

## **Talking to the Empowered Consumer**

### **Dealing with the Shift of Power**

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### **Abstract**

The concept of the empowered consumer cannot be considered as a field of exact scientific research yet. Nevertheless, it has become part of scholars' interest and gains more and more importance in the research of organisational relationships with customers. It is suggested that two influencing criteria are especially at the forefront: The emergence of the Internet, which effected that barriers to collect and to disseminate information across boundaries were decisively reduced. As a consequence consumers could organise globally and collect and exchange information and experiences about organisations and their products. Furthermore, flexible interactivity between companies and consumers, but particularly from consumers to consumers enable direct interaction changing many previously established rules of doing business. Due to these new opportunities new business models developed and the proposition is that intangible values such as reputation gained even more importance and influence tangible outcomes.

Suggestions are that 1.), this concept links communication, corporate behaviour and legitimacy of activities influencing reputation as a driver of value. 2.), reputation as a corporate asset can be managed but it is beyond the pure control of an organisation. 3.), reputation is part of public perception, which an organisation has to build, maintain and expand depending on communicative abilities and willingness to accept consumers as a centre of power. The following discussion will present Grunig et al.'s communication model explaining changed organisational challenges. It is put forward as a framework for marketing for times in which online opportunities added to the earlier b2b and b2c models c2c and P2P considerations and architectures.

The annual studies of the market research institute puls undertaking regular representative research among German consumers since November 2005 will present evidence for the relationship of improved prices, which may be achieved, and the perception a firm possesses. This paper deals mostly with German examples and data, but the hypothesis is that a) the general situation in other Western countries is alike, but needs b) specific additional research, since cultural differences are expected to have a considerable influence, especially when criteria such as individualist and collectivist organisation of society and high and low context

communication styles are involved. Hence, the results of the same study in different countries are therefore expected to present some variation.

Additionally, the Cluetrain Manifesto challenges corporate behaviour of those companies still believing to have the ability to control information disseminated by and written about it. Examples provided will support the hypothesis that powerful consumers may have significant impact on organisational behaviour, decision-making and outcomes.

Keywords: Empowered Consumer Concept, Symmetric Two-way communication, Reputation, c2c, P2P

### Changing Organisational Communication

The growing importance of the empowered consumer concept is frequently related to emergent ICT-innovation and various, frequently overlying opportunities to gain information. This development is considered being responsible for that organisations are confronted with a communicative relation of haziness. Overlapping target audiences and better-informed stakeholder groups use different sources to collect information, to relate and evaluate such information by their individual perception (Gladbach et al. in Kirsten et al. 2002:148). It is proposed that the result of such process is shaped by various variables, such as, bias, education, experience, social context and life experience. One difficulty for companies is understanding that consumers cannot be formed and manipulated anymore as they were in the times before the Internet. Among the prerequisites for understanding potential organisational

Model Name	Type of Communication	Model Characteristics
1. Press agency/ Publicity model	One-way communication	Uses persuasion and manipulation to influence audience to behave as the organisation desires
2. Public information model	One-way communication	Uses press releases and other one-way comm. techniques to distribute organisational information. PR practitioner is often referred to as the "journalist in residence"
3. One-way asymmetrical model	One-way communication	Uses persuasion and manipulation to influence audience to behave as the organisation desires. Does not use research to find out, how its public feel about the organisation
4. Two-way symmetrical communication	Two-way communication	Uses communication to negotiate with publics, resolves conflict, and promotes mutual understanding and respect between the organisation and its public(s)

challenges, but also new opportunities, the communication model by Grunig et al. can offer good explanations for this (cited in Nicholls et al. 2005:20-21). It is based on four types of communication, which have developed throughout history. In this context

especially one-way asymmetric (3.) and two-way symmetric (4.) communication is of great importance.

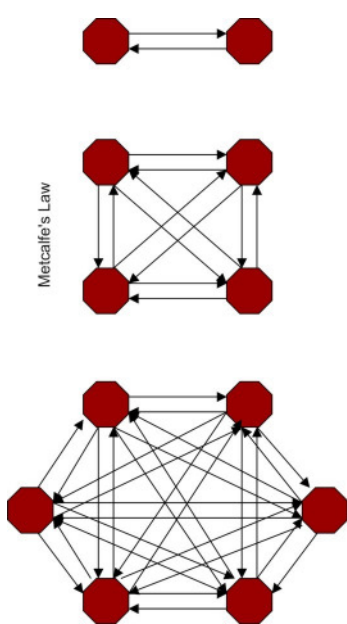
With the beginning of marketing firms tried to actively attract consumers to their products. The mere limitation of information sources facilitated to only disseminate such information, which firms sought to select. It was simple to restrict unwanted or negative content, as was it easy to use propaganda or manipulation. As Grunig et al.'s model supports, for a long time the majority showed one-way communication, symbolising consumers with little or no power. Individual's dependency on a media of little or no interactivity made it rather difficult to interact about product experiences or corporate behaviour. Media and mass media were used in the firms' own interest. Unless independent journalists discovered unsocial or unfair behaviour and made it widely public, little negative consequences were to be feared. This long period has much in common with top-down communication.

The rise of the Internet is proposed as being an influencing point of change. The cheapest mass media quickly accessible for everybody, it empowered consumers by a free flow of information beyond borders, time zones and in any direction. This allowed social affiliation impossible before. It is suggested as being the starting point for real consumer empowerment contrasting with the previous dependency on individual complaints to companies. The Cluetrain Manifesto's 95 theses, meanwhile a widely renowned source, states the still ongoing change by a consciously offhand language: "The Internet is enabling conversations among human beings that were simply not possible in the era of mass media" and "[i]n both *internetworked* markets and among *intranetworked* employees, people are speaking to each other in a powerful new way" (Levine et al. 2001:xxii): Speaking to the empowered consumer. The Internet showed the organisation by interest groups, ranking sites promoting corporate behaviour and informing about product experiences. Free emails can be disseminated with one click to as many addressees as desired informing about positive or negative corporate behaviour. This shows consumers' new communicative opportunities shift power from companies to consumers. The proposition is that by low cost, and ease of access and interaction digital channels empower the mass of consumers to become a substantial force against corporate power.

