope of marketing (ad 1). In sum, our approach seems to fulfill Alderson and Cox’s requirements.

In 1968, Bartels suggested to combine five fields of research to create a general theory of marketing: “1. Theory of marketing functions, 2. Theory of historical institutional evolution, 3. Theory of small versus large scale activity, 4. Theory of integration, and 5. Theory of specialization.” (Bartels 1970, p. 73). How does our theory relate to these requirements? The core of our approach is the analysis of the functional niche that allows systems like marketing systems to emerge and perpetuate. Thus, our theory addresses “specialization” under the notion of functional differentiation. Its opposite side, “integration,” is conceptualized as operational closeness and autopoiesis. “Evolution” of the system has been the topic of section 5.4 and has extensively been discussed with regard to systemic autopoiesis. The “functions of marketing” systems were a key concern of our theory and were thus carefully defined. The “scale” of activities became irrelevant on our theoretical background, as the core systemic properties of marketing systems do not change with the scale of its assignments. Hence, although our answers to Bartels’ requirements may not have the expected form, they not only address all issues carefully, but also integrate them into one consistent theoretical framework.

A third set of requirements is Hunt’s concept of “fundamental explananda” (1983). The scholar argued for a general theory of marketing that embraces four general theories: the behaviors of buyers directed at consummation exchanges; the behaviors of sellers directed at consummating exchanges; the institutional framework directed at consummating and/or

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<sup>126</sup> See section 2.1.1.

facilitating exchange; the consequences of the behavior of buyers, sellers and institutional framework on society(p. 24). Hunt's requirements towards a theory of marketing are hard to combine with our theoretical approach as they are based on behavior and exchange. Our historical analysis demonstrated that marketing researchers were unable to explain the existence and character of marketing with behavior as a fundamental research subject. That is, as we unveil, because marketing is not concerned with, but constrained by behaviors of buyers, sellers, and institutions. Also, it is shown that exchange is not the distinguishing function of marketing. Thus, a theory of how sellers and buyers behave cannot be a successful anchor for a theory of marketing and the lack of answers to these requirements is not surprising. Rather, the utilization of predefined roles, such as sellers and buyers, blurs the view on more likely concerns of marketing systems. The institutional framework that Hunt sees as an element of marketing is not of interest for a theory of marketing in our understanding but would be for a theory of economic organizations. Marketing is not concerned with how to produce and deliver goods or how to manage companies, but with brand-related communications and influencing preferences in their relevant social environments. With our shift of perspective away from Hunt's explanada towards the suggested concept, marketing systems and their social impacts become clearer, even though Hunt's requirements have not been fulfilled.

The stream of marketing literature concerned with paradigms discussed the predominance of marketing behavior and executive action (Alderson 1957), customer-centered rather than product-centered practices (Vargo 2004), exchange (American Marketing Association 2004; Bagozzi 1974, 1979; Hunt 1983), marketing as a leadership philosophy (Meffert 2000a; Morgan 1996), or a set of sales and distribution practices (Butler 1917) as the best suitable basal operation. Our theory clearly does not subscribe to any of these approaches. Instead, we use brand-related communications as the fundamental, unique, distinguishing operation of marketing systems. We find that behavior of individuals is not of conceptual value for understanding marketing as opposed to management, that exchange is only one program among multiple marketing programs, and the focus on customers, services, or relationships are alternative forms of company programs but not a general marketing issue; especially, as customer-orientation is as old as trade itself and marketing is only about 100 years old.<sup>127</sup>

The requirements and paradigm tests above elicit the struggle of marketing theory once more to find anchors and forms of analysis. All of the approaches above began with the assumption that marketing systems exist and that they are concerned with a set of actions. None of these

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<sup>127</sup> It is historically valid that between the begin of the industrial revolution and the second half of the 20<sup>th</sup> century businesses did not have too care much about customers, as basically every product produced was sold. Yet before and after these periods, customer orientation was the only option for successful business (cf. Bubik 1996).

authors began by asking what distinguishes marketing from the rest of the organizations, why marketing exists at all, and why the notion is successful. As shown above, a theory that comprises all marketing actions and allows for theorizing on every marketing communication must go deeper and ask for the fundamental functional niche that allowed marketing to become successful in theory and practice despite its lack of self-recognition. Beginning by wondering how marketing could successfully proliferate even though all 4 p's are concerned with ancient business practices, we identified how the marketing system defined and perpetuated its functional and conceptual distinctiveness.

In chapter 0 above, we identified five fundamental obstacles of the theory of marketing project. On the basis of our findings, we can now discuss answers to the critique. First, it has been argued that due to a lack of general theory, the competitive advantage of the marketing discipline in theory and practice is at risk. As marketing did not define boundaries, but keeps reaching out into foreign terrains where other disciplines are better equipped to answer questions, marketing has become a fuzzy notion. This theory of marketing, if accepted, allows us to readdress this issue and realign marketing. It conceptually comprises most existing research in marketing and adds a focus on two key aspects in theory and practice, brand-related communication and preferences towards brands. These fundamental distinctions allow us to restrict observations of marketing as well as precisely define marketing action.

