



# **Path to a new Prosperity**

**A new approach to Marketing**

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**REAL\_ISE**

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Let's speak plainly: It is fear of the future that's the actual trigger of our current consumer crisis, and it's consumers' reticence to consume that is the cause of growth weakness in our Western economies. The optimism and belief in progress, which was once the motor of our affluent society have not been fulfilling us for some time, now. Whereas once upon a time a simple worker could actually imagine that his or her son or daughter might become a doctor, today a lawyer is satisfied if his or her own children have a job at a call center after finishing university rather than being unemployed.

The promise of continuously increasing material and social prosperity has lost its credibility in our Western societies. It was a utopia that has moved on to the emerging markets of the global economy, and which has left "memories of the past" here in its wake. This is why we cling with anxiety and mistrust to what we know we have rather than taking off to new – unknown – shores.

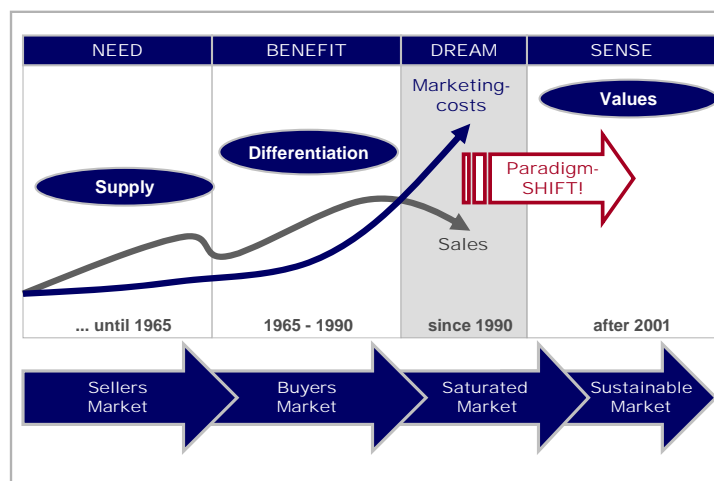
In order for us in our Western societies to construct a new "vision of the future", a new ideal of prosperity, we can no longer rely on politics alone. Its ability to play an influential role is becoming more and more limited in our globalizing world. Now it is the turn of industry and retailing to take their fates

into their own hands and to develop a consumer culture which holds out to people the prospects of a new consciousness of prosperity, or at least "memories of the future". This is about a kind of consumption that makes "sense" – that has its reason - for consumers.

## Paradigm change: Back to needs

Marketing has not yet quite grasped how to properly deal with "sense" as a new customer need. Indeed, marketing continues to hold on tightly with nearly messianic conviction to the dogma of customer orientation. It leaves no stone unturned in attempting to read consumers wishes, which are expressed through a variety of immaterial benefits and manifold lifestyles. This leads to a range of segment-specific "dream-worlds" that by their nature implode almost as soon as they appear, which leads to a new product offensive in order to shore up the attraction of what is being offered (Fig. 1).

Such a marketing orientation to customer desires is driving a vicious circle of innovation pressure, information flood and shorter product life cycles that has turned our already saturated



MARKETS' STRUCTURAL CHANGE  
(Fig. 1)

markets into something more and more complex. This vicious circle also leads to an exponential growth of the marketing costs which, in the meantime, can barely be offset by increases in production efficiency. In order to break through this circle, industry and retailing must undertake a paradigm shift and rededicate themselves more conscientiously to customers' needs or, to put it more precisely, their latent, not directly formulated needs. This will take an active examination of people's priorities rather than simply an easy answer to their wishes.

And yet, the classical market research, with its strength in capturing conscious and known phenomena, is simply not up to this challenge. It is hardly suitable to support strategic far-sightedness or to anticipate the new (Fig. 2a). To understand consumers' latent needs, we need to rely more strongly on qualitative methods such as "Grounded Marketing", which touches on the tried and true approaches of social research<sup>1) 2)</sup>. This method makes it possible to investigate social phenomena within the context of an exploration process of induction (or interpretation) and deduction – building and examining hypotheses – which is oriented ("grounded") in a permanent observation of the real or actual (Fig. 2b). We work closely with humanistic researchers, artists, designers or fashion design-

ers, who bring their insights and power of imagination into this process.