This opportunity - democratising information - challenges corporate information policies worldwide and confronts organisations with consumers, who have profited from this shift. Corporate communication is a holistic endeavour, whether products, behaviour or information, any company should be aware now, that there is a latent observation of corporate legitimacy and correct attitude. "As a result, markets are getting smarter, more informed,

more organized. Participation in a networked market changes people fundamentally” (Levine et al. 2001:xxii). Such change permits the hypothesis that organisations have to change, too. Psychology explains that such change is often fundamentally difficult. Especially after the long period before, in which organisations could rely to a good extent that they could decide about what they inform and how and that relatively unorganised consumers, limited by existing means of interaction, were quite powerless. There are parallels to the Asian saying that one stick can be broken easily, but - by the new opportunities - a bundle of sticks emerge with the ability to withstand.

Considering the Internet as radical innovation it followed its way up by sustainable and incremental improvements, e.g., from Mailshots to communities. The concept of networking economy got an addition in the form of the concept of networking consumers. The networking consumer has potentially become a most powerful force. Various previous



research demonstrated that many individuals tend to participate in more than one community, these may be special interest communities or business interconnections, e.g., LinkedIn, Xing, facebook, etc. The resulting assumption is that experiences with products and organisations thus have the power to spread across different communities within a very short period of time. Metcalfe's law, more refined by Reed, helps to understand the emerging forces and their power of impact: Simplified it explains the value of a network, which increases by the square of the number of its participants (Robertson. 2004). The power of communities could be seen recently, when German jurisdiction pleaded against various teachers, who were marked by their pupils

on spickmich.de. Courts pleaded that teachers must accept such publicly visible evaluation of their performance representing the empowered pupil (AP. 2007). French jurisdiction decided differently, only schools could get marks but not teachers, which provides evidence that empowerment may show national differences (Networld. 2008).

*“Boycott large corporations that practice "slash and burn" management, that lay off workers in the name of short term profit, that export jobs to Third World nations. Find out where corporate profits go before purchasing their products. Be aware that formerly reliable brand names can no longer be trusted in many cases. A younger generation of MBA's and "bean*

*counters" has been cutting corners on quality control, with the result that "old reliable" brands can no longer be trusted. Patronize socially responsible companies, such as Real Goods (solar and high tech gadgets) and Working Assets (long distance carrier). Even if it means paying a bit more, give your dollars to firms that are responsive to their employees and to their communities"* (Anonymous. No year).

Anonymous, no year, no real reference: By an academic understanding such thesis has no validity or reliability, but the more influencing question will be, whether many web-readers will apply such a high degree of evaluation? Probably not too many, whether the argumentation is wrong or right, as Galvin states, customer reviews online can make or break your business (2007). Instead of the neutral notion of "large corporations", there may be concrete brands, instead of general accusations. There may also be detailed product experiences or awful perception of service. The rule that "what is in the net, does not go out anymore" is as important as it may be harmful. But worse is that companies may even not notice what is disseminated about them. In November 2007 there was the anonymous dissemination of a PowerPoint presentation to boycott Shell. Although it was not against Shell directly, it was aimed at the oil industry in general to force it to decrease petrol prices. It did not work out this time, but many concepts went through a phase of learning or try and error until they became highly effective. Galvin, e.g., offers the example of an US hotel, again a PowerPoint, this time disseminated by millions of emails and finally achieving coverage in The Wall Street Journal and Forbes. A private mailing, free of cost, enabled by the Internet arrived at most prominent newspapers, which supports the thesis that power relationships are changing. On September 6<sup>th</sup>, Bavarian Broadcasting reported about a demonstration of citizens against various traffic projects of the Bavarian Government in Munich. Several thousand citizens were expected (BR3. 2008). It was remarkable that the president of the environmental protection association BUND stated that BUND will start intensive networking with other pressure groups for augmented pressure and efficient coordination of protests. This supports the argument that citizens are learning to enhance their power using ICT and that it is not only about empowered consumers and corporations, but also about governments versus empowered citizens.

It would be wrong to interpret such force just as a threat only. Such empowerment can be most supportive. Positive experiences can be disseminated as quickly as negative ones. Viral marketing depends much on the use of networks. But it should not be forgotten that

consumers' behaviour might tend more to report about negative than positive experiences, since the latter is expected and taken more for granted.

Besides communities often being related to web 2.0, other means of disseminating information quickly are blogs, Podcast, Vodcast or ranking sites, as, e.g., dooyoo.de, or business-podium.com. Some of these sites are specialised, such as for the evaluation of holidays, hotels and tourism, others are general for other kinds of products or services. On the other hand more and more online shops invite their customers to report about their experiences, e.g., hrs.de, or amazon.com. All of these are opportunities for communication, a good number by two-way symmetric communication, since allowing comments, and their mere quantity makes control very difficult, if not impossible. Any organisation should be aware, that "[t]here are no secrets. The networked market knows more than companies do about their own products. And whether the news is good or bad, they tell everyone" (Levine et al. 2001:xxiii).

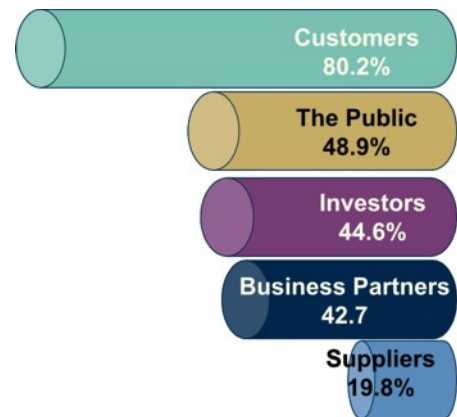
Future marketing trends need to be aware of these internet-based means and they are demanding respect, otherwise marketing and communicative interventions may end in different results than planned. They open new doors to consumers and it is expected that those organisations communicating in the equal two-way symmetric communication will develop better and more positive than those still trying to control information and are relying on asymmetric communication forms. The prognosis dared here expresses that power of online communities will grow further and may lead to even more impact in the future as consumers will organise much better and more quickly as organisational structures can do. Any communication is well advised to consider the new ways of consumers organising quickly, sometimes probably unstructured, but the word will go out and will be read. "In this fast-moving world change is the only constant. Organisations who want to succeed and stay ahead of the game must constantly adjust and adapt to the demanding economic forces" (Farrington. 2008).

### **Corporate Reputation**

Reputation ranking, Corporate Reputation Scorecard<sup>®</sup> following Kaplan and Norton's path-breaking Balanced Scorecard, as the new position of the Chief Reputation Officer may be taken as recognition of and evidence for reputation's importance. Market research institute

GfK propagates the scorecard's usefulness "as the most comprehensive system for measuring [a] company's standing across all key stakeholder groups and for creating strategies for managing towards positive business outcomes to:

- Improve stock price
- Heighten investor interest
- Drive sales
- Attract and keep talented employees
- Increase public support on public affairs issues"
- (No year)



This short list is evidence for understanding the relation of intangible input for tangible outcome. The graphic of a study by the Strategy and Marketing Institute is further evidence for the importance of reputation for customers and other stakeholders (2004). With reference to the aforesaid the proposition is:

- External forces influence an organisations' reputation more than before empowerment of the Internet
- Organisations denying the relationship of reputation and financial outcomes may endanger their future more than those accepting it
- Organisations can gain and manage reputation, but they cannot buy it
- For achieving a high reputation, two-way symmetric communication is a more appropriate behaviour

Some examples may explain the effects of the relationship with the empowered consumer: Kryptonite is a bicycle lock, which its manufacturer claimed to provide the best protection against theft. The manufacturer ignored customer complaints informing them the contrary. Latest, when a video appeared in the web showing how to open this lock by a simple bic ballpoint pen the fall of this product followed (Schwartz. 2006). The effect on the whole company was devastating. Siemens and its bribery scandal misguided the management to force its communication department to almost disappear (Müller. 2008). The result was that Siemens' reputation was attacked by all TV-channels and by other media. Share value dropped considerably and public discussion about Siemens was highly negative in the long-term. Siemens' replies were uncoordinated, weak or, at worse, none at all. The Sparkasse



Mainfranken, Germany, rejected a debit entry of € 150.00 from the account of a 99 year old, quite wealthy customer, who had been with the bank for nearly 60 years, which has since resulted in an overdraft for two days. The branch manager told this customer's daughter that pensioners have generally no rights to take an overdraft. Confronted with this direct act of discrimination, the board of the Sparkasse Mainfranken sent a letter of apology and the branch manager was reprimanded. A letter with the complaint to the bank had informed the board that this behaviour would be published in the media and the Internet whilst at the same time explicitly challenging reputation and public perception. For eight months, DKB, another German bank, refused to credit € 668 for unjustified interest increases of a mortgage, until the client – acting as an empowered consumer – informed the bank about having prepared off and online publications addressing directly the bank's reputation. The situation was then resolved in favour of the client within a few days (Oestreicher<sup>1</sup>. 2008).

These examples could be continued further, but this small selection indicates some major aspects:

- The access to mass media most consumers have today opens opportunities for direct impact on organisations: “Companies can now communicate with their markets directly. If they blow it, it could be their last chance” (Levine et al. 2001:xxiii).
- Trying to hide and hope that a negative situation or discovery may disappear by itself without damage has become pointless: “[The] networked conversations are enabling powerful new forms of social organization and knowledge exchange emerge” (Levine et al. 2001:xxiii).
- The tangible impact by intangible assets has become omnipresent: “Networked markets can change suppliers overnight ...” (Levine et al. 2001:xxiv).
- Reputation is a key driver for organisational welfare with growing importance of which future oriented corporations contribute by implementation of the Chief Reputation Officer.
- Reputation is an intangible asset, which cannot be simply bought but due to a dependency on external forces, perception, and corporate behaviour.

Consumers play an important role (study of the Strategy and Marketing Institute. 2004) and are increasing their influencing forces. Legitimacy of behaviour, transparency of actions and an organisational culture expressing high moral standards are such factors an organisation can marshal and control. Combined they can become a valuable force by themselves, since, when

80% of customers and nearly 50% of the general public consider reputation as very important, then, the conclusion is that reputation is a key driver of corporate values. Babej et al. suggest in Forbes that “[w]hen anyone who uses [a] product or service can readily find an audience to whom to complain, the road from credibility to ruin is very short” and that marketers are well advised anticipating linked shifts (2008).

### **Organisations and Power**

The aforesaid examples indicate insights that some organisations at least still tend to embrace power. The argumentation is that specific paradigms of power can be found within oligopoly structures. Actually, such exertion of power can be observed, e.g., by energy suppliers, whether petrol, gas or electricity dictating prices and proving all anti-trust means powerless so far. The consumers have to pay what they request. The dissemination of the PowerPoint slides against Shell failed in 2007. Such failure may be evidence for corporations that consumers have not the power to defeat them yet or are unable to enforce a change of corporate behaviour. On the other hand it may be questioned, how long consumers’ try and error phase will last until a first boycott may become successful?

Against the approach that consumers’ power augments stands Lazega’s sociological approach arguing that individuals have lost power, especially in an economic context by firms’ (increasing) asymmetric organisation (2003:306). Duplicity of asymmetry should be highlighted: One time within the economic system (oligopolies), the other time, with reference to the aforesaid example, consumers’ failure to organise in a powerful movement of impact. The assumption is that when organisations are able to create asymmetrical market organisation, the need of symmetric communication and behaviour reduces. An adoption of symmetric two-way communication may then lead, in their eyes, to weakening of the profitable advantageous position achieved. The paradigm suggested is that consumers seem to present themselves as individual weak units – single sticks – against energy suppliers’ oligopoly of one unit – a bundle of sticks – difficult to break, especially since they have designed themselves geographically advantageous markets. As long as antitrust actions do not find effective means and as long as no *real* competition among energy suppliers emerges, e.g., by foreign energy suppliers allowed to enter local incumbents’ well-established positions, there will be little chance for consumers to withstand such exertion of power. It cannot be excluded that these assumptions may find parallels in other industries, too. Nevertheless first indicators of a changing situation became visible, when a good number of legal actions of

German consumers against energy suppliers were successful. These first sentences are probably no more than winning a single battle now, however this may be an initial signal that consumers can increase their power, but may need better-organised actions.

In this context a hypothesis is that organisational power increases, especially, when, by a Maslow understanding, physiological needs are in the hands of very few vendors serving geographically restricted markets, when these markets can be easily split among organisations. To contrast this hypothesis with other physiological needs, like food for example, these are distributed by a multitude of suppliers in geographically amorphous market spaces using multi-way distribution chains, consequently allowing consumers an easy and quick change of preference.

Clemens instead argues in favour of consumers' empowerment, when stating "[m]ost companies want to change their strategies" and need to do so (2007). Consumers' power can be very advantageous for corporations being prepared for a symmetric exchange: As the BBC recently published, consumers in the United Kingdom grouped and pleaded online to bring back sweet brands they adored in their youth: Spangles, cabana bar, pineapple mars are just a few of them (Rohrer. 2008). The Wispa brand, Texan and re-re-branded Opal Fruits are profitable examples, when organisations listen carefully to their target groups' P2P-communication. Cadbury's spokesman Bilsborough confirmed that the decision for relaunching Wispa was due to this online campaign (BBC. 2008). This supports scholars' and practitioners' approach that marketers need to learn what customers *really* want. The Internet offers some advantageous and easy insights to this.

The concluding suggestion is that living in an organisational society with members of high interdependence offers much mutually beneficial value (Lazega. 2003:305). In practice, the focus is often on the corporate objective of profit maximisation, which may not meet the need of consumers to pay low prices. Reaching equilibrium between these fields of tension is probably, in some industries, more complicated than in others. In both consumer and corporate perspectives, it is about limited resources and the fair definition of attributed values. But it is about more than prices. The proposition is that the avoidance of asymmetric construction supports both corporate objectives and customers' perception. The concept of corporate social responsibility may further fairness, bringing both consumers and suppliers to an equal position of symmetric exchange of understanding and balancing interests for

mutually beneficial outcomes. This may support the salience of tangible results through intangible corporate love marks, as an important part of reputation for 80.2% of customers and 48.9% of the public. Applying the concept of making customers to an organisation's ambassadors will depend on symmetric exchange of sustainable communicative consistency and according behaviour. "People want to do business with companies they know and trust" (Harris in Caywood. 1997:101).

### **The Empowered Consumer Concept**

The empowered consumer concept is a field which still needs intensive empirical research and offers little literature as yet. As randomly 30 short, unstructured interviews with managers of German, Austrian and Swiss large and mid-sized corporations during and around management seminars provided evidence for, these managers knew about the concept, but could not explain in detail what is involved, which advantages or threats are inherited, and how the empowered consumer concept may affect corporate activities, outcomes, planning and communication (Oestreicher<sup>2</sup>. 2007, 2008). An important aspect was, supported by further research among other German organisations, that there are serious indications that corporations consider it sufficient to fulfil legal frames and are not explicitly aware that questions of legitimacy respecting moral and ethics may be damaged before legal implications. The proposition with additional specific reference to the Cluetrain Manifesto's theses is that empowered consumers take legal correctness for granted, but expect legitimate corporate behaviour as an important part for cognitive buying decisions.

Marketing differentiates between b2b and b2c communication. The discussion should be expanded here by adding the STP-strategy, segmentation, targeting and positioning, i.e. speaking to the empowered consumer means addressing target groups by information, by specific needs and expectations for positioning an organisation and its products by more than products' specifications. Whether micro or 1:1 communication, a company should disseminate information encouraging an equal exchange. Dialogue marketing has become a well-respected tactical means for triggering an exchange of information. Significance for a shift of power may be found with Kotler expressing that previously corporations informed their targets that there is a product, please buy it, but that within today's prosumer concept (producer and consumer combined in one individual) customers ask firms increasingly about a product they want and whether they can produce it. I.e. an empowerment took place, as the marketing object customer changes becoming a central power of marketing (Kotler et al.

2002:67). But consumers' empowerment developed beyond. Websites such as priceline.com allow consumers, e.g., in the tourism industry, to make an offer suggesting a price they are prepared to pay. This model offers augmenting power to breach industries' price monopolies. Despite all legal disputes, exchange sites, like hitflip.de, enable consumers to share music, films and tickets among each other. These and similar other product opportunities helped to launch P2P as business architecture. Platforms, for instance ebay, enable consumers to interact with consumers: The additional c2c concept emerged, initially enabling consumers to sell used goods or unwanted gifts. It has developed now to a place where current semi-professionals trade brands, which never go to shops. This is one other form of consumers' empowerment, which can exclude whole structures and processes of distribution chains and shops. This empowerment of c2c and (at least) many P2P transactions replace purchases in established high street shops with impact on the distribution chain too. The enhanced circulation of used and new goods by these transactions may even affect manufacturers – all were enabled and empowered by ICT-opportunities. The emergent c2c and P2P models add to the proposition that individuals can take advantage of or offer products, services and information by a symmetric construct, which may result in even higher dependency of manufacturers and potentially other firms. It is suggested to consider this as lowering the barriers between professionals and private persons and, since individuals are not structured like dealers, they are likely to be more difficult to control. A threatened shop structure may reduce manufacturers' market control, since individuals are more difficult to bind and, it is assumed, less rational in their policies. On the other hand, those firms embracing the new structure of market fragmentation may profit, since they may add a beneficial part of distribution margins to their profits. Consequences on communication and service policies are likely.

The result is that marketing and its communication need to extend orientation to four principles now, and that c2c and P2P have a danger of excluding those companies whose perception is not considered as being positive, making love marks even more salient. Consumers have the empowerment to decide whether to do business with carefully selected partners influenced by a range of information, found by easily accessible online P2P exchange. At the same time, it should be considered that by application of Metcalfe's law and other secondary causes influencing effects might arise, since members of a network can export information and experiences to any other network. Some industries may be more concerned than others, but the hypothesis is that the potential dependency is bigger for b2c

businesses than for b2b, as the latter is more likely to be related to rationale than emotional buying decisions. To present a short, not comprehensive list of empowerments, consumers have been awarded with Internet options the following aspects are proposed to be taken into consideration when speaking to empowered consumers:

- Consumers' shift from being objects to a central power: The consumer is now less a desired "object" to do business with, but becoming a centre of fulfilment of individual needs and expectations
- Price suggestion: Consumers allocate a specific monetary value to a product or service offer and by cross-platform information they have significantly more power to realise the price desired to which they may allocate emotional criteria as, e.g., values of sympathy
- The power of comparison: Earlier, consumers were limited to their individual reach, especially in rural areas. Today ICT allows comparison of market offers as much as they need to add real-time information to it
- Prosumer concept: The consumer is less interested in accepting pre-produced solutions, but empowered more by having individually tailored finishing of products fragmentising markets
- The multitude of choice: Consumers have the power to select suppliers by a mouse-click beyond borders, time zones or language barriers
- The richness of information: Consumers can collect information about companies, products, services and corporate behaviour by multiple and interactive media and are able to implement the results of an individual evaluation process within personalised decision-making
- Two-way communication: Consumers can exchange their individual experiences about products, services and behavioural patterns of firms in a positive as well as negative form with the power of influencing third parties
- The power of rating: Specific rating sites or platforms empower consumers to evaluate companies and other individuals with the power of influencing their reputation
- Support by interaction: Consumers have the power to ask questions to the anonymous mass of Internet users and can get answers for questions from people never met before, threatening or excluding service specialists and free requiring hotlines

- The power of being heard: The many channels and options provide much more emphasis for complaints and increase the pressure on organisations to take such complaints seriously
- The tactical power: Experienced consumers may develop tactics, which increase pressure on organisations. E.g., they can develop a strategy of escalation increasing impact on those organisations who are unprepared for two-way symmetric communication and/or expressing illegitimate behaviour

Such individual power is substantial and companies of any size should be aware about the potential impact beyond their control. It can even increase when parties with similar experiences group together. Many consumers may not be experienced in such opportunities yet, others may not have found the correct structure to deal with such options, but it is likely that more and more organisations will be confronted with challenges resulting from such empowerment. On the other hand, many new corporate opportunities arise, which can boost businesses as well as products: Real time, direct market research, unfiltered direct communication with consumers, price and product adjustments, development of specific services and consumers' contribution to a firm's reputation leading to the augmentation of tangible and intangible corporate values.

Shareholders, banks and analysts expect permanent growth rates beyond natural laws making it difficult to focus on intangible values (Venzin et al. 2003:8). But while many corporations are still focused on the financial rating system, others are already heading towards improved positioning in the reputation ranking. Stakeholder-groups in the organisational environment "collect, select, reflect, interpret, confirm and/or deny attempts to communicate relevant offers" (Kirf et al. 2002:36). Nowadays, channels, media and sources of gaining information have multiplied, opportunities of interaction among those groups influences perceptions. Those companies still trusting in their capability of controlling information dedicated more to one-way asymmetric communication fail more often in regulatory and social processes now and "put at risk the company's ability to operate, grow and deliver future value to shareholders" (Kaplan et al. 2004:165).

- Consumers' consciousness is stimulated by perception translating it to an individual allocation of prices for most comparable products. This empowers consumers to rank an organisation and its products individually or mutually within communities influencing profitability and market success. Various media supports the process of

gaining information about behaviour, quality and forms of corporate communication. This process can be receptive and/or interactive, either by b2c or P2P means. With reference to the arguments before, it is expected that those companies will shape an edge in competition, which consciously embraces two-way symmetric communication involving the holistic CSR concept at the same time.

- Corporate ethics influence tangible outcomes. Bentele et al. argue that many corporate crises are self-produced and that it is likely that unethical behaviour will reduce organisational success (cited in Bentele et al. 2005:1.26,5-6). They relate corporate ethics to a methodical disciplined logic of interpersonal behaviour. The proposition is, with reference to the theses of the Cluetrain Manifesto and Grunig et al.'s communication model, that such interpersonal behaviour depends much on style, tone and ability of communication. Beaudoin tends to hold that the duel of universal ethics versus economic efficiency involves the question of values at a firm's legitimacy of existence and power within society (2001:29). A view supported by Sanchez et al. arguing that a policy of honesty is, in the long-term, morally superior; an effective foundation of trust in society and in an organisation's best interest since gaining more than strategic advantages over competitors (2004:210-211).

Natural laws' restriction of growth, high barriers for achieving measurable product advantages and new consumers' standards of information suggest that organisations become more and more vulnerable.

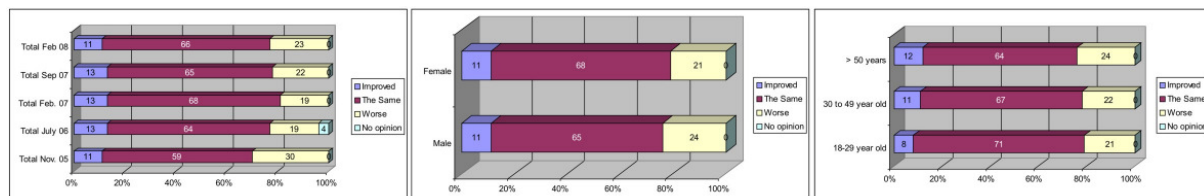
### **Market Research: The Quality and Moral Barometer**

Since 2005, puls undertakes a representative research about corporate quality and moral among German consumers every six months on behalf of the magazine "Horizont" (Weßner et al. 2008, Weßner et al. 2007). The number of questions asked is in its core consistent. It seeks to detect consumers' relevance contributed to quality and price in general and for specific businesses, service orientation of specific branches and special corporations, service and customer orientation of firms and studies corporate moral and ethics. One objective is detecting consumers' perception and readiness to honour or dishonour corporate behaviour related to potential impact on financial outcomes. Five studies have been accomplished so far; the results of four are presented. With reference to those arguments presented in this paper, the results' discussion culminates in a set of questions: How does corporate social



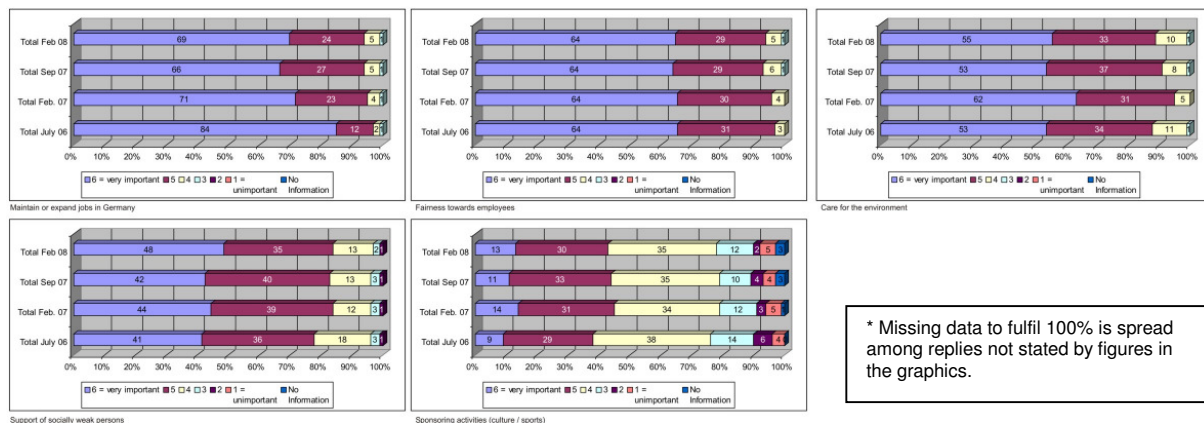
responsibility influence prices an organisation may achieve for its products and services, i.e., a firm's potential profitability with reference to consumers' mindset for importance of behaviour and perception of fulfilment by corporations (8a). Congruence may have an impact on achieving better prices and fuelling love marks. The second part of the according questions indicates the gap between expectation and present perception of corporate delivery (8b). Both are considered being important for the overall organisational umbrella of reputation in face of consumers' empowerment.

Question 3 (in %): *Do you think that service/customer proximity/-orientation has improved in Germany in the past six months?*



With reference to marketing's task underpinning service and customer orientation as important spectrum of organisational improvement interviewees' replies present results, which provide evidence that only a minority perceive a better performance, the vast majority cannot prove that within two years an improvement was achieved, twice as many consumers feeling improvements stated deterioration instead. With reference, e.g., to recommendation marketing the suggestion is that neither the group stating an unchanged status nor those perceiving negative trends will recommend such companies, i.e. the vast majority. Comparing the figures with reference to segmentation, whether male/female or by groups of age, the difference is considered as quite consistent among groups and segments. In consumers' eyes, corporations obviously are missing an important sector of differentiation and positioning. The hypothesis is that firms' focus is still too much on product and not market oriented, facilitating their comparison with competitors.

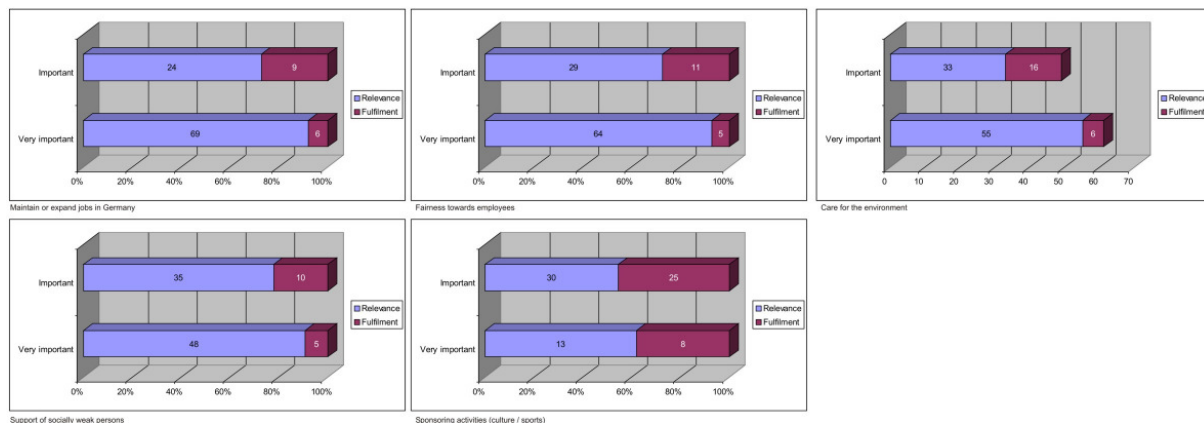
Question 8a\* (in %): *How important are the following social measures to you?*



Weßner states that the importance of supporting socially disadvantaged people was growing in the two years since these studies were undertaken (<sup>1</sup>. 2008). This supports the significance and the relevance of corporate social responsibility's concept. The discovery is instructive in the fifth graphic showing that cultural or sport sponsoring is likely to achieve far fewer advantages than expected. Hence, marketers should reflect about consumers allocating growing importance to socially relevant questions, but care less about football teams wearing logos. With reference to marketing, the five sub-questions may be assigned as following (from left to right): 1) and 2) to the concept of ambassadors of a company, 1) to 4) to corporate social responsibility, but 5) to promotion only, relevant for just 11% of interviewees (Kauppert. 2007). Generally, attention is drawn to the fact that for the vast majority of interviewees the first four criteria are either very important or important as being considered as a decisive outcome of these studies.

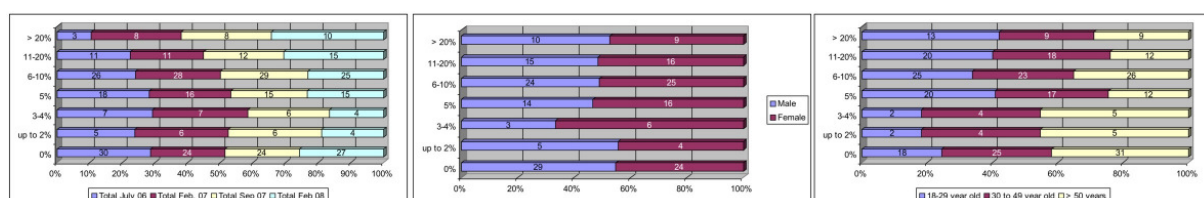
The aforesaid is underpinned by the discrepancy of (consumers') expectations and perception of corporate delivery or fulfilment. The gap is extremely significant and should alert not only marketers, but also boards of companies with regard to effectiveness of their performance. Returning to the principle that communication is beyond words, statements, symbols or logos, and applying integrated communication, than it is suggested that values and market oriented strategies need to be revised. Even overall enterprise strategy – mission, vision and role in society – are challenged by answers to Question 8b (in %):

*How important do you think German companies presently consider these subjects?*



The cumulated negative gap of relevance to corporate fulfilment is for 1) -78%, 2) -77%, 3) -66%, 4) -68% and 5) -10%. Some significance can be found again in the smallest gap of cultural or sports sponsoring. It would be speculative to argue about its reasons. It is decisive that all other four are providing discrepancies of corporate fulfilment from -66 to -78%. This suggests that companies fail to fulfil their commitment to society resulting in negatively influenced perception. To add more validity to the latter, the study of 2006 is cited, in which 73% of interviewees explained that they do not know a socially responsible German company (Weßner<sup>2</sup>). Against consumers' empowerment also stands the badly perceived moral behaviour of organisations' top managers: Consumers' "benchmark" was a mark (1, best to 6, worst) of 2.97 for BMW's CEO, Reithofer, the worst for Deutsche Bank's CEO, Ackermann, with 4.0 (F.A.Z. 2008). For marketing, having accepted that the transactional mix, price, product, promotion and placement, requests an emotional addition today by process, personnel and physical facilities too, this highlights a challenge with reference to the present situation for improving tangible outcomes. This becomes very clear by addressing the study's last point in this paper.

Question 9 (in %): *Which surcharge are you prepared to pay for a product of a socially responsible company?*



The data supports that consumers are prepared to pay a significantly better price. As criticism, it is addressed that one of the study's flaws is that it does not provide a relation to the personal

income of interviewees in each group, allowing drawing conclusions between the percentage of surcharge and the personal situation. This would be helpful for better understanding and for marketers to be responsible for brands and products of different price levels. With reference to the discussion regarding speaking to the empowered consumer the emerging question is; when consumers are prepared to pay more for products of positively perceived companies, which effects can be expected on products of firms perceived negatively? With regard to profitability and the fierce daily price battles, this may be the opportunity for improving profitability by investment in those intangible values, having high relevance for consumers closing the gap between expectation and fulfilment by CSR, symmetric communication, legitimacy, staff development and, in conclusion, a broad stakeholder approach. As Hebben reports, consumers' focus on prices reduces and Kauppert resumes with reference to the studies that 76% of interviewees, 6% more than six months previous, would accept in average 12% higher prices (2008, 2007). This seems totally different and contradictory to promotion taking place at the same time, offering significant rebates reducing profitability.

This data can be explored and evaluated much more in-depth, but the hope is that this individual selection and its interpretation may invite scholars and practitioners to explore and research this subject further. Despite that, these studies are dealing exclusively with German companies, much doubt is expressed that it is a national problem only. The values of the replies may present differences, the importance of topics will probably be significantly different, since foreign economic situations are not the same, but it is expected that the general relevance for other countries and their organisations is not very different, since consumers' impact by empowerment is growing beyond borders.

### **Dealing with the Shift of Power**

A major proposition for marketers is that the focus on prices may be less important to consumers but that their orientation to social behaviour is far more salient, as Weßner states, these may shift market shares increasingly (<sup>2</sup>. 2007). Secondly, product orientation is important, since customers' expectations must be met. This may be a micro-consideration within the macro-orientation of intangible values, as organisational behaviour is based on explicit CSR supported by values of sympathy and reputation. Thirdly, profitability and market shares may increasingly depend on positive public perception. Following the studies' suggestions, consumers are prepared to accept in average 12% higher prices and may be attracted more easily to such products, being an opportunity of increasing sales figures at the

same time. All of these require communication and interaction with consumers on a peer-to-peer level proving that corporate communication is aligned with organisational behaviour. To know what customers *really* want may discover an additional meaning then. Improving service quality and customer proximity may mean exchanging ideas, carefully listening to prosumers and taking complaints and concerns seriously. A further salient reflection is whether corporate citizens not embracing social responsibility will be confronted with an increasingly emergent consumer power that may generally honour or punish fair and unfair behaviour – stakeholders influencing the broad publics beyond any organisational control. This suggests that labels are linked to their origin's reputation, supporting the argument that high reputation is already important, but with reference to the reputational ranking may become decisive soon.

This paper refers frequently to the Cluetrain Manifesto's theses. At its end, especially with regard to the exertion of organisational power, some reflection about Levine et al's subtitle is recommended: "The end of business as usual" (Levine. 2001). Lazega argues that consumers are faced with less power being, e.g., supported by the unsuccessful attempt to boycott Shell at the end of 2007 or by energy suppliers' exertion of power. But Kryptonite and the presented examples around banks contradict. Further to this, organisations could develop their tactics of power for centuries; the opportunities of broad consumer interaction just emerged. Companies are a few, consumers a big mass and the concept of swarm intelligence will likely favour the latter shortening their try and error period. They may presently not be fully aware of their possibilities, but c2c and P2P business architectures support consumers' empowerment and may exclude established business structures even further.

Oligopolies are structures, which are perceived most powerfully and already a very basic content analysis provides initial evidence that they often enjoy very little value of (public) sympathy. Their present attitude should be challenged by a reference to the theories of innovation. ICT offers emergent radical, even disruptive innovations with the ability to replace many products and services in a few years by technology as well as by market linkages. Research by Christensen et al. has provided evidence that incumbents fail under such circumstances and are replaced by new entrants, since neither processes nor resources and values (RPV-theory) support the new technology (2004:279-281). ICT has already empowered consumers to buy and exchange dematerialised products. The music industry struggles substantially, other businesses are expected to follow. Secondly, the jobs-to-be-

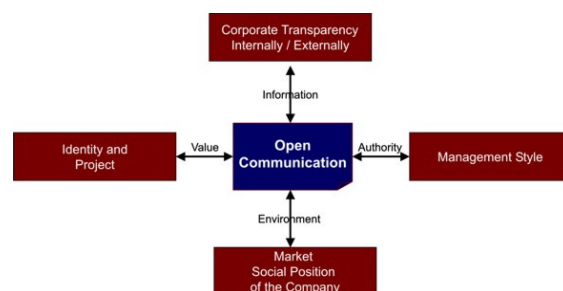
done-theory tends to hold that innovation is especially embraced, when it solves problems for people they have historically cared for. A little different interpretation leads to a challenging construct: It may be possible that consumers will use their emergent empowerment by new technologies to disrupt doing business with those suppliers they “historically” perceive negatively. Political science as historians know that a number of revolutions started by the desire to abolish a dominating class, small power became mighty. Previously unorganised citizens (consumers here) organised and became an overwhelming force “[...] networked conversations are enabling powerful new forms of social organization and knowledge exchange to emerge”, as the networking idea of the pressure group BUND provided first evidence of this (Levine et al. 2001:xxiii).

The studies’ results suggest that sponsoring is not equivalent to CSR. Sponsoring as pure promotion may not be as effective as companies expect, but relating sponsoring to social engagement may further a firm’s love marks and image towards increasing reputation. The public visibility of social engagement may support an organisation’s objectives better and may help to close the detected gap between consumers’ expectations for corporate social responsibility and their perception that this demand is met. Puls’s studies propose that a combined result may be in reach: Not only improving quantitative sales, but at the same time qualitative allocation of prices, which may enhance profitability as a result. Better prices by consumers’ preparedness to honour social engagement and more sales by preference of those products presenting better love marks of firms with higher reputation. The proposition is that all actions and communication must be consistent and aligned, which pleads in favour of strategic communication beyond integrated communication. With focus on consumers’ empowerment and interactions, positive reports about a firm’s activities should be addressed. When corporate communicators join communities and become accepted partners within them, i.e., by a symmetric P2P position, they may fuel corporate objectives, provided they take their role in such partnership seriously, i.e. not intrusive, but carefully listening and explaining, mediating and moderating corporate needs and arguments.

All this is not about any specific industry, speaking to the empowered consumer is probably similar in all relevant businesses, especially in b2c, even more, when c2c and P2P business architectures become an option. Consumers’ concerns, their trust, their desires need to be taken seriously by symmetric exchange of information on equal level for positive perception. Asymmetric organisation of interdependent forces and asymmetric communication go against

marketing discoveries of the last decades. Marketing, with emphasis on dialogue using two-way symmetric communication, should consider at least two major concepts: The permanent organisational struggle for survival and permanent change. Both are expected to experience a lot of influences by interruptive technologies and innovations, related as much to technology as to market linkages.

Again, communication is more than words and pictures. Activities, behaviour and understanding for mutually beneficial outcomes count as well: The proposition is that speaking to the empowered consumer means respect of corporate legitimacy long before legal implications. Organisational behaviour may be covered legally, if it is not perceived as legitimate consumers may oppose it increasingly. The discussion with German managers at seminars following the earlier stated interviews supported the hypothesis that the problem of shifting power is recognised. After the concept's explanation, these managers expressed much concern about their organisational structures and ability to deal with this shift. Major notions of these managers were fear, overreaction, defiance and ignorance, but they also expressed their impression that a change in organisational behaviour is starting, still implicit, but becoming more and more explicit. These managers' belief was that for future success it will be decisive to interact with customers better, more transparently and more ethically than before. Internal and external stakeholder forces will become more influential and will have more impact on market success by pressure in- and outside of an organisation. Libaert's model suggests four functions, which may be helpful for organisations to protect and develop their values further respecting the overall context, since no organisation acts in a vacuum (2002:70-72).



Marketing for empowered consumers is doubtlessly more challenging, since the assumption that they are better informed, possessing real-time information by peers demands to respect that interventions, as messages need to be open and transparent. The idea of creating a peer-to-peer environment, in which open and equal exchange of needs and possibilities takes place, may be a conception, which helps to improve trust, especially when organisational messages and activities are consistent. The notion of P2P inherits the salient concept of symmetric two-way communication as an underlying condition leading explicitly to mutual understanding between an organisation and its publics. It is oriented towards resolving problems and

creating an atmosphere of balanced understanding. This may reduce the impact of “trolls” too, those who abuse ICT-communication for dissemination of unjustified negative information. Such illegitimate consumers’ activities are probably isolated more easily by positive supporters’ counter-activities.

Future oriented marketing planning may be well advised that highly comparable products are likely depending more on an organisation’s positive perception and that propagating product advantages may not be sufficient alone. With reference to market shares and profitability, as Puls’s studies provide evidence for, differentiation by reputation may shape a more decisive edge in competition reducing pressure on prices the same time. It is for good reasons that marketing expanded the marketing mix by the emotional part for the improvement of love marks, image and reputation. The four cornerstones of information, authority, environment and value, offer a framework in which intangible contribution to tangible results can be designed. Consumers may not be sufficiently organised yet, but means and opportunities for successful opposition exist. When consumers’ learning phase may reach its culminating point, when boycotts may be organised better, the expectation is that momentum on organisations may endanger their permanent struggle of survival.

By the lack of profound empirical research at present, this paper is not able to provide valid and reliable conclusions. If its achievement is drawing attention to a field which is expected to influence future marketing – especially within the discipline’s holistic approach – and may find scholars’ and practitioners’ interest to undertake further research, then the conviction is that marketing will find new input for consumer dialogues for profitable outcomes such as the revival of British sweets.

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