Marketing and Consumer Well-Being

Prof. dr. ir. Koert van Ittersum

Inaugural speech
Groningen, May 12 2015
Marketing *and* Consumer Well-Being

Inaugural speech for the acceptance of
the chair Marketing and Consumer Well-Being at
the Faculty of Economics and Business at
the University of Groningen
on Tuesday, May 12 2015

by

Koert van Ittersum
Rector Magnificus
Members of the Board,
Colleagues, family, and friends,

The chair that I formally accept with today’s inaugural speech is named “Marketing and Consumer Well-Being.”
Not “Marketing versus Consumer Well-Being.”
No, “Marketing and Consumer Well-Being.”

This may be considered a contradictio in terminis. After all, marketing does not have a great reputation, something that is an indirect outcome of marketers’ focus on sales and profits, often ignoring or even at the expense of consumer well-being (Kotler 2012). Financial institutions like the DSB Bank and Dela have been criticized for offering misleading financial services. Energy firms like Shell and Nuon have been scrutinized over misleading sustainability claims. And fast food restaurants like McDonalds, Burger King, and KFC are criticized over misleading marketing practices that directly contribute to the obesity epidemic.¹

Marketers’ disregard of consumer well-being has not gone without consequences. A recent survey by Forrester Research (March 2013) among almost 85,000 Americans, Canadians, and Europeans revealed that only 14% of consumers trust posts by companies or brands on social networking sites, and only 9% of consumers trust online ads, 9%....hence, 91% of consumers have concerns. When consumers would truly believe that marketers have their well-being at heart, these percentages would have been more favorable.

The main objective of this inaugural speech is to share and inspire you with my perspective on the potential role of marketing in contributing to consumer well-being. The central proposition underlying my inaugural speech and future research agenda is that those marketers that do take consumers well-being at heart can improve their own bottom-line and financial well-being as well as consumers’ waistline and personal well-being—a win-win and hence “Marketing and Consumer Well-Being”.

To offer some perspective, in 1937, the American Marketing Association (AMA) defined marketing as the “business activities involved in the flow of goods and services from product to consumption” (Lusch 2007), hereby implicitly assuming that the consumer is exogenous. Or, in Henry Ford’s famous words: “Any customer can have a car painted any color that he wants so long as it is black”. Although the AMA updated this definition several times, the implicit assumption that the consumer is exogenous wasn’t dropped until very recently—2007 to be exact—when the AMA
acknowledged the “marketing with” philosophy, which suggests that the customer is endogenous and a partner in the co-creation of value. Specifically, marketing is currently defined as...

... the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

It is noteworthy that the update of the marketing definition by AMA significantly lagged behind earlier and published “marketing with” perspectives of several distinct marketing academics, including my colleagues Janny Hoekstra and Peter Leeflang (Hoekstra et al. 1999; Leeflang 1978).

The relevance of economic and social welfare (poverty, at-risk populations, environmental pollution) and psychological and physical welfare (health, obesity, healthy aging) is becoming growingly prevalent in marketing academia and marketing practice (Leeflang 2011; Van Doorn et al. 2010). Within marketing academia there is a growing call to move beyond mere value creation and aim for the creation of shared value by adopting “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates” (Porter and Kramer 2011). Instead of optimizing short-term financial performance, and going beyond corporate social responsibility programs that tend to be only peripherally related to the actual business, companies should take a broader perspective to doing business and
acknowledge the relevance of the well-being of their customers: creating economic value by creating social value.

Companies are taking notice. As just one of example, I would like to highlight an article published on August 9, 2014, by The Economist describing how Paul Polman—CEO of Unilever—launched the “Sustainable Living Plan” to make Unilever the pre-eminent example of how to do capitalism responsibly. By 2020, Unilever aims to “help a billion people to take steps to improve their health and well-being”. Unilever thus tries to contribute by keeping the individual well-being of their customers in mind. In honor of his extraordinary efforts, Paul Polman has recently been awarded an honorary doctorate from the University of Groningen.

A critical question to ask though is: “Why is this shift in thinking necessary? Why is it necessary for companies like Unilever to make this conscious decision to consider and possible contribute to consumer well-being?” Should the market not correct firm behaviors that reduce consumer well-being, as suggested by welfare economics (Hindriks & Myles 2013)?

A foundational axiom in welfare economics is that the distribution of resources will be optimized through a decentralized system in which individuals egoistically pursue their own well-being—that is, people will maximize their own well-being, and in doing so, the total social welfare will be optimized. The total social welfare is optimal when no further redistribution of resources can produce an increase in benefit to one individual without a larger offsetting loss to someone else—the Pareto optimum.
The problem with the Pareto optimum is that it can be satisfied in conditions when “some people are rolling in luxury and others near starvation, as long as the starvers cannot be made better off without cutting into the pleasures of the rich” (Sen 1970, p.22). The reason is that the axiom makes two flawed assumptions. First, it assumes that all individuals have freedom of choice—an unconstrained access to market offerings from which an individual gets to choose. Second, it assumes that individuals are fully capable of making informed choices. In laymen’s terms, it is assumed that all consumers are free to choose any good or service they desire and are fully capable of making informed choices, and that they will vote with their wallet and financially correct firm behaviors that negatively influence their well-being by spending their money at firms that have their well-being at heart.

However, there is ample evidence to suggest that both assumptions are flawed, limiting the ability of individual consumers to vote with their wallet. Consequently, the flawed assumptions form the basis for welfare inequalities such as poverty and for instance obesity (Burroughs & Rindfleisch 2011). Different suggestions to dealing with these inequalities have been posed, ranging from accepting the status quo for what it is and relying on moral motives by individuals in society to help reduce the inequality, to asking the government to intervene with laws, regulations, and policies. Instead of going along with the growing call for government interventions, I propose that marketing—marketing academics as well as practitioners—can play a critical and profitable role in helping reduce the inequalities by explicitly addressing both flawed assumptions by increasing the freedom of choice and the capabilities of consumers to
make informed choices. Marketing is in a unique position to do so. I hereby assume that consumers have an innate desire to survive, which requires financial means and a healthy lifestyle. By improving the freedom of choice and capabilities of consumers to make informed choices, effectively empowering consumers, the well-being of underserved consumers may be improved at a profit without changing the well-being of others—a win-win—and hence the title of my chair: “Marketing and Consumer Well-Being”.

**Marketing and Consumer Well-Being**

Before delving in, it is important to understand what I mean when referring to consumer well-being. Currently, there are two broad perspectives on consumer well-being: (1) a hedonic perspective, and (2) a eudaimonic perspective (Ryan & Deci 2001). The hedonic perspective focuses on happiness and defines consumer well-being in terms of pleasure attainment and pain avoidance. The eudaimonic perspective focuses on the actualization of human potentials and defines consumer well-being in terms of the degree to which people are realizing their true nature.

In moving forward, I define consumer well-being as “a state of flourishing that involves health, happiness, and prosperity” (Mick et al. 2012). I define consumer well-being from the hedonic perspective (Frey
& Stutzer 2013) because I believe that many consumer behaviors that contribute to a sense of happiness are irrelevant for feeling meaningful, even though feeling meaningful may contribute to someone’s happiness. Stated differentially, I am concerned that the eudaimonic perspective is too narrow. Defining consumer well-being too narrowly may artificially limit our ability to gain a comprehensive understanding of consumer behaviors. Moreover, it may limit strategies to improve consumer well-being. For instance, even though living a pro-environmental lifestyle may be satisfactory, the ongoing challenges with the marketing of sustainable goods and services suggests that for many consumers the financial and psychological costs associated with acquiring these products may outweigh the anticipated satisfaction associated with owning and using these products (Venhoeven et al. 2013).

Having defined consumer well-being, please allow me to explain how acknowledging inequalities in terms of the freedom of choice and consumers’ ability to make informed choices may yield win-win opportunities for companies and consumers. I will discuss this in the context of personal health and specifically obesity. Over the last 33 years, the global overweight and obesity rates have increased by 27.5% among adults and 47.1% among children and adolescents. Globally, over 2 billion people are overweight or obese—nearly 30% of the world’s population. Being overweight or obese puts people at risk for chronic diseases like diabetes, high cholesterol, and heart disease, directly affecting their personal well-being and resulting in enormous societal and economic costs. Macroeconomic simulations suggest that obesity-related diseases will lead to a cumulative output loss of $47
trillion over the next two decades. This represents enough money to eradicate the $2-a-day poverty that 2.5 billion people in the developing world have faced for more than half a century.

The obesity epidemic is largely driven by the overconsumption of unhealthy foods, foods that are energy-dense and high in saturated fats and sugars. To help combat the obesity epidemic and its negative consequences, I propose to empower consumers by focusing on the two flawed assumptions of freedom of choice and consumers’ capability of making informed choices that I discussed earlier.

Assumption 1:

*Freedom of choice*

A first and necessary condition to empowerment is that shoppers have the opportunity to freely choose healthy foods. Contrary to popular belief, access to healthy foods is not universal. Significant differences in accessibility to healthy foods exist in the market place. Specifically, research suggests a lack of available nutrient-rich foods in low-socioeconomic neighborhoods, also referred to as food deserts (Cannuscio et al. 2013; Larsen and Gilliland 2009; Sharkey et al. 2012). A review by Walker, Kaene, and Burke (2010) concludes that low-socioeconomic neighborhoods have nearly 30% less grocery stores than high-socioeconomic neighborhoods. Consequently, people in low-socioeconomic neighborhoods are more dependent on convenience stores that generally offer a smaller assortment of healthy foods. And what amplifies the consequences of this limited accessibility to healthy foods is the fact that these same people generally they do not have the transportation options to visit grocery stores with a wider
assortment of healthy foods. “When healthy foods are not locally available, people tend to shop at ‘convenience’ stores where food is typically less healthy, processed, and higher in fats and sugars” (Larsen & Gilliland 2009, p.1158).

The freedom of choice of low-socioeconomic households is further challenged by the price of healthy foods (Appelhans et al. 2012; Story et al. 2008). A longitudinal study of a number of major grocery stores in Seattle revealed that foods in the bottom quintile of energy density cost on average $4.34 per 1,000 kJ, compared with $0.42 per 1,000 kJ for foods in the top quintile (Monsivais & Drewnowski 2007). Thus, financially-strapped consumers may be more likely to choose unhealthy foods to meet their daily energy needs.

Assumption 2:

The assumption about the capability of making informed choices

The second assumption is that consumers have the cognitive ability to make informed choices. There is abundant research that challenges this assumption (Fennis et al. 2009). Specifically, there is ample evidence that consumers frequently run out of cognitive resources while shopping for groceries, putting them at risk for unhealthy impulse purchases (Salmon et al. 2014). One of my own papers (Van Ittersum et al. 2010) has shown that even well-educated people have a hard time keeping track of their total in-store spending while shopping for groceries. Certain tasks are simply too complex, putting people—capable people—at risk in the market place.
The limitations of people’s cognitive capabilities also affect consumers when preparing, serving, and consuming food. As one case in point, in 2006, my friend and colleague Brian Wansink and I published a paper in the American Journal of Preventive Medicine, involving professors, postdocs, and Ph.D students at the Department of Food Science and Human Nutrition at the University of Illinois at Urbana-Champaign as study participants. These nutrition experts were invited to a self-serving ice-cream social to celebrate the promotion of a colleague. Some received a smaller bowl, while others received a larger one. These latter participants ended up serving and consuming 30% more ice cream, even though they perceived themselves as having consumed the same amount as those who received the smaller bowl. If those who study and educate us on food intake are prone to plate-size induced biases, how are the rest of us supposed to control our food intake?
Win-Win Solutions

Given the fact that the assumptions about the freedom of choice and people’s capabilities of making informed choices are flawed, it should not come as a surprise that marketers focusing at profitability, ignoring consumers, may unintentionally contribute to the growing obesity problem. As stated earlier, when consumers would have freedom of choice and would be fully capable of making informed choices, they would vote with their money—and financial correct firm behaviors that negatively influence their well-being by spending their money at firms that have their well-being at heart. This however also suggests that firms that improve consumers’ freedom of choice and choice-making capabilities in the marketplace may indeed benefit by attracting more and new customers. And, I consider this the central proposition of my chair and research. I propose that the flawed assumptions of consumers’ freedom of choice and their ability to make informed decisions can be used as guiding principles for identifying win-win opportunities for firms. Acknowledging and understanding the limitations to the freedom of choice among consumers, or specific consumer segments, may offer a variety of opportunities for food manufacturers, retailers, and for instance restaurateurs. Food manufacturers and retailers may increase the accessibility to healthy foods by introducing healthier food options, or for instance addressing the price differential between relatively healthy and unhealthy foods.
Identifying and understanding the limitations of consumers’ ability to process complex information may also form a valuable source for identifying win-win opportunities. I will illustrate this with two examples from my own research. For instance, in two papers (Van Ittersum & Wansink 2012, Wansink & Van Ittersum 2013) we demonstrate how and why people serve more on larger versus smaller plates and bowls. Consumers visiting a buffet with larger plates consume 40% more food than those who used smaller plates, while at the same time they end up wasting 20% more food. This effect is driven by a visual illusion that makes the same amount of food look more versus less on smaller versus larger plates. When a buffet restaurateur would offer smaller plates to their customers, helping them cope with the constraints of their ability to deal with the visual illusion and control serving and consumption biases, food consumption will reduce, food waste will reduce, and consumer satisfaction will remain unchanged. A win-win for Marketing and Consumer Well-Being.

A second example of how focusing on consumer’s ability to process information may yield possible win-win opportunities is described in a paper we published in 2010 (Van Ittersum et al. 2010). In the article, we find that shoppers who live in poverty have a hard time staying within budget while shopping for groceries. In a recent follow-up paper (Van Ittersum et al. 2013), we demonstrate that budget shoppers cope in part by spending less than their budget—they build a safety margin into their shopping trip to minimize the risk of overspending. We next go on to
show how improving consumers’ ability to make informed decisions while shopping on a financial budget results in a win-win. That is, we demonstrate that smart shopping carts—shopping carts that keep track of someone’s total spending while shopping for groceries—stimulates budget shoppers to spend a larger share of their budget in the store and they feel more satisfied with the shopping trip than those who do not shop with a smart shopping cart. Yes, they spend more money and feel good about it.

I believe these are two great examples of how improving consumers’ capability to make informed choices can result in a win-win for the marketer and the consumer.

Please note that I fully realize that it will not always be easy or even feasibly to identify win-win strategies. For instance, a win-win strategy involving a retailer and a customer may represent a loss for an individual manufacturer. However, contrary to the frequently presumed zero-sum outcome—any win for consumers will come at a cost for the retailers and/or manufacturers—I do believe that win-win strategies are feasible. Moreover, involving at least one firm in the supply chain will be more viable and effective than strategies that only benefit consumers without involvement of firms in the supply chain. The success of government interventions may suffer from similar limitations; while an intervention may be introduced with the best interest of consumers in mind, the chances of success may remain limited when firms in the supply chain do not intrinsically embrace it because they believe it negatively influences their bottom lines.
A critical factor influencing the intrinsic motivation of firms to change their practice or embrace government interventions is having a comprehensive understanding of consumers’ response to the proposed change and the related financial implications for the firm. Stated differentially, without conducting research, firms may follow their gut and opt out, fearing a zero-sum outcome instead of a win-win. Research that explicitly assesses whether and how consumers respond to marketing strategies that empower them by increasing their freedom of choice and capabilities to make informed choices is becoming more and more important to the decision making process of marketing managers. My chair will focus specifically on this type of research.
Future Research Plans

Looking forward, I intend to share and inspire with my perspective on the potential role of marketing in contributing to consumer well-being. Specifically, I intend to engage in and promote research, via education, using the freedom of choice and consumers’ ability to make informed choices as guiding principles and become “consumer well-being central” for food manufacturers, retailers, restaurateurs, health experts, financial institutions, and for instance policy makers interested in identifying and investigating profitable win-win marketing strategies and tactics that improve consumer well-being.

It is important and exciting to note that my chair fits very well with the research interests of different colleagues in the marketing department. For instance, Jenny van Doorn conducts research to reduce food waste; Martijn Keizer actively investigates how consumers who are financially bankrupt can be empowered; Bob Fennis studies factors that inhibit consumers’ ability to make informed choices; Jan Willem Bolderdijk examines the social risks associated with sustainable consumption behavior; Marijke Leliveld investigates the effectiveness of charity campaigns by companies; Peter Verhoef and Frank Beke explicitly study information-privacy challenges, a growingly important topic in an era of so called big data, a topic my colleague Jaap Wieringa focused on during his inaugural speech, and Jan Koch examines the consumer acceptance of alternative food sources like insects and organ meat. I see many interesting and important collaboration opportunities that will significantly increase our understanding of how marketing can contribute to consumer well-being and as such increase the external visibility of our marketing department as a Grand Central Station for research and education on marketing and consumer well-being.
While maintaining and fostering a broad research perspective on marketing and consumer well-being, including critical topics like healthy, sustainability, financial decision making, and for instance vulnerable consumer groups (e.g., children), in the coming years, the focal point of my chair will be the personal health of consumers, with special attention to obesity.

Using the freedom of choice and consumer ability to make informed choices as guiding principles, I recently developed a multi-year research agenda to examine the in-store decision making process of consumers shopping for groceries. The obesity epidemic is largely driven by the overconsumption of unhealthy foods, energy-dense and nutrient-poor foods high in (saturated) fat, sugar, and salt. Although supermarkets account for more than 50% of food expenditures, we know surprisingly little about how the ‘healthiness’ of shopping baskets comes about. The research agenda among others focuses on the effects of increasing the accessibility to healthy foods on the healthiness of shopping baskets. Although it has been suggested that an increased offering of healthy products will stimulate consumers to purchase these items (Foster et al. 2014), Glanz et al. (2012) conclude based on a review of the literature that the mere presence of healthier foods in a grocery store is not sufficient to change diets and reduce obesity. It remains largely unclear why this happens, which makes it valuable to gain an understanding about why the mere presence of healthy products seems to do little to the healthiness of shoppers’ baskets. Understanding the underlying mechanisms allows manufacturer, retailers, and policy makers to make more informed decisions about the development and supply of healthy
foods. This research will be conducted in collaboration with among others colleagues Tammo Bijmolt and Maarten Gijsenberg, as well as Erica van Herpen (Wageningen University). It is noteworthy to share that an international food manufacturer, an international retailer, and an international market research agency already have expressed interest in this line of research.

Besides examining whether and how improving the freedom of choice with regards to healthy foods influences the healthiness of consumers’ shopping baskets, I will examine the effectiveness of different strategies that improve consumers’ capability of making healthier choices when shopping for groceries. For example, I believe that presenting complex but critical nutrition information in a more accessible manner while shopping, for instance using customer-facing technologies like smart shopping carts, has the potential to improve the healthiness of consumer shopping baskets. This research involves collaborations with Eva Corpeleijn (UMCG), Ellen van Kleef (Wageningen University), Daniel Sheehan (Georgia Institute of Technology), and Brian Wansink (Cornell University).

My overarching plan for the coming years is to develop a research group within the Marketing Department at the FEB, and, in collaboration with Jelle Bouma and the Customer Insights Center, Laurens Sloot and the EFMI, and Kees Ahaus and the Center of Expertise Healthwise, build a strong international network of scholars, practitioners, and policymakers motivated to help curve the obesity epidemic.
Conclusion

“Marketing and Consumer Well-Being”. This may be considered a contradictio in terminis. However, I hope that my inaugural speech made you realize that “Marketing and Consumer Well-Being” is in fact a tautology, or at least, that is what it should be. I argue that despite the relative negative image marketing has, marketing may be in a great position to help improve consumer well-being by specifically focusing on the flawed assumptions of freedom of choice and consumers’ capability to make informed choices. Specifically, I propose that firms that improve consumers’ freedom of choice and choice-making capabilities in the marketplace can financially benefit by improving the well-being of existing consumers as well as attracting new consumers interested in improving their own well-being—a win-win. In the context of my chair, I intend to conduct research on both assumptions and in that way contribute to marketers bottom-line and financial well-being and consumers’ waistline and personal well-being—a win-win.

Ik heb gezegd.
Referenties