The second problem was concerned with a lack of theory, the answers to which were discussed above. The third problem, however, problematizes the predominance of exchange as a basal paradigm of marketing. It argues that a focus on exchange will not allow an understanding of organizational and functional particularities of marketing, an organization's observations of markets, and the importance of brands. The argument above demonstrated that using communication as an alternative basal paradigm opens up for a more fundamental and coherent analysis. Communication includes observation, messages, and understanding in the dimensions of functional-economic and social communication. Exchange, the former conceptual core of marketing, is now placed into access, which is one of five dimensions of the medium of brands. Exchanging payments for brands is the primary code of marketing and of any other business function and is thus not sufficient for explaining the emergence of a distinct functional subsystem. What makes marketing unique is its additional, unique code preference towards a brand/ no preference towards a brand that it does not share with any other organizational function. This code has been ignored so far.

Fourth, literature and practice shows that marketing currently maintains two distinct cultures, an economic culture of exact measurements and prediction, and a social culture of creativity, observation and communication. Despite the question if that unity is useful, the theory above allows us to conceptualize both cultures and practices in marketing with one code and one basal function. Alternatively, exchange ignored the crucial communications of brand systems and thus was unable to capture the entire realm of marketing. Marketing communications was

defined as the functional-economic and social communication about and through brands. Thus, selling a brand for money is a marketing communication as much as advertising the meaning of brand systems.

Fifth, the thesis contributes to the debate on marketing as an art or a science. In 1952, Hutchinson argued that "Marketing is not a science" (1952). This thesis provides a rigorous analytical observation of a particular social phenomenon and a theoretical explanation of the observed. Aimed at constructing truth about marketing, it is a scholarly contribution to the science system. As it uses rhetorical and qualitative methods, it uses accepted scientific means of induction and deduction. Future studies that enrich the theoretical framework with theories on how to observe, how to employ particular media, or how to measure rejection, will also have to use rigorous scholarly means. Given a general theory of marketing which defines the distinct empirical function of the field, marketing research can only be understood as a social science. The proliferation of marketing systems itself is communication and as such not interested in creating truth but obtaining shares of budgets.

In addition to problems identified and requirements fulfilled, this theory adds further material to the theory of marketing discourse. Former general theory approaches were unsuccessful, not only because they chose unsuitable paradigms but also because the underlying theories were of too little complexity. Our analysis unveiled marketing as a highly complex system that uses two codes, various media, uncountable forms, and distinguished programs. Theories of exchange, the marketing mix, or the 4 p's concept have proven to be too trivial for explaining such a complex phenomenon but are still used- and are extraordinarily successful in practice. The systems perspective bases on a sociological theory of unprecedented integrity and complexity. Only these differentiated means of analysis allow us to theorize on marketing on a high level of observation.

In theory, marketing has long been accepted to fulfil both social and economic functions. It has been argued that these functions might be unhealthy for the overall mental condition of buyers, but the influence has never been neglected. Despite the ubiquitous empirical evidence and the frequent scholarly calls to apply sociological tenets to marketing (e.g. Alderson and Cox 1948; Bartels 1968; Chalmers 1999; Halbert 1965), the marketing discipline has not made sufficient use of sociological tenets. That is, among other reasons, because the theory we use was not yet translated into English language in its entire amplitude. Thus, its concepts are not readily accessible for the larger part of the international marketing research community. The existing English version of "Social Systems" (Luhmann 1995) does not make the theory very accessible but indicates the complexity of the theoretical design.

Currently, many marketing scholars are convinced that a general theory of marketing is unnecessary. In consequence, researchers must allow for a rank growth of marketing hypotheses that emerge without a theoretical basis and damage the societal image of rigor and knowledge

creation in marketing research. Our theory of marketing outlines the basal social form of marketing and structures theoretical and practical innovations of various areas in marketing. Also, it (theoretically) restricts the emergence of hypes that are not conceptually grounded. With the concepts of media, forms, and programs, the theory allows for a guided search for improvements, which was unthinkable within the framework of marketing as exchange.

In addition, our theoretical design of marketing enables the integration of theories of societal and economic change into the marketing research map. The notions of postmodern marketing, for instance, describe the social environments of marketing from a different perspective. In contrast to existing general marketing theory, this thesis includes the social environments into its conceptual framework and assigns the role of understanding and proliferating marketing messages to societal observers. This way, we frame, for instance, scholarly observations of extreme social changes, such as consumer resistance or brand community building, with the concept of the rejection of marketing messages that has been researched in detail by salient scholars but was previously ignored by general theory approaches.<sup>128</sup> Also, by integrating preferences, brands, and society into the theoretical framework, innovative research on consumer culture becomes an integral explicitly defined part of marketing theory (e.g. Epp and Price 2005; Moisio, Arnould and Price 2004).

In summary, our outline of a theory of marketing provides researchers with a novel macro-level mode of observation, which is “marketing systems analysis.” Marketing practices and the extensive theories in marketing fit well into the theoretical framework above. As it is established on social systems theory, the theory realigns marketing with the social sciences it originally came from and provides a sound fundament for further scholarly research and discussion.

## 6.2 Practical Implications

*Successful “management is (...) the process of defining and determining the reality of others” (Dyllick 1984, p. 176).*

This section deals with the practical use of our findings in the hope that better theory will be able to inspire practice. We first reflect on the function and organization of marketing systems

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<sup>128</sup> Kozinets asks, if consumers can escape the market. We understand “market” as an organizing principle that can be used, but does not have to. As the principle is successful, most observers do not want to reject it. Can they escape the medium of brands? They cannot escape brands as they would starve, but they can try to ignore brand systems. That, however, can be dangerous, not only socially but also physically.

from a normative position. Then, referring back to section 2.1.3, we provide alternative conceptualizations of marketing in the frameworks of the St. Gallen Management model and Porter's Value Chain.

### 6.2.1 Function

The analysis above unveiled it to be the functional niche of marketing systems in organizations to observe the social environments of their hosts, negotiate with society the meaning of brands, and align the symbolic elements of outputs, values, access and markings with an organization to create preferences with respect to a given budget. These functions of marketing systems are unique to the system and indispensable for economic systems and society. As brand systems become exceedingly important dimensions of differentiation in saturated markets, the procreation of marketing systems ensures both the unprecedented complexity of markets and the observers' orientation within it. With this definition, marketing has a distinct position in economic theory.

Based on the theoretical findings above, the arguments of practitioners like Anthony Brown of IBM are clearly not to be considered as part of a useful concept of marketing. He argues that: "There are now two types of corporation: those with a marketing DEPARTMENT and those with a marketing SOUL. The latter are the top performing companies, while the former, steeped in the business traditions of the past, are fast disappearing."<sup>129</sup> A "marketing soul" is an invention that includes a weak definition and over-emphasis of the concept. There is no theoretical and empirical reason to believe that a "marketing soul" exists, neither that it makes sense to talk about it, nor try to employ it. The soul Brown talks about, rather describes what was previously called "entrepreneurial spirit" (see Bubik 1996). The decisions on the systemic properties of marketing systems which were discussed above, such as the two codes, the programs, and the basal operation suggests rejecting these ideas of what marketing is on a profound theoretical basis.

Another example of what is wrong with the use of marketing in praxi is Henderson's account of the condition of the marketing discipline: "Marketing scholars currently find themselves in a paradoxical position. Until recently, marketing philosophy and marketing strategy were deemed to be central in modern business thinking and planning. But now, critics of marketing and marketing scholarship become ever more virulent, questioning the cost effectiveness of marketing activity (...), its status as a profession, the rigour of its scholarship (...) and its standing as an academic discipline (Brown 1995a). Yet many marketing scholars refuse to give up, and continue to search for evidence that supports their contention that the

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This quote is taken from <http://www.repiev.ru/articles/Pseudomarketing-Eng.htm>. The validity of the source has not been contested. The quote is a typical example of managerial use of the marketing notion.

subordination of most, if not all, business operations to the marketing philosophy is a prerequisite for sustained financial success.” (Henderson 1998, p. 598). The author nicely (and unwillingly) summarizes a core problem of marketing practice. He describes a rising critique of marketing and, at the same time, reproduces a foremost misconception. Understanding marketing as a business philosophy that subordinates all business operations is the core not the cure of marketing problems. The idea of customer orientation is not an original marketing contribution but as old as economic trade and, thus, meaningless as a key reason for marketing evolution. Selling superior goods and services to customers to fulfill wants and needs is also not the niche a marketing discipline can evolve in. As many scholars and practitioners subscribe to this concept of marketing, proliferating a superficial eclectic concept, it is not surprising that the over-all value of the discipline is frequently questioned.

### **6.2.2 Organization**

The organization and management of marketing systems and the use of the notion marketing in practice are as diverse as the numerous definitions of the function of marketing we mentioned above. Our studies unveiled that the use of the marketing notion is questionable in the businesses under scrutiny. Organizations develop the roles of managers for brands and products, for corporate communications, or e-communications, but marketing is only an umbrella for these fundamental functions, which seldom has an integrative approach. This situation supports our conclusion that the marketing notion is a conceptually empty shell that is used to roughly summarize many things, but is meaningless in itself.

The concept of marketing discussed above describes marketing as a functional subsystem concerned with brand-related communications. Do these communications have to be organized as a department? Which roles and programs have to be developed to observe society and watch over the production of consistent messages if all functions are comprised by other organizational functions such as market research, product innovation, distribution, finance, and advertising? As there are many right answers, we may suggest only one configuration. Based on the concept above it seems most promising to establish three core marketing roles: a chief marketing officer, a marketing manager, and a marketing designer. As argued above, there are many organizational functions that implement brand-related communications. Product design, production, finance, distribution, or the according functions of service providers are responsible for manifesting communications through brands and accepting observers' payments. Advertising, corporate communications, public relations, financial reporting, instead, are concerned with feeding brand systems, whether they work with corporate brands, particular product brands, or family brands. Lastly, market research, is responsible for observing the social environments of the organization, including brands, brand systems, markets, and social noises around other brands. The three marketing roles draw information from these sources. The marketing designer develops meaning around



brands. The marketing manager deals with the development of outputs, the definition of values, the choice of access strategies, the design of markings, and the creation of meaningful messages to implement the designed message with maximum coherence. The marketing manager also coordinates the temporal aspect of the messages an organization sends out to its social environments. The chief marketing officer communicates and decides about the meaning, image, and planned outside perception of all brands on the executive level. The beholder of this role communicates with the media, presents new strategies, financial reports, etc., as this role is ultimately responsible for the predominant meaning of brand systems that emerge around a brand. In accordance to the job definition of a chief executive manager in classical business management theory, we believe that the leader of the organization should principally not communicate with societal observers about brands through mass media, but inform them about report decisions and pass on results to shareholders.

We may describe this organizational design with the metaphor of Twitchell (2004): Marketing designers invent narratives. The designer describes the intended societal story of a brand system with the brand as a key protagonist.<sup>130</sup> The marketing manager coordinates the process of the storytelling during the lifetime of the brand and over all organizational functions. The role coordinates the delivery of the protagonist and the story around him, observes his societal proliferation, and (re-) produces, and respectively writes, the narrative through brand-related communications. The chief marketing officer watches over all stories the organization tells and represents the status of the narrative and the success of the protagonist on board level. The narrative strongly depends on the understanding of societal observers and must thus be flexibly written to be able to react to societal changes over time.

This organization indicates that a flow of information between the marketing roles and the functions that produce the brand-related communications must be ensured. As the story depends on time-sensitive social procreation, including communications of mass media, customers, opponents, and other social systems, they must be monitored carefully and alternative paths of the narrative must be prepared. Thus, marketing designer and marketing manager use the organization's social synapses, such as sales, customer relationship management, and market research, to gain impressions on how society and the narratives within it evolve. The organizational functions do not need a "marketing philosophy" but they must be aware of the crucial role of internal information exchange for inspiring a successful narrative.

Innovations can be suggested by all functions, including marketing and research and development departments. Either the marketing designer surrounds a prospective brand with a

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<sup>130</sup> Many narratives also include a "dark side:" an antagonist. Coca-Cola and Pepsi provide a salient example.

story, or the marketing designer innovates a story with the brand subsequently produced by the related business functions in concert with the marketing manager.

The hierarchical order of these roles differs among organizations, depending on the number of brands which must be managed and the importance of the brands systems. Marketing designers can, for instance, write narratives for a family of brands, or for one single brand. Marketing managers can also implement marketing messages on various hierarchical levels. In our study, our marketing managers were typically called brand- and product managers. They comprise the function of designers, sometimes together with research and development departments. Chief marketing officers are often heads of sales and marketing, but not of particular brands. Marketing designers were not found in any function.

Coming back to general implications for the organization, our findings imply that not every company develops a marketing system. Organizations of little complexity which have not many contact points with societal observers do typically not develop marketing systems, as there is no functional necessity. Another reason for marketing systems not to emerge is an organizational structure where brand systems and the integration of functional-economic and social messages are unimportant for the economic connectivity of a brand. If a small bakery, for instance, invents a new type of bread, gives it a name, and advertises it with a placard in the store window, this will not establish a marketing system. The same is valid for a global industrial company that produces manufacturing goods for observers that are ignorant for anything but objective product qualities, prices, and access. A company that maintains one large brand, such as BMW, or a company that manages dozens, such as Nestlé, theoretically must and empirically did develop marketing systems. They have no other means to ensure the consistency of physical and symbolic messages they create around the globe and maintain coherence over time.

Our definition of marketing roles is only one suggestion among others. Smaller companies assign advertising, corporate communication, public relations, and sponsoring tasks to one marketing manager, so that we cannot speak of a marketing system in this case, even though the function of inducing preferences must still be taken over by someone within the company. These companies unfortunately often ignore the core function of marketing systems and reduce the roles to the production of brochures or advertising management without any participation in product design, pricing, and distribution definitions.

Crucial and novel to our concept is that sales and distribution functions must be understood theoretically, as the environments of the marketing systems are finance, production, or human resources. Consequently, the concern of marketing research with sales and advertising problems appears to be an unfortunate development. There is a historical truth but no logical reason for marketing systems to be conceptually and functionally combined with sales, distribution, pricing, retail, and other core business functions. Using the same historical

arguments, marketing could also comprise purchasing and human resources. Empirically however, these functions are strongly coupled but clearly distinct. In our sample, sales teams, profit center managers, or distribution managers are not marketing people. The reason for the separation in practice is that the sales function is an ancient business function and not unique to marketing, plus, it operates with a different logic. The design of an output is as important to the goal of creating preferences as is the delivery. Yet, to ensure the systemic integrity of the marketing system, the decision on how to organize (and theorize) sales or finance should remain in the hands of the according business functions (and research fields) and thus in the environments of marketing systems. From our conceptual point of view, marketing is organized and researched in a better way when it is a free-standing discipline concerned with the design of narratives, their pro- and antagonists, and the coordination of their implementation by means of brand-related communication.

Except from these normative suggestions, marketing systems should be organized flexibly. As they observe an environment of extraordinary complexity, marketing systems cannot be successfully defined with strict processes. In agreement with Baecker (1999) we are convinced that successful self-referential reflection on complex social environments is only possible if internal complexity is large enough. According to this perspective, the most efficient marketing systems will probably not be the most successful.

### **6.2.3 Management Models**

The analysis above suggests aligning marketing systems differently within economic organizations. As described in section 2.1.3, Porter (1998) combines marketing and sales in one customer-directed primary business function. Yet, our findings reveal that marketing systems are involved in the creation of symbolic communication all along the business process. In the entertainment industry, for instance, brand systems are typically inspired even before the brand enters a market. Hence, brand-related messages are sent throughout the entire production process. Also, marketing systems observe and support their internal environments with the design of the brand dimension to offer consistent symbolic messages. As a consequence, marketing systems can be seen as supporting processes and are rather allocated in the upper, horizontal half of the model as such.

Even though for some brands, brand systems are the predominant reason for preferences and the source of economic returns, the production of the brand will remain each company's core process. And due to their double code of payment/non payment and preference towards a brand/no preference towards a brand, marketing programs must remain supportive processes of organizations.

The "St. Gallen Management Model" (Rüegg-Stürm 2005) dissects marketing into two business processes called brand management and customer relationship management, which

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are both supporting processes. Corporate communications and public relations are separate supporting functions. Distributed over the entire organization, the model combines marketing with sales, product management, customer support, advertising, and marketing support functions.

In this model, the brand appears as a process for supporting production and is everything but a distinct business function. In accordance to our findings above, the model prefers to use marketing as an umbrella for various communication, observation, and messaging practice, yet without any coherence. In our concept, the brand is the core outcome of the organizational activity. The inspiration of communications through and about this brand is a core business process. In order to update the St. Gallen Management Model in accordance with the findings of the above analysis, marketing must become a business process, associated not with customer processes but rather with the level of the creation of meaning around brands. The “marketing process,” if it must be called like this, observes, designs, and integrates all brand-related communications of the organization, including corporate communications, public relations, product design, channels, etc. over time. In consequence, the marketing process is a design and coordination function of many processes with the target of inspiring preferences towards brands in functional-economic and social dimensions.

## 7 Conclusions

*"You can not have it both ways. Either you can see an apparent universe by being selectively blind, or you can see it all equally in which case it must disappear and so must you" (Spencer-Brown [1969] 1999, p. 194).*

The goal of this thesis was to advance the theory of marketing project with a conceptual framework that allows for a theoretically and empirically consistent description of marketing as a societal phenomenon, considers all practical and theoretical interests associated with the marketing notion, and provides consistent conceptual means for observation and self-reflection.<sup>131</sup>

Thus, we broadly and deeply analyzed the current status quo of marketing theory, the theory of marketing, and the concept of marketing in business models and concluded that such a coherent group of propositions cannot be found in literature. We summarized the use of sociological theories in marketing and argued that neither of these theoretical frameworks nor other disciplines' theories managed to fulfill the requirements towards a sound theory of marketing. Subsequently, we found that the development of marketing theory around the core process of "exchange" was the core obstacle of theory development. It was argued that the exchange paradigm, even though many scholars accept it, constrained the discipline, made it unable to coherently embrace emerging practices and consequently disintegrated the existing marketing theory.

Our theory of marketing was developed based on the historical analysis of literature, four empirical qualitative studies, and Luhmannian social systems theory as a key conceptual framework and method of inquiry. The work introduces various theoretical definitions. We describe marketing systems as functional subsystems of organizations that are concerned with communicating about and through brands to influence observers' preferences. Preferences towards brands are ephemeral orders of desires of an observer with respect to budgets of money, time, or attention. Preference towards a brand / no preference towards a brand is the primary code of marketing systems that enables the systems to decide on success and failure of their communications. The sufficient secondary code is the code of the host system, such as payment/no payment or truth/no truth. Marketing systems aim at influencing preferences according to the agenda of their hosts, so that they manifest in payments in the functional-

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<sup>131</sup> See section 1.5.

economic mode and desires in the social mode of communication. The basal operation marketing systems utilize to induce preferences is defined as brand-related communication, which comprises communication about brands in the medium of meaning and through brands through functional-economic exchange. A brand was defined as a form in the medium of brands, which has five dimensions: output, value, access, marking, and meaning. Brand systems, instead, were conceptualized as matrices of meaning around brands and social systems *sui generis* that develop codes, programs, and structures to embrace and proliferate observers' perceptions of brand meaning. By understanding brand systems, societal observers create communities through the negotiation of inclusion or exclusion.

In metaphoric words, brand systems are narratives with a brand as the protagonist. Each narrative is an ongoing story with a unique character at its center, and they are told by a marketing designer, produced by a marketing manager and looked over by a chief marketing officer. Other roles used in our theory design are societal observers that communicate in the social environment of marketing systems and their hosts, and organizational observers that operate within the internal environment of marketing systems, the organization.

We conceptualized marketing research in accordance with literature as the environment of marketing systems, as scholars do not write to create preferences towards brands other than themselves. Marketing research produces first-order observations of brand-related communications and second-order descriptions of marketing systems and their social environments. This theory of marketing is such a second-order perspective concerned with all marketing systems and their first-level observers in research and society.

Unlike all other approaches that were previously presented, this thesis begins by asking why marketing exists and why it is so extraordinarily successful in its self-reference. Other theories have tried to summarize what marketing empirically does and by doing so did not look deep enough into psychic perception and the social construction of systems. Thus, they could not consistently unveil the unique function of marketing within a social context, even though most conceptual elements had long been theorized. This thesis historically and theoretically answered this question by unveiling codes, structures, and programs of marketing systems. It found that these systems evolved successfully despite an unfortunate theoretical and empirical condition and due to a conceptual emptiness of the marketing notion itself. The reality of marketing systems in practice is expanding inconsistently with research and marketing research is extremely productive but became uninterested in its own general theory. Yet both situations are responsible for marketing's success and also for the salient criticisms and social protests.

Our argument allows for several relevant conclusions: First, the thesis unveils that the marketing notion is a conceptual shell that is used to roughly address many organizational tasks, but is in itself rather meaningless. Although there is no business theory without

marketing, there is no business activity that is just a marketing activity. Typically, functions are advertising, communications, sales, etc. but not marketing.<sup>132</sup> This allowed for many authors to excessively introduce presumably novel xxx-marketing concepts, such as direct marketing, relationship marketing, database marketing, or telemarketing, without being loudly criticized.

Second, the thesis argues that most functions that are currently summarized under the umbrella of marketing existed long before the term marketing was created. The only function that emerged in the early 20<sup>th</sup> century together with the brand was what we now identify as the marketing system. The evolution of marketing systems became necessary as brands and brand systems allowed for unprecedented marketing complexity, especially in the dimension of meaning. Nowadays, all products are brands many of which can only be differentiated by their legal marking and brand systems. Without a new functional subsystem within the economic system, and later also in other types of organizations, organizations would have been unable to produce coherent messages in the dimensions of output, value, access, marking, and meaning.

This definition of marketing allows for an important organizational conclusion. From this systemic perspective, marketing systems would be defined with much greater rigor and distinctiveness if their organizational and scholarly observers erase the sales function from the marketing landscape. The distinction of brands as functional-economic means of communication through payments and brand systems as social systems of communication allows us to separate two distinct functions of marketing systems: designing and delivering brands, and creating meaning around them. Our analysis shows that the first function does not differentiate the marketing function from other functions in organizations and research. The second function, instead, is unique to marketing. No other organizational function is predominantly concerned with the creation of preferences by means of communication about brands. Hence, it is important for marketing systems to observe the social environment of their hosts. Without knowledge of the society that surrounds the organization, marketing systems are blind and cannot communicate interestingly about brands. The systemic alignment and societal and economic meaning of marketing systems would therefore be much more rigorous if everything was excluded which is defined as part of the environment of marketing systems.

Third, the thesis unveils that marketing systems are the only functional subsystems in organizations that observe with non-economic synapses. All other functions in economic organizations are blind to everything but payments. Thus, marketing systems and only

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<sup>132</sup> (cf. Luhmann 1984, p. 627).

marketing systems can bridge the gap between organizational and societal agendas by creating meaning around a symbolic anchor, the marking of a brand.

Fourth, we drop the 4 p's and the marketing mix as the structural framework of marketing. Instead, we organize marketing systems' operations around the three steps of brand-related communication: observation and information, message, and understanding. Around this basal operation the thesis introduces marketing as an autopoietic, operationally closed system that self-referentially perceives differences that concern the codes of payment and preferences towards a brand. Alternatively, the 4 p's and other models completely ignore aspects of differentiation, evolution, and programming that are crucial to understand and manage empirical marketing phenomena.

Fifth, with the introduction of brand systems as a major concern of marketing communication we enable the extension of marketing operations into the social environments of the systems' hosts. In fact, communications about brands and through the consumption of brands are salient means for cultural development. Ignoring this fact in marketing definitions makes us blind to the growing power of societal observers in the negotiation of brand meaning. Our theory re-integrates these realms into the core of marketing thought.

Sixth, postmodern observers, consuming cyborgs, sonic consumption, anti-consumerism and other emerging streams of research and practice can also be integrated consistently and explained superficially by the second-order theory above. Extending the presented description of marketing systems into the future unveils various un-used means of differentiation and allows us to predict more complexity of markets and marketing systems. Together with social disintegration through the exclusion from brand systems, only marketing systems will be able to raise enough funds to temporarily integrate and synchronize societies with powerful means of communication.

In the course of theory development we made several decisions that could have been made differently. Most important is the use of "marketing systems" as the phenomenon under scrutiny. In English "to market something" means to bring it to a market, which describes the ancient function of sales rather than the meaning of the marketing system as it is described here. In German, on the other hand, marketing is etymologically closer to the "Marke" which is the brand. According to the Detroit study of this author, observers with no academic knowledge on marketing systems understand marketing more as symbolic communication, branding, and advertising, including entertaining commercials and annoying telephone calls. Hence, the societal meaning of the notion covers only a part of its theoretical and practical scope. Against this background, *marketing systems* is the empirically and theoretically most suitable title.

Another restriction, which is also an advantage of a second-order level observation, is that our theory of marketing describes its realm on a high level of abstraction. As the history of



marketing thought has shown, a theory that describes every reality of organizational and societal observers cannot exist because marketing practice is too diverse and the psychic systems attached to it are too complex. Using sociological theory allows us to abstract from people, technologies, and particular products to create a general perspective on the function of marketing systems as a social reality *sui generis*.

Other problems arise due to our use of existing predefined notions. Practitioners distinguish brands and products as logical units, but not brands and brand systems. Organizations use advertising to influence brand images and personalities and coevally sell branded-products and book the trademark itself as an economic asset. These definitions were too imprecise and overlap too much to be used in our theory. In addition, they are not able to unveil the twofold natures of marketing research and practice. To distinguish functional-economic logic from the social logic of marketing communication, we had no choice but to redefine the well-known construct of brands and rearrange its scope to include outputs, markings, values, and access. The brand systems notion was needed to describe the socially rather than economically constructed properties of a brand. Again, our novel concept of brands comes closest to the understanding of theoretically uninformed public observers.<sup>133</sup>

In no other than Luhmannian theory, the conceptualization of payments is theoretically used as *communications* of an economic system. Even though this concept might be surprising for readers at first, it proves to be extremely useful for our conceptual work. Using payments as communications, we were able to define one basal operation of the marketing system to influence preferences in two distinct dimensions and maintain the coherence of the system.

In section 6.1, we compared existing requirements towards a theory of marketing with what this theory delivers and concluded that requirements are fulfilled, yet in a different way than scholars probably expected. With the report above, we also fulfilled our own requirements.<sup>134</sup> We presented a coherent set of concepts that describes the social phenomenon of marketing from internal and outside perspectives. Unlike previous approaches, the concepts did not use particular predefined roles such as customers, produces, distributors, etc. as they differ in organizations and are rather ephemeral, instead they used the constructs of the organizational and societal observer. To our best knowledge, the diverse interests in marketing research and practice can be associated with the novel constructs of this theoretical framework. Yet some salient interests, such as distribution logistics, are no longer considered marketing operations and are consequently excluded from this theory, whereas other fields, such as consumer resistance or cyborg consumers, were explicitly included. The concepts of differentiation,

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<sup>133</sup> Observers say, for example, that they “only wear brands.”

<sup>134</sup> See section 1.5.

evolution, and autopoiesis and the section on communication provided the integrating part of the theory. They outlined basic observations and communications of marketing systems with links to various actual scholarly reflections and empirical changes.

The theory design allows us to observe marketing systems as they apply and test the use of our theory in practice. The concepts in use can also be questioned, as much as the form of marketing as a social system per se. Yet, as long as no theory of marketing is presented that is better and more coherent when conceptualizing marketing, this approach shall be contested.

The future of marketing systems can be bright but does not have to be so. This thesis finds a powerful social system and unprecedented societal acceptance of its messages. Despite the critique, marketing can remain successful or get into trouble as society rejects its communications. Due to the need for sustainable development, marketing systems of the 21<sup>st</sup> century will most likely be concerned with creating more symbolic meaning while providing fewer outputs. Brands and brand systems allow businesses not to grow in quantity, but instead in quality and cultural contribution. This will become unavoidable as once developing countries begin to buy brands in Western quantities, our planet's natural resources will quickly be consumed. A future challenge of marketing systems is to inspire "good" brand systems, develop sophisticated means for observation and meaningful communication with social observers and still deliver sustainable, profitable brands.

## Appendix

### Steps towards a theory of marketing

Author	Publication Title	Content	Type
Powell (1910)	Co-operative marketing of Californian fresh fruit	Driven by the opening of the U.S. railroad in 1869, Californian fruit companies employ "marketing" to bring fruits to the Eastern markets.	Practice
Shaw (1912)	Some problems in market distribution	Quarterly Journal of Economics. Features market distribution and middlemen issues. Regarded of very high impact for practice. Includes differentiation, consumer surplus, branding, etc.	Practice
Butler (1917)	Marketing methods	Presents practical issues of marketing like sales and distribution.	Practice
Carver (1917)	Standardization in marketing	Paper argues for fixed standards of weights and measures for (agricultural) products.	Practice
Bartels (1944)	Marketing principles	Principles concerning marketing tasks, economics, truisms, etc.	Requirements
Converse (1945)	The development of the science of marketing	Empirical survey of the importance of marketing periodicals, organization, concepts, institutions.	Observation
Bartels (1946)	Marketing Theory: Its essential Nature	Proceeding from a Conference. States that there are marketing theories but no one marketing theory. Differentiates between theory and metatheory of marketing.	Requirements
Alderson/Cox (1948)	Towards a theory of Marketing	States that a theory might be developed but that there is none yet.	Observation
Vaile (1949)	Towards a theory of marketing - A comment	There is a lot of marketing engineering. One should rather use theories of other disciplines for marketing.	Observation
Cox/Alderson (1950)	Theory in marketing	20 articles about theories in pricing, competition, etc.	Theory

Bartels (1951)	Can marketing be a Science?	Discusses meaning, objectives and status of science in marketing literature.	Observation
Hutchinson (1952)	Marketing as a science- an appraisal	Argumentation against marketing as a science.	Observation
Alderson (1957)	Marketing behavior and executive action	The functional theory of marketing is a theory of executive behavior. Presents new generalizations and some theoretical requirements towards a marketing theory	Theory
Baumol (1957)	On the role of marketing theory	What is a theory, what is a marketing theory and is there a space for such an approach?	Observation
Lazer/Kelly (1958)	Managerial marketing: perspectives and viewpoints	Marketing as a management process occurring in an environment. Social concept of marketing, strong consumer orientation, normative values	Theory
Schwartz (1963)	Development of marketing theory	The measurement of relationships is essential for theory formulation. Problems arise with the generalization of social behavior.	Theory
Howard (1965)	Marketing Theory	Marketing theory consists of organization theory, decision theory and behavioral theory. Main viewpoint: executive decision.	Theory
Halbert (1965)	Meaning and Sources of Marketing Theory	Identifies elements and relationships	Theory
Bartels (1968)	A General Theory of Marketing	Seven theories sum up to form one general marketing theory: social initiative, economic (market) separations, market roles, expectations, interactions, flows and systems, behavior constraints, social change and marketing evolution, social control of marketing	Theory
Lazer (1969)	Marketing's changing social relationships	Marketing is more than a technology of the firm. It is an institution of social control.	Theory
Hunt (1971)	The morphology of theory and the general	States that Bartels' (1970) general theory is not a theory.	Observation

	theory of marketing		
Hunt (1973)	Lawlike generalizations and marketing theory	Argues against a critique of Pinson et al, who responded to Hunt's critique of Bartels general theory.	Observation
Bartels (1974)	Identity crisis in marketing	Identifies a crisis in the broadening scope of marketing. Marketing as a social process, decision making, distribution, etc.	Observation
Ryans/Spijker (1974)	Current status of marketing theory. Europe-American	Survey about the importance of marketing. One result: the pursuit of a general theory should be the goal of marketing theorists	Observation
Bagozzi (1979)	Towards a formal theory of marketing exchanges	Analyzes exchange as the fundamental framework of viewing marketing	Theory
Hunt (1983)	General Theories and the Fundamental Explanada of Marketing	Basic principle: exchange. Four Fundamental general theories in marketing: buyer and seller behavior, institutional framework, and impact on society. General theory of marketing must embrace all four general theories in marketing.	Observation and theory
Howard/Savins/Howell/Ryans (1991)	The evolution of marketing theory in the United States and Europe	Successor survey for Ryans/Spijker 1974. Increasing interest in marketing theory but many academics prefer to work on specific dimensions rather than on general theory	Observation
Randall (1992)	New Weltanschauung- An integration of marketing theory and practice	Discusses marketing as an art or a science. Introduces Association of Marketing Theory and Practice as an umbrella for of both issues	Observation
Hunt/Morgan (1995)	The comparative advantage theory of competition	Elaborates a new paradigm for marketing thought. The resource-advantage theory based on competitive advantage.	Theory
Bubik (1996)	Geschichte der Marketing-Theorie	Historical analysis of Marketing Theory. Shows, that there is no theory of marketing that fulfills the requirements of (U.S.) definitions of scientific theory. Identifies many attempts to integrate theories.	Observation

Wilkinson/ Young (2002)	Marketing theory in the next millennium. Looking backwards and forwards.	Introduction to a special issue on the future of marketing. Marketing principles stay constant but may be adopted based on technology.	Observation
Hunt (2002)	Foundations of marketing theory	Analysis of the philosophy of science and empirical research methods in marketing	Theory
Kleinaltenkamp/ Jakob (2002)	German approaches to business-to-business marketing theory - origins and structure	Discusses the character of German marketing thought which focuses on New Institutional Economics-applications to marketing research	Theory
Roth/Gmür (2004)	Struktur und Entwicklungslinien der Marketingforschung (Zitationsanalyse)	Empirical co-citation analysis to cluster marketing research. States that there is no common paradigm or set of publications in marketing	Observation
Vargo/Lusch (2004)	Evolving a new dominant logic for marketing	Services shall replace goods as the main subject of exchange in marketing.	Theory

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