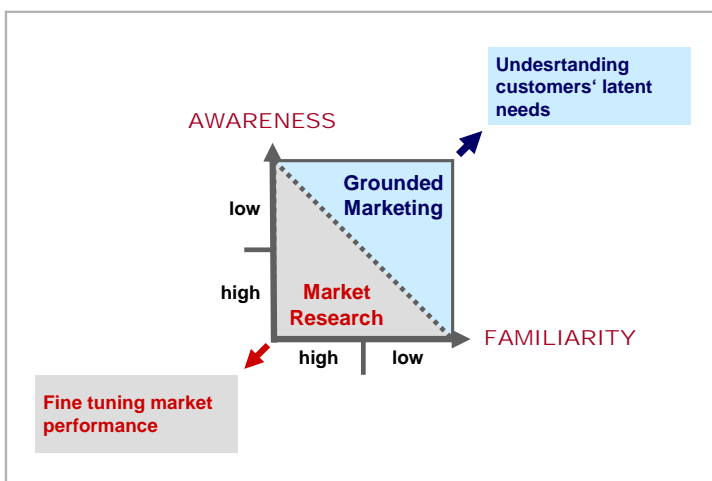
<sup>1)</sup> Barney G. Glaser; Anselm L. Strauss: *The Discovery of Grounded Theory. Strategies for Qualitative Research* (1967)

<sup>2)</sup> Evert Gummesson: Are current research approaches in marketing leading us astray? *Marketing Theory*, Vol. 1, No. 1, 27-48 (2001)

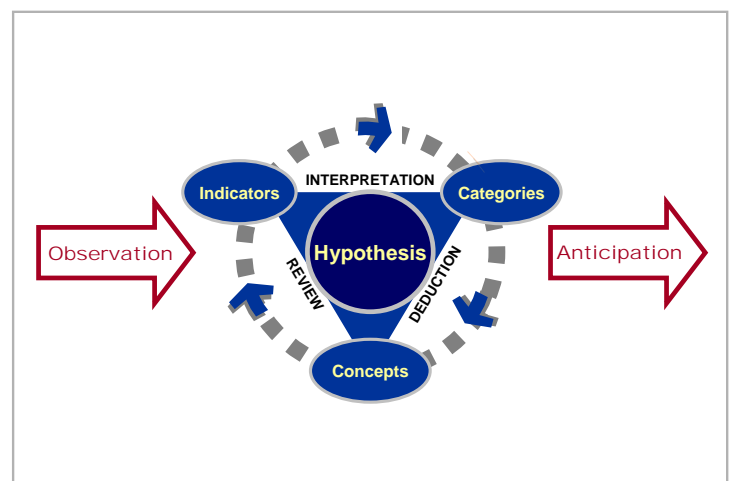
## Quality: Paths to a new prosperity

Customers are no longer "consumers". Today, they work as enlightened market participants and are no longer impressed by something as simple as a communication of superlatives. The many colorful image and experience worlds have made them perhaps even more distrustful of everything they perceive as "marketing." Rather, they are much more seeking intuitively understood reference points, which are in harmony with their own value system and their individual life themes. Because consumption, and we would like to restate this here very clearly, is very closely connected with consumers' entirely individual expectations of quality of life and self-actualisation.

The best approach to bridging the gap between products and consumers is by paying attention to the quality factor. Our own research work in the con-



Relation between market research and Grounded Marketing (Fig. 2a)



Grounded Marketing Methodology (Fig. 2b)

sumer sector reveals quality to be a very strong and indeed, convincing subject. But one must take care not to reduce it to its rational and scientific dimensions, but to include the emotional and subjective aspects which we all relate to as consumers. We were able to identify four relevant values sites (each one of them comprehending three further life themes defining the relevant fields of action) that covered the range of meaning attributed to quality as a topic, and which define the “socio-cultural model of consumption” (Fig. 3).

Our model illustrates the entire bandwidth of consumer motivations today. It makes it quite clear that purchase decisions in our saturated markets depend less on rational arguments about use and benefit, or emotional seduction arts, than they depend on their significance for consumers. Thus the “socio-cultural model of consumption” describes a new understanding of prosperity, which allows the generation of considerable competitive advantages.

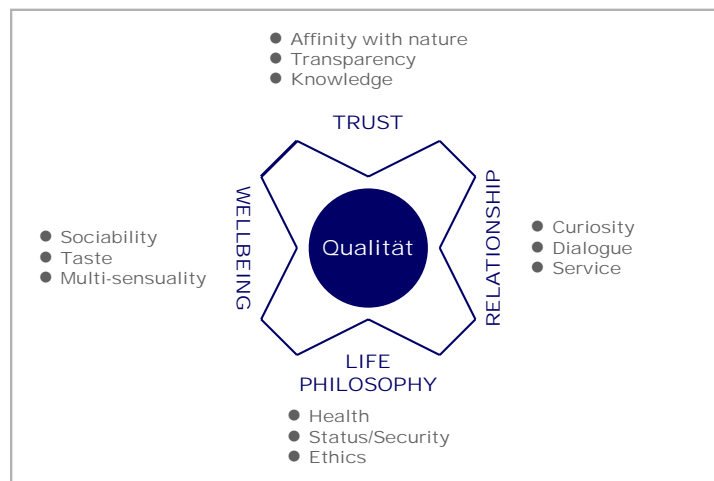
The major potential of this “softer side” of marketing was also recently recognized by proponents of the suddenly very fashionable “multi-sensual marketing and branding”, although the “multi-sensualists” only rely on one of the socio-cultural categories for support and don’t take all of the others into account. For consumers, a brand only

achieves a sustainable significance when it reflects in its identity all four value sites.

## Excellence: The new Luxury

The Italian Slow Food movement provides the ideal-typical example for working with this “softer side” of marketing. The Slow Food movement understood very early how to activate tradition, region and culture as added values for food, thus defining Excellence as an entirely new quality category. The term – Excellence– can be applied across the entire consumer goods sector if one is thus able to designate products and shopping locations to which consumers feel a strong affinity or cultural relationship. The strong identification potential of those products of excellence represents a real added value for which consumers are prepared to pay an extra charge.

Throughout our Western countries, Mr. and Ms. Everyman are today looking for unique and original products. You only have to observe their shopping behavior outside the supermarkets or department stores to understand that they have become “truffle pigs” of excellence. The “search for exclusivity by



Socio-cultural model of consumption  
(Fig. 3)

the masses”, as Umberto Eco calls the new phenomenon of Excellence, specifies a growing market segment that unites tradition with the Zeitgeist.

It arises from the consumers’ need for things that extend beyond simply products, but that also represent goods, whose value creation can be grasped and experienced in a manifold way – from the knowledge about their production, to the atmosphere of their points of sale. Excellence is thus in some way able to remove the gap between production and marketing and represents a counter-trend to the cultural globalization that is affecting the market of industrially-produced mass products.

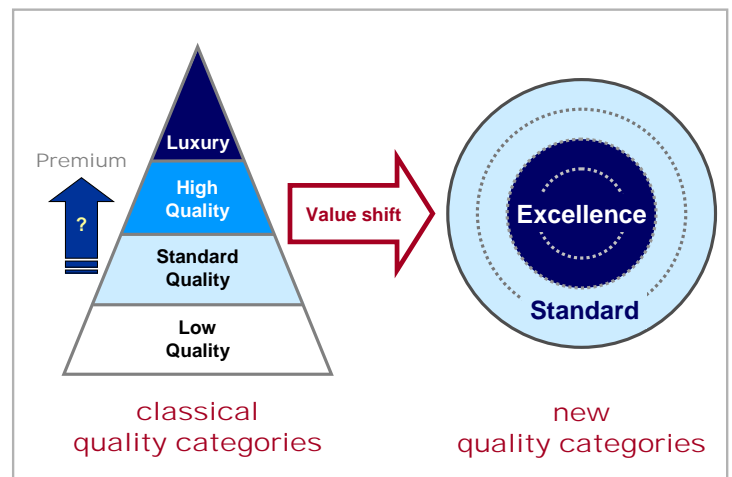
The significance of products and shopping locations of Excellence allows consumers to express their capability to enjoy life, their cultural understanding, as well as their individual uniqueness. In this sense, Excellence defines and relates to an entirely new concept of luxury – not as a symbol of “status” but as a symbol of “being”. The “new luxury” is an expression of a nascent historic value shift of our post-industrial affluent societies and their undergoing utopia of constant upward social mobility.

## Mass and Class: An interdependent relationship

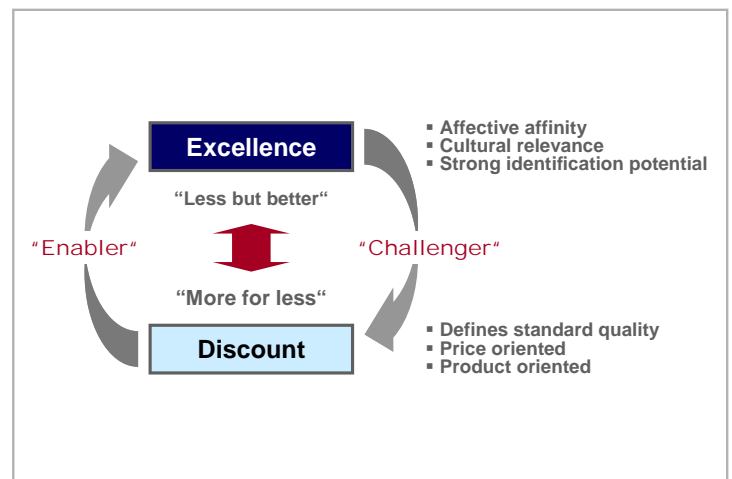
As it happens, the segment of mass produced products itself is in the midst of a fundamental state of upheaval. Consumers are increasingly finding the classical quality designations of low, middle, high and premium to be artificial categories of an increasingly similar standard quality. Consumers can no longer relate the various advertising messages and brand promises to any actual quality distinctions that would

justify price differences in their eyes. As a result, they are increasingly picking what’s cheapest (Fig. 4).

Yet we can’t simply regard this often-discussed market polarization between an “Excellence” segment and a “Cheap” segment as contradictory – or opposite development. “Class” and “mass” are rather beginning to support and supplement each other. The market for Excellence is thus a sensitive seismograph for the latent needs of people. It is the actual trendsetter of consumption and functions as a model for the market of standard industrial products. In return, the discount sector is making it possible for a broader segment of the population to save money in order to afford something “special” every now and then without exceeding their household budget (Fig. 5).



Consumers shifting quality perception (Fig. 4)



Class and mass complement each other (Fig. 5)



The ongoing success of the discounters is impressive evidence for the very realistic behavior of customers today. They know that the discounters have an entire system in place geared to supply what they need at the best price. They do not expect discount products or discount stores to tell the story of their tradition and they are happy, not having to listen to any fairy tales either.

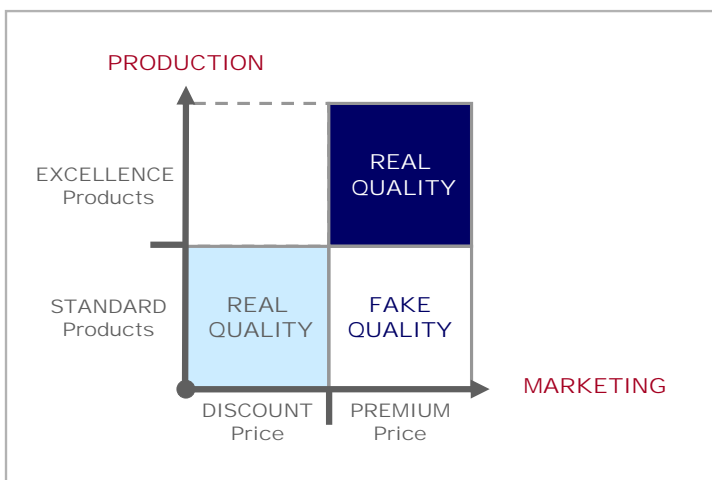
## Real Quality: The revolution of the authentic

Nevertheless, it would be wrong to try to equate market segments with customer segments in saturated markets. Today's consumers transverse all market segments and put together their own personal product mix. By so doing, however, they prefer discount and Excellence products and are increasingly avoiding products and shopping locations of the mid-range segment, whose substantial quality got jeopardized by the gimmick of immaterial benefits.

Both the discount and Excellence segments are able to persuade more

and more people because their market presence reflects their quality positioning in a coherent way. They beam forth what they are and make quality "real", which is to say, rational and emotionally understandable. It is just this disarming authenticity of both segments that deliver their power to convince: In an increasingly complex world of products and goods, authenticity has the power of giving orientation, reliability, as well as significance. Authenticity can radiate the confidence of a "memory of the future" which represents an incalculable added value (Fig. 6).

"Real Quality" describes a value added strategy from which can be derived more than simply entirely new approaches to brand management, product range and price policy, and innovation management. It also leads to ground-breaking forms of consumption scenarios and exciting business expansions based on a symbiosis of discount and Excellence (Fig. 7). And yet, "real quality" is more than a strategy for saturated markets. After "value for money" and "value for time", "value for sense" defines a new consumption culture that represents a silver lining for industry and retailing, but also for consumers in our crisis-ridden societies.



The Concept of REAL QUALITY  
(Fig. 6)



The Strategy of Real Quality  
(Fig. 7)

# The Authors

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is an expert in consumer psychology, comfort science and strategic design management. She does research in the area of consumer behaviour and the social and cultural change of our societies. She teaches at postgraduate level at the Domus Academy in Milan, where she is member of the scientific steering committee, and is also professor for Humanistic Marketing and Design Management at the University of Borås in Sweden, where she is building up a competence centre for new marketing strategies in saturated markets. As a partner of REALISE she is a consultant to well known international consumer goods companies on branding strategies and design, customer relationships and innovations management.



## Christian Votava

is an expert in strategy, value-added marketing and organisational efficiency and is developing new marketing and market research methodologies for saturated markets. He holds a doctorate in chemistry and an MBA. He was active for more than 10 years in leading marketing & sales positions in Europe and USA. He was a consultant at companies like A.T. Kearney or Logika AG. Today he is a Partner at REALISE, where he empowers financial and consumer good companies to operate safely and successfully in highly competitive markets. In addition to project work, he assists business managers and boards in their strategic and tactical decisions.





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REAL\_ISE makes it possible for companies to operate successfully in today's saturated markets while, at the same time, keeping marketing costs under control. We stand for new approaches in **Strategic Marketing** that rapidly lead to visible success. We especially help companies in the fields of

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Coming to grips with the socio-cultural drivers and the temper of our times

- **Innovation Management:**

Anticipating the future and activating the potential of Innovation

- **Strategic Design Management:**

Interpreting latent needs and creating demand

- **Strategic Branding:**

Developing a clearly perceivable personality & revitalising organisations

- **Strategic Communication Management:**

Establishing the right access to customers

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Sustaining and creating competitive advantages

Our clients are well-known companies in the consumer goods industry, the food industry, in retailing, in gastronomy and in financial services.

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