

9-8-2010

The Integrative Justice Model for Marketing to the Poor: An Extension of S-D Logic to Distributive Justice and Macromarketing

Gene R. Laczniak

Marquette University, eugene.laczniak@marquette.edu

Nicholas J. C. Santos

Santa Clara University

The Integrative Justice Model for Marketing to the Poor: An Extension of S-D Logic to Distributive Justice and Macromarketing

By Gene R. Laczniak and Nicholas J. C. Santos

As multinational corporations (MNCs) increasingly turn their attention to the fast growing markets of China, India, Brazil, and other developing areas, the question of fair treatment of consumers and other residents of those areas is more intensively debated than ever before. In essence, issues of “distributive justice” come to the fore, that is, are the benefits and burdens of rapid economic development being fairly allocated among the parties and stakeholders to the expanded economic transactions? In response to this question, the authors have postulated a detailed normative model for ethically marketing to impoverished consumer segments; they label their model, the Integrative Justice Model (IJM) for impoverished markets. In this article, the authors show how the IJM, an independently derived model of normative marketing, conforms in its key operational elements to the foundational premises (FPs) of the positive S-D logic and extends the S-D logic perspective to societal and ethical concerns. Furthermore, the authors connect the S-D logic philosophy to macromarketing frameworks such as distributive justice, sustainability, and labor.

In January of 2004, writing in the *Journal of Marketing*, Vargo and Lusch (2004; hereafter V & L) introduced their service-dominant logic (S-D logic) framework for understanding the theory and practice of marketing. This seminal article, titled “Evolving to a New Dominant Logic for Marketing,” was notably accompanied by commentaries from seven eminent scholars in the academic discipline of Marketing. This was followed by a 50 article anthology of essays on the potential of V & L framework (Lusch and Vargo 2006) and a special issue of the *Journal of the Academy of Marketing Science* (Spring 2008) that provided an additional fifteen article volume discussing the multifaceted ramifications of the S-D logic (Vargo and Lusch 2008a). Such an unprecedented debut of a new theoretical viewpoint portended that the S-D logic might expectedly offer some exceptional perspectives for better comprehending the parameters, nature, and domain of Marketing. Writing in response to the initial S-D logic formulation and calling for its broader societal *and ethical dimensions to be further refined* [emphasis added], Laczniak (2006, 285) observed, “Perhaps this [S-D logic] is the theoretical calculus binding together the various strands of thinking ... that characterize marketing in the emergent new economy of the twenty-first century. The S-D logic framework could be the one paradigm that unites them all.”

As the debate and development of the S-D logic approach to marketing has continued to evolve, the formulators of the model (V & L) have called for the “co-development of models and theories” that captures the systemic validity of S-D logic (Vargo et al. 2007). Specifically, Vargo et al. (2007, 62) write that, “We encourage others to join us in exploring several central issues in understanding and developing an S-D logic for marketing science.” In partial response to this challenge, this article will illustrate how a normative model for marketing to poor consumers, labeled the Integrative Justice Model (IJM), addresses issues directly bearing on the systemic validity of the S-D logic. Specifically, this article will speak to the matter of “distributive justice” when marketers are targeting impoverished market segments. In so doing, our discussion also illustrates the connection of the IJM model to several S-D logic foundational premises (FPs) including the critical concept of service co-creation (Prahalad and Ramaswamy 2004).

This article also describes how the IJM model for marketing to the poor, the result of a normative ethical theory formulation process, and an independent derivation from the S-D logic, is entirely consistent with other FPs of the S-D logic. Moreover, the article details how the IJM extends the thinking of S-D logic by connecting it indirectly with macromarketing concepts such as justice, stakeholder theory, corporate social responsibility (CSR), sustainability of business operations, and the Triple Bottom Line (Laczniak and Murphy 2006, 2008). In this manner, the normative IJM represents a strategic approach, consistent with the more comprehensive S-D logic, which responds to the V & L posed challenge of “ ... Moving from being constrained by external environments to drawing upon them and integrating to develop new resources” (Vargo et al. 2007, 63). It should be noted that drawing a connection between normative and positive theory is not a novel perspective. For instance, in an earlier work, Vargo (2007) has also connected normative and positive theory (as the authors do in this article) by linking the aspirational norms of Adam Smith’s economic thinking to S-D logic.

To summarize then, this article (1) shows how an independently derived model of normative marketing conforms in its key operational elements to the FPs of the positive S-D logic, (2) extends the S-D logic perspective, by way of the IJM model, to societal and ethical concerns as called for by Laczniak (2006) as well as Abela and Murphy (2008), and (3) connects the S-D logic perspective to various frameworks commonly discussed in macromarketing such as distributive justice and sustainability (Laczniak and Murphy 2008).

What is the Motivation Behind the IJM?

As multinational enterprises (MNCs) increasingly turn their attention to the fast growing markets of China, India, Brazil and other developing areas, the question of “fair treatment” of

consumers and other residents of those areas is more intensively debated than ever before (e.g., Epstein and Smith 2007; Kiviat 2008; Klein 1999, 2002; Rangan and McCaffrey 2004; Stiglitz 2002). In essence, issues of “distributive justice” come to the fore, that is, are the benefits and burdens of rapid economic development being fairly allocated among the parties and stakeholders to the expanded economic transactions? Recently, for example, the *Journal of Macromarketing* devoted an entire issue to exploring several of the systemic ethical questions flowing from the increased pace of marketing transactions—resulting especially from globalization—and commonly conducted between parties with unequal economic power and leverage (Laczniak and Murphy 2008).

One response to the general question of what constitutes a “just market,” especially when marketing to economically impoverished segments, is the formulation of models, frameworks, or protocols that specify the nature of distributive fairness in such contexts (Hart 2007; Rangan and McCaffrey 2004). Santos and Laczniak (2006, 2009a, 2009b), in other works have postulated a detailed normative model for ethically marketing to economically challenged consumer segments. Labeling their framework the IJM, this approach is constructed using a normative theory building process from the discipline of philosophy (Bishop 2000) and is comprised of ethical elements that *ought to be present* when “justly” marketing to the poor. The ethical imperatives of the IJM are derived from moral philosophy theories, CSR frameworks, and religious doctrine. The fundamental elements of the IJM approach include authentic engagement with poor consumers, representation of their interests, cocreation of service and value, investment in future consumption, and long-term profit orientation (Santos and Laczniak 2009b). The genesis of this development is briefly sketched below.

The IJM—a formal specification of the ethical conditions that ought to be evident when marketing to the poor—is a work in progress. It is grounded in two reasonable stipulations: (1) poor consumers are being targeted by sellers more than ever before (Hammond et al. 2007; Prahalad 2005; World Economic Forum and Boston Consulting Group 2009); (2) given emerging perspectives about what constitutes enlightened CSR, ethically informed transactions with economically challenged consumers offer corporations economic and social opportunities to shape “win-win” exchanges that benefit all parties (Hart 2007). Each of the points is touched on briefly.

Business engagement with impoverished consumers as a distinct strategy option was rarely considered until recently, as the impoverished market segment was typically evaluated as having little to contribute to the exchange process. Thought of in classic “definition of a market” terms, the poor may have the desire to purchase but they lack sufficient ability to buy. This

financial hurdle was overcome by multiple analyses demonstrating that there is now an emerging profit potential in low-income markets (Hammond et al. 2007; Hammond and Prahalad 2004; Hart and Christensen 2002; Prahalad 2005; Prahalad and Hammond 2002; Prahalad and Hart 2002). With saturation experienced in servicing many high-and middle-income markets, as well as excess production capacity, seeking out growth opportunities in developing markets is a logical strategy from a business perspective (Christensen and Raynor 2003; Hart 2007; Johnson and Nhon 2005; Prahalad 2005; Shultz, Rahtz, and Speece 2004). Accordingly, a number of multinational corporations (MNCs) have in recent years shown an increased interest in the low-income segment (Prahalad 2005; Rangan et al. 2007; Silverman 2006; Simonian 2006). Major global corporations that have ventured into the very low-income market include Cemex, Kodak, Nestlé, Procter and Gamble, and Unilever (Prahalad 2005; Rangan et al. 2007).

The involvement of MNCs in the base-of-the-pyramid (BoP) market affords the opportunity of a more inclusive capitalism, rooted in CSR perspectives, that seeks to include groups that were earlier kept at the periphery or margins of economic development. As Prahalad (2005, 20) points out, “when the poor are converted into consumers, they get more than access to products and services. They acquire the dignity of attention and choices from the private sector that were previously reserved for the middle-class and rich.” While the interest of MNCs in the low-income market segment is a recent phenomenon, there has been periodic business involvement with low-income consumers in developed markets for many years. Along with this, there has been concern raised about a plethora of unethical practices accompanying marketplace transactions with low-income consumers. In what could perhaps be deemed as the first comprehensive presentation of some of these unethical practices, sociologist David Caplovitz (1967, xvii) shows how “the marketing system that has evolved in low-income areas is in many respects a deviant one in which exploitation and fraud are the norm rather than the exception.” Examples of exploitive practices in the U.S. based low-income segment include predatory lending, tainted insurance, unconscionable labor practices, and exorbitant rent-to-own transactions (Grow and Epstein 2007; Hill, Ramp, and Silver 1998; Karpatkin 1999; Murphy et al. 2005; Young 2006). While such exploitive practices take advantage of the vulnerabilities of the impoverished segment due to lack of financial resources, education level (Karnani 2007), and even access to land (De Soto 2000), they are also abetted from the buyer standpoint by the powerful desire of these consumers to attain better quality products and an improved quality of life (Caplovitz 1967).

The IJM Defined

To reiterate, the IJM is constructed using a normative theory building process in philosophy proposed by the philosopher John Bishop (2000) and is comprised of ethical elements

that ought to be present when marketing to the poor (Santos and Lacznia 2009b). The IJM does not blend different theories or types of justice (e.g., legal justice, procedural justice, etc.). Instead, it integrates the notion of “fairness” or “equity” in marketing transactions, as developed from different strands of thought in moral philosophy and management theory (Santos and Lacznia 2009b). The specific derivation of these elements from various religious perspectives, theories of moral philosophy, and management frameworks is laid out by the authors in detail elsewhere (Santos and Lacznia 2009a, 2009b, and also see Tables 1 and 2 for a brief overview). Based on these pertinent streams of thought, the authors identify and develop five characteristics of “just” market situations. These characteristics of “fairly” marketing to the poor, which form the *value inputs* of the model (Figure 1), are:

1. An authentic engagement with consumers, particularly impoverished ones, with nonexploitive intent
2. Cocreation of value with customers, especially those who are impoverished or disadvantaged
3. Investment in future consumption without endangering the environment
4. Interest representation of all stakeholders, particularly impoverished customers
5. Focus on long-term profit management rather than short-term profit maximization

The *outcomes* for business firms that adhere to the above characteristics are long-term relationships, customer empowerment, sustainable business initiatives, and the creation of a fairer marketplace. The aim of the IJM is to enhance fairness and equity in economic transactions involving impoverished consumers while the vision is to lay the foundation for prototype markets that empower the poor while creating “win-win” situations for buyers and sellers.

Again, the IJM is a normative, ethical model for “fairly” engaging impoverished market segments. Its foundations are rooted most directly in the realm of moral philosophy. And yet, consonant with the call by researchers (Layton, Lusch, and Vargo 2008) that marketing academics should explore whether “the time is right for a grand or general theory of markets” and, in particular, whether the S-D logic is that unifying theory, the IJM seems entirely consistent with the S-D logic for marketing. The specifics of these connections will be detailed in the following section.

The Compatibility of the IJM to the S-D logic of Marketing Theory

One might ask where the IJM fits into the broad realm of the S-D logic. For starters, the

IJM is congruent with the overarching thinking outlined in the S-D logic perspective of marketing activities as conceptualized by Vargo and Lusch (2004) and Lusch and Vargo (2006). Such a connection is notable because progressive marketing firms will increasingly conceive their future strategy with the “service centered” orientation outlined in the S-D logic as being their strategic focal point no matter what sort of goods or services they sell or precisely what their particular stated economic objectives might be (Vargo and Lusch 2008b; Maglio and Spohrer 2008).

Like S-D logic, the IJM emphasizes the importance of operant, not operand, resources. Operant resources focus on actors proactively shaping the usage of resources rather than the more passive (and traditional) approach of operand resources (e.g., land and raw materials) being acted on. In the IJM, the knowledge and insight of the customer, despite the customer’s relative lack of financial assets, is seen as necessary to the cocreation of a sustainable economic relationship; that is, the role of the customer is postulated to be unequivocally operant precisely because customers bring knowledge to the exchange relationship that sellers may not routinely possess (Arnould 2008). For example, Ogilvy & Mather (O&M) use traditional folk performances to appeal to rural customers (Sinha et al. 2007). The approach of O&M uses the skills of the folk performer to create brand value among customers for whom these traditional art forms have tremendous meaning and significance. This notion of customer partnership is further elaborated below, as the authors show how the IJM connects to the S-D logic of marketing and embodies various aspects of its elemental philosophy.

Foundational Proposition 4 (FP4) of the S-D logic conceives of operant resources including knowledge as the fundamental source of competitive advantage. This idea is specifically vitalized in the IJM by providing customer empowerment to impoverished marketing segments. By stipulating that the input of these “bottom-of-the-pyramid” (BoP) consumers—a heretofore often ignored market segment—will prove extremely helpful, their preferences and “knowledge” are captured in the product/service planning process. Put another way, the impoverished market segments at focus in the IJM are stipulated to be rich in their insights if not in their per capita financial buying power. For example, Proctor and Gamble (P&G) altered its market research strategy in emerging economies. Instead of conducting traditional research, market researchers were sent to spend time in rural villages in developing countries, observing the everyday behavior of poor consumers (Grant 2005; Silverman 2006). This enabled P&G to develop products that the customers needed rather than what P&G thought they needed.

FP6 of the S-D logic holds that the customer is always a *cocreator* not merely a “recipient” of market offerings as is often the case in the traditional marketing model. According to Vargo and Lusch (2008a), FP6 is one of the FPs of the S-D logic that has evolved since its initial postulation.

Specifically, the original V&L idea of “coproduction” was extended to the more inclusive (and less goods dominant) notion of “cocreation” (Lusch and Vargo 2006). Our IJM approach, from its inception (Santos and Laczniak 2006), also sees the customer as a “cocreator” in the sense that the customer’s contribution to the marketing transaction is viewed as a natural extension of all customers having both an inherent interactional role in the creation of value and a personal stake in the benefits of the transaction. For example, the success of Grameen Bank’s microlending model depends on its poor borrowers, mostly women, who also own about 94 percent of the equity of the bank (Bornstein 2005). Such a conceptualization is consistent with the stakeholder theory of management whereby the “economic claims” of parties other than investor/owners are also important. In addition, it resonates with various doctrines of religious thinking, including Catholic Social Teaching (Santos and Laczniak 2009a), which holds that persons have a right and responsibility to participate in the economic system as part of a continuation of God’s creation (Catholic Church 2004; National Conference of Catholic Bishops 1986).

FP7 of the S-D logic points out that a business enterprise can only “offer a value proposition;” it then requires customers to collaboratively determine its ultimate value. In other words, in the S-D logic, customer representation and empowerment are central to a contemporary perspective of marketing because of the inherent buyer–seller co-orientation necessary for the conception and appreciation of value propositions. In the IJM, the continuous interactive involvement of BoP customers is seen as essential due to the model’s emphasis on long-term and sustainable relationships rather than the short-term and exploitive situations that too often characterizes sales to impoverished markets. Consider how dramatically different this new perspective is from the historical demarcation of “globalized” marketing envisioned by Levitt (1983), who conceived of marketers *unilaterally* analyzing product opportunities that will result in economies of scale due to their multi-market appeals. In the S-D logic, as in the IJM, long-term value creation is collaborative not unitary. Unitary value creation can often be exploitive and unethical. An example of a short-term and exploitive situation is that of Banco Azteca, a big bank in Mexico that is involved in microlending (Epstein and Smith 2007). Taking advantage of lax government oversight and the dire situation of the poor consumers, Banco Azteca charges its customers annual interest rates ranging from 50 to 120 percent, thereby leaving many of its already impoverished customers trapped in a maze of debt.

In addition, FP8 of the SDL conceives of marketing as “customer orientated and relational.” It is a process that extends in both directions well beyond the point of economic transaction or exchange. As Vargo and Lusch (2004, 12) write, “ ... humans are both at the center and are active participants in the exchange process. What proceeds and follows the transaction

as the firm engages in a relationship ... with customers is more important than the transaction itself.” Applying this proposition to the IJM, the authors find their advocacy for and representation of customer views to be essential to the implementation of our model. In contrast to the example of Banco Azteca cited earlier, consider the example of SKS Microfinance, India’s largest microfinancier. When asked by a bank chairman whether SKS could raise its interest rates, Vikram Akula, the CEO said that it could as it had a monopoly in most markets but it would not do so because it would be exploitative. Furthermore, SKS wanted to maintain a loyal customer base that would stay with them even after they (impoverished customers) got out of poverty (Kiviat 2008). With both the S-D logic and the IJM the old view of “transactions begetting revenue that leads to short-term profit” is replaced by an alternative perspective that begins with granting the importance of ongoing relationships; those conceptions in turn engender customer satisfaction, sustainability, and long-term profitability. In this fashion, the IJM provides a blueprint for nurturing and improving long-term shareholder value when marketing to the poor.

Finally, while the IJM is conceived to be a normative model directed at creating a “just market” when marketers reach out to BoP consumers, it also seems perfectly aligned with FP10 of the *positive* S-D Logic. FP10 holds that “value is always uniquely and phenomenologically determined by the beneficiary” (Vargo and Lusch 2008a, 9). In other words, assuming sustainability is a goal of business in the age of globalization, then long-term satisfaction from the perspective of all parties must be the discernable outcome or else the exchange relationship will be terminated due to its phenomenological deficiency. This is true of a number of firms in BoP markets, which have demonstrated sustained growth over a relatively longer period of time. For instance, SKS Microfinance that was launched in 1998 has provided \$725 million in unsecured microloans and insurance products to over 2 million people in 30,000 Indian villages and slums, growing at nearly 200 percent annually (Akula 2008). In summary, both the S-D logic and the IJM focus not on the simple completion of an immediate economic transaction but on whether the parties to the exchange experience hold a distinct perception of benefits received.

The IJM, Distributive Justice, and the S-D Logic Connection with Macromarketing

The IJM, as already stated, is a normative model. It is developed with the express purpose of specifying the elements that help assure *distributive* justice when firms target segments of poor consumers. That is, the primary purpose of the IJM is to help guide a fair distribution of benefits (and burdens) to economically constrained consumers. In so doing, the model speaks to a fundamental issue of macromarketing because it lays out the conditions that ought to be present in market systems that justly engage impoverished consumers. The motivational aspects of the IJM are found in approaches often discussed in the macromarketing literature (Laczniak and Murphy 2006, 2008). The framework is motivated, as suggested earlier, by the inevitable and growing interest in the substantial BoP segment as laid out by Prahalad (2005) and the notion of seeking alternatives approaches to alleviating poverty (Sachs 2005). The theoretical roots of the IJM have been connected to moral philosophy and social responsibility theories in great detail in another article (Santos and Laczniak 2009b). Significantly, these macro-driven elements of the IJM are also entirely consistent with the major FPs of S-D logic—further supporting the scope and malleability of this logic. Consider the following series of relationships.

The first element of the IJM is to *authentically engage impoverished consumers without exploitative intent*. Even in the affluent United States, there unfortunately has been a long history of marketplace exploitation of the poor (Andreasen 1975; Goodman 1968; Sturdivant 1969). It continues currently with various practices involving pay day loans, rent-to-own furniture, and subprime lending (Karpatkin 1999). The idea of non-exploitation of consumers has numerous ethical roots including virtue ethics (Williams and Murphy 1990) as well as the values of fairness, openness, and honesty espoused in the *American Marketing Association Statement on Ethics and Values* (2008). Such perspective evokes especially FP8 of the S-D logic that states “A service centered view is inherently customer oriented and relational.” While Vargo and Lusch (2008a) make a point of minimizing the *normative* aspects of this FP, the extant reality of a goods-centric approach to marketing by many firms includes numerous exchanges with “constrained” consumers who participate in the transaction only because they lack viable alternatives, information, or power.

The second and third elements of the IJM are *interest representation* of impoverished consumers and *cocreation* of value with the poor. From the standpoint of macro frameworks, *stakeholder theory* in particular grants weight to giving voice to all those affected by business actions (Freeman 1984). It should be noted that our approach to stakeholder theory is normative not positive. That is, we grant that any party (i.e., stakeholder) affected by the actions of a

business organization could have potential legal claims upon that firm if they suffer negative outcomes owing to the actions of that organization. The “moral community” formulation of the categorical imperative by Kant similarly calls for normative universal maxims to guide the transaction that would be accepted by either party to the exchange (Kant 1785/1981) and thereby underscores the importance of such interest representation.

The IJM notion of “cocreation” was originally inspired by religious doctrine, particularly Catholic Social Teaching, which conceives all economic activity as a continuation of God’s creation on earth; it is also clearly connected to marketing processes specified by Prahalad and Ramaswamy (2004) and their discussions of partnered product development. The ethical vitality of cocreation lies, partly, in the idea that shared endeavors create ongoing partnership and mutual trust among buyers and sellers (Murphy, Laczniak, and Wood 2007). Of course, all of this calls to mind FP6 of the S-D logic, “The customer is always a cocreator.” As noted already, this FP was changed from “The customer is always a coproducer” (Vargo and Lusch 2004) and the interactional nature of this evolved dominant logic for marketing makes cocreation an essential FP. Jaworski and Kohli (2006), commenting on the S-D logic, even characterize consumer voice in cocreation as a “significant competitive advantage” for marketers wishing to cultivate long-term trust with their customers.

The fourth element of the IJM is *investment in future consumption without environmental damage*. From a macromarketing standpoint, the ethical pillar supporting this dimension is the notion *sustainability*. Sustainability is one of those slippery terms with a variety of meanings. In this context, it might be best thought of as “sustainable development” in the sense that Elkington (1998) discusses it regarding the Triple Bottom Line (3BL) or as Hart (2007) writes about it in *Capitalism at the Crossroads*. In other words, sustainability requires meeting the economic requirements of societies without compromising the needs of future generations (Sachs 2005). With regard to poor communities, Rangan and Barton (2006), in particular, document situations where MNCs might be prone to exploit natural resources without concern for the long-term consequences on the workers and the incipient consumption communities that corporations will eventually leave behind. Such discussions call to mind S-D logic FP9 “All social and economic actors are resource integrators.” While FP9 is fundamentally a “positive” (i.e., descriptive) premise, its context of “networked value creation” as resources become integrated into value propositions, speaks to the idea of Vargo and Lusch (2008a, quoting from Abela and Murphy, 2008, 5) that “the foundational premises of the S-D logic are inherently ethical—they appear to presume or incorporate within them ethical norms.” Put another way, also using S-D logic terminology, marketing actions should be taken that will preserve “customer determined benefits”

for future exchange cycles.

The fifth element of the IJM is *long-term profit management*. The ethical rationale for taking the “long view” in the oversight of financial rewards is an integral part of the CSR movement (Schwartz and Carroll 2003). The moral underpinnings and justification of such approaches regarding particularly the poorest consumers have been clearly articulated by economists such as Sen (1999) and philosophers such as Rawls (1971). Basically, enlightened firms aspire to engender long-term relationships by reaching out to impoverished market segments—using transactions that do *not* maximize the short-run profits such powerful vendors might initially extract—and thereby generating, over time, an increased exchange power for poor consumers as well as better economic results for all parties. Such reasoning is consistent with the call by Shultz (2007) to view marketing as “constructive engagement” providing not only an economic function but to be seen as a pathway to facilitate positive social outcomes in challenging business environments. FP4 of the S-D logic might also be evoked in these circumstances: “Operant resources are the fundamental source of competitive advantage.” Here, foregoing the extraction of profits in the short run—that is, avoiding the exploitation that is so easy when poor consumers are without economic leverage—can lead to beneficial exchange with these segments far into the future.

While the IJM is postulated as a normative ideal, there are a number of examples of companies that adhere to some of the characteristics of the model, thus lending credence to the practicality of the model. One such example is that of the Mexican corporation, Cemex and its Patrimonio Hoy program initiated in 1998 (Hart 2007; Prahalad 2005; Segel, Meghji, and Garcí aCue'llar 2007). In this program, Cemex formed savings clubs that allowed those who were intending to build a home to make weekly savings payments. In addition to providing material storage and architectural support, Cemex negotiated with material suppliers to get the best possible prices and quality. As a result, those who participated in the program were able to build their houses faster, with better quality material and at a lower cost.

On the Relationship between Marketing to Vulnerable Consumers and the Opportunity for Work

The major focus of the IJM framework is on how poor consumers ought to be ethically treated by marketing organizations. However, especially in the context of developing markets where the majority of impoverished consumers are found, the availability of work at a living wage is an important part of the recipe for economic sustainability. This too is consistent with the evolving S-D logic, which likely holds that employer–employee relations can be seen as governed

by the basic FPs of that perspective. Thus, some attention is necessary to exploring the linkages between the sale of products and services to the poor advocated by the IJM and the sort of work opportunities that they ought to have.

Returning for a moment to the basic definition of a “target market”—customers with the *desire* and *ability* to buy the product at focus—the “ability” to purchase repeatedly, for most impoverished consumers, is only possible with the continued presence of viable employment opportunities. Consider, for example, two of the more common entry-level economic transactions in impoverished markets—micro loans and fair trade production. In both cases, the “marketing” that is done with these economically challenged consumers is initially conducted with the explicit goal of also creating or vitalizing an employment opportunity. For instance, in the case of micro loans, monies are made available to the poor—who have no other access to traditional credit—for the express intention of establishing an ongoing business such as a bakery or craft making enterprise. Hence, the market transaction itself, a loan to the impoverished consumer, helps create a labor driven “business activity” that will both help repay the loan and provide the basis for future consumption. Similarly, in the case of “fair trade” agriculture or other enterprise, the preliminary interventional transactions with the poor are intended to establish an economic climate (living wages, nonexploitive working conditions, and equitable distribution margins) that allow for a continuation of the business activity in a manner that assures future disposable income for these workers. Therefore, when the “fair trade” system works as intended, it provides fair trade workers such as the growers of coffee, tea, or cocoa with enough surplus earnings to further expand their production or otherwise improve their efficiency, thereby allowing for a future round of enhanced production *and consumption*. An example of this is the initiative of the Fair-trade Labeling Organizations International (FLO) with cotton farmers in Mali (Gaye 2007). The farmers are assured a guaranteed minimum price for their cotton, which safeguards them when the price is at its lowest. However, as the farmers are supported in producing high-quality cotton that conforms to the best standards in the world market, they are in fact able to earn much higher revenues. For instance, during the harvest of 2005/2006, Malian farmers increased their income by about 70 percent.

Regarding the elements of the IJM discussed earlier, their connections to ethical labor practices should be evident. For example, there is a moral imperative not to exploit vulnerable consumers and the same precept applies to workers. Indeed, the exploitation of workers diminishes their likelihood of future consumption. Similarly, palpable seller benefits are often derived from “coproducing” (i.e., sharing labor) with economically challenged workers, as is the case in IJM marketing. Why is this so? Because not only do the locals provide indigenous

expertise but their earnings from coproduction become the likely basis of future consumption cycles. Since sustainable wages are contributory to future economic engagement by the poor, “investment in future consumption” may commonly be implemented by “investment in labor.” For example, Unilever’s “Project Shakti” in India has generated substantial wealth among India’s underprivileged rural women (Rangan, Sehgal, and Rajan 2007). Roberts (2006) gives the example of Jella Sujathamma, one of Project Shakti’s successful entrepreneurs. Sujathamma earns between 3,000 and 7,000 Indian Rupees a month (roughly U.S. \$60–\$150). While this income might seem paltry by U.S. standards, it is a significant increase for an Indian rural family, often contributing to a total family income increase of between 50 and 100 percent. In addition, as should be inherent in the subtext of practices such as micro-lending and fair trade, both of these “developing market” strategies also involve the postponement of short-term gratification by marketers/investors (i.e., taking a long-run approach to profit management) to enhance stable future cash flow.

As was true when discussing the consumption dimensions of the IJM, the idea of fair and sustainable environment for labor also can be readily connected to the perspectives of the S-D logic. FP 6 that “the customer is always a cocreator of value” implies that buyer supplied labor (coproduction) may commonly be a formal or informal part of the always extant cocreation process. This is easiest to envision in the case of business-to-business transactions where incremental contributions to the value chain by each party can be parsed out. However, even transactions involving the poorest of consumer segments can be coproduced if buyers participate by taking on some of the work required to complete a transaction. Since poor consumers are by definition “cash challenged,” they will often participate in cocreation by themselves assuming a function (e.g., assembly and delivery) that normally might be provided by the seller to a more upscale market. For example, in more affluent segments, the Swedish retailer IKEA specializes in selling low-cost furniture that can be easily transported and assembled by its customers (<http://www.ikea.com>). Poor consumers often look for similar opportunities to ply their labor contribution to reduce price.

FP 8 that “a service centered view of the customer is inherently customer oriented and relational” is intended by Lusch and Vargo (2006) to be a purely descriptive (i.e., positive) characterization of the S-D logic. Basically, value is always determined by the beneficiary of the service. Since the poorest of customers are desirous of enhancing their future buying opportunities, they often define the worth of the service transaction by whether it options their labor in the exchange process and whether the benefits of that involvement are equitably shared. In other words, from the perspective of impoverished consumers, a critical judgment about

whether they have been catered to in the exchange depends on their ability to contribute labor (broadly defined) to the exchange transaction and to share in the benefits and economic rewards of that contribution. To illustrate this point, consider the example of ITC's e-Choupal initiative (Anupindi and Sivakumar 2007; Prahalad 2005). This initiative was aimed at creating sustainable competitive advantage in the farm-to-market supply chain using information and communications technology. The e-Choupal business platform consists of three layers. At the first layer is a computer with internet access that is located in the house of an ITC-trained local farmer (called a sanchalak). The second layer consists of a hub (a bricks-and-mortar infrastructure) that is managed by a traditional intermediary (called a samyojak). At the third level is a network of companies that consist of the consumers' of farmers' produce as well as providers of products and services to the farmers. The local farmer contributes labor in a number of ways; first, in producing the crop; second, in using the freely available Internet access to seek information and knowledge about the market for the crop, prices, and the various channels through which the produce can be sold; and third, in transporting his crop to the hub. In deciding to transact with ITC, the farmer evaluates that the value (in terms of reward) of using ITC's procurement chain is greater than using the traditional model or another procurement chain.

Conclusion

In short, the contribution of this article illustrates the symbiotic possibilities between the normative IJM model and the positive S-D logic of marketing, thereby serving to underscore the theoretical validity of both approaches for contributing to a more insightful understanding of marketing phenomena. In the case of the normative IJM, its consonance with the S-D logic approach suggests that IJM's purported ethical idealism also reflects "theory inspired" marketing practices and conceptions as innovatively understood via the S-D logic lens. In the case of positive S-D logic, its congruence with the IJM provides evidence for the "societal friendly" aspects of S-D logic that its formulators claim as one of its notable advantages (Vargo et al. 2007, 63).

Declaration of Conflicting Interests

The author(s) declared no conflicts of interest with respect to the authorship and/or publication of this article.

Funding

The author(s) received no financial support for the research and/or authorship of this article.

Biographies

Gene R. Laczniak is a professor of Marketing in the College of Business Administration at Marquette University. His research focuses on the influence of competitive strategy on society and especially the questions of business and marketing ethics. He is a charter member of the review panel of the Journal of Macromarketing and published in Volume 1 of the Journal.

Nicholas J. C. Santos (PhD, Marquette University) is a visiting professor at the Markkula Center for Applied Ethics and the Leavey School of Business at Santa Clara University, California (njsantos@scu.edu). His research focuses on marketing strategies for impoverished market segments, sustainable marketing practices, and business and society. He has practical experience in both for-profit and nonprofit organizations and educational qualifications in philosophy, theology, and business.

References

- Abela, Andrew V., and Patrick E. Murphy. 2008. Marketing with integrity: Ethics and the service-dominant logic for marketing. *Journal of the Academy of Marketing Science* 36:39-53.
- Akula, Vikram. 2008. Business basics at the base of the pyramid. *Harvard Business Review* 86:53-7.
- American Marketing Association. 2008. Statement of ethics. [http://www.marketingpower.com/AboutAMA/Pages/Statement of Ethics. aspx](http://www.marketingpower.com/AboutAMA/Pages/Statement%20of%20Ethics.aspx) (accessed July 4, 2010).
- Andreasen, Alan R. 1975. *The disadvantaged consumer*. New York: The Free Press.
- Anupindi, Ravi, and S. Sivakumar. 2007. ITC's e-Choupal: A platform strategy for rural transformation. In *Business solutions for the global poor: Creating social and economic value*, ed. V. Kasturi Rangan, John A. Quelch, Gustavo Herrero, and Brooke Barton, 173-82. San Francisco, CA: Jossey-Bass.
- Arnould, Eric J. 2008. Service-dominant logic and resource theory. *Journal of the Academy of Marketing Science* 36:21-4.
- Bishop, John D. 2000. A framework for discussing normative theories of business ethics. *Business Ethics Quarterly* 10:563-91.
- Bornstein, David. 2005. *The price of a dream: The story of the Grameen Bank*. New York: Oxford

- University Press.
- Caplovitz, David. 1967. *The poor pay more*. New York: The Free Press.
- Catholic Church. 2004. *Compendium of the social doctrine of the Church*. Washington, DC: United States Conference of Catholic Bishops.
- Christensen, Clayton M., and Michael E. Raynor. 2003. *The innovator's solution*. Boston, MA: Harvard Business School Press.
- De Soto, Hernando. 2000. *The mystery of capital: Why capitalism triumphs in the West and fails everywhere else*. New York: Basic Books.
- Elkington, John. 1998. *Cannibals with forks: The triple bottom line of 21st century business*. Stony Creek, CT: New Society Publishers.
- Epstein, Keith, and Geri Smith. 2007. The ugly side of micro-lending: How big Mexican banks profit as many poor borrowers get trapped in a maze of debt. *BusinessWeek* (December 24):39-44.
- Freeman, R. Edward. 1984. *Strategic management: A stakeholder approach*. Boston, MA: Pitman.
- Freeman, R. Edward, Jeffrey S. Harrison, and Andrew C. Wicks. 2007. *Managing for stakeholders: Survival, reputation, and success*. New Haven, CT: Yale University Press.
- Friedman, Milton. 1962. *Capitalism and freedom*. Chicago, IL: University of Chicago Press.
- Friedman, Milton. 1970. The social responsibility of business is to increase its profits. *The New York Times Magazine*, September 13, SM17.
- Gaye, Mamadou. 2007. Fair trade cotton in Mali. United Nations Development Programme. <http://cases.growinginclusivemarkets.com/documents/88> (accessed July 4, 2010).
- Glassman, James K. 1999. Letting your conscience be your investment guide. *Houston Chronicle*, February 8, 4.
- Goodman, Charles S. 1968. Do the poor pay more? *Journal of Marketing* 32:18-24.
- Grant, Jeremy. 2005. Switch to the low-income consumer. *Financial Times*, November 15, 8.
- Grow, Brian, and Keith Epstein. 2007. The poverty business: Inside U.S. companies' audacious drive to extract more profits from the nation's working poor. *BusinessWeek*, May 21, 56-67.
- Habermas, Jürgen. 1990. *Moral consciousness and communicative action*. Cambridge, MA: MIT Press.
- Hammond, Allen, and C. K. Prahalad. 2004. Selling to the poor. *Foreign Policy* 142:30-7.
- Hammond, Allen, William J. Kramer, Rob Katz, Julia Tran, and Courtland Walker. 2007. The next 4 billion: Market size and business strategy at the base of the pyramid. <http://www.wri.org/>

- publication/the-next-4-billion (accessed July 4, 2010).
- Hart, Stuart L. 2007. *Capitalism at the crossroads: Aligning business, earth, and humanity*. Upper Saddle River, NJ: Wharton School Publishing.
- Hart, Stuart L., and Clayton M. Christensen. 2002. The great leap: Driving innovation from the base of the pyramid. *MIT Sloan Management Review* 44:51-6.
- Hill, Ronald P., David L. Ramp, and Linda Silver. 1998. The rent-to-own industry and pricing disclosure tactics. *Journal of Public Policy & Marketing* 17:3-10.
- Jaworski, Bernie, and Ajay K. Kohli. 2006. Co-creating the voice of the customer. In *The service dominant logic of marketing: Dialog, debate and directions*, ed. Robert F. Lusch and Stephen L. Vargo, 109-17. New York: M.E. Sharpe.
- Johnson, Kay, and Xa Nhon. 2005. Selling to the poor. <http://www.time.com/time/magazine/article/0,9171,1050276,00.html> (accessed July 4, 2010).
- Journal of the Academy of Marketing Science*. 2008. Special issue: Service-dominant logic: Continuing the dialog. 36 (Spring).
- Kant, Immanuel. 1785/1981. *Grounding for the metaphysics of morals*. Indianapolis, IN: Hackett Publishing.
- Karnani, Aneel. 2007. The mirage of marketing to the bottom of the pyramid: How the private sector can help alleviate poverty. *California Management Review* 49:90-111.
- Karpatkin, Rhoda H. 1999. Toward a fair and just marketplace for all consumers: The responsibilities of marketing professionals. *Journal of Public Policy & Marketing* 18:118-22.
- Kiviat, Barbara. 2008. The big trouble in small loans. <http://www.time.com/time/magazine/article/0,9171,1812051,00.html> (accessed July 4, 2010).
- Klein, Naomi. 1999. *No logo: Taking aim at the brand bullies*. New York: Picador.
- Klein, Naomi. 2002. *Fences and windows: Dispatches from the front lines of the globalization debate*. New York: Picador.
- Laczniak, Gene R. 2006. Some societal and ethical dimensions of the services-dominant logic perspective of marketing. In *The service dominant logic of marketing: Dialog, debate and directions*, ed. Robert F. Lusch and Stephen L. Vargo, 279-85. New York: M.E. Sharpe.
- Laczniak, Gene R., and Patrick E. Murphy. 2006. Normative perspectives for ethical and socially responsible marketing. *Journal of Macromarketing* 26:154-77.
- Laczniak, Gene R., and Patrick E. Murphy. 2008. Distributive justice: Pressing questions, emerging directions, and the promise of Rawlsian analysis. *Journal of Macromarketing* 28:5-11.

- Layton, Roger, Robert Lusch, and Stephen Vargo. 2008. Call for proposals/abstracts. *The Forum on Markets and Marketing: Extending the Service-Dominant Logic*, November, 1-4.
- Levitt, Theodore. 1983. The globalization of markets. *Harvard Business Review*, May/June, 92-102.
- Lusch, Robert F., and Stephen L. Vargo, ed. 2006. *The service dominant logic of marketing: Dialog, directions and debate*. New York: M.E. Sharpe.
- MacIntyre, Alasdair. 1984. *After virtue: A study in moral theory*. Notre Dame, IN: University of Notre Dame Press.
- Maglio, Paul P., and Jim Spohrer. 2008. Fundamentals of service science. *Journal of the Academy of Marketing Science* 36:18-20.
- McCarthy, Thomas. 2001. Jürgen Habermas. In *Encyclopedia of ethics*, Vol. 2, 2nd ed., ed. Lawrence C. Becker and Charlotte B. Becker, 643-44. New York: Routledge.
- Murphy, Patrick E. 1999. Character and virtue ethics in international marketing: An agenda for managers, researchers, and educators. *Journal of Business Ethics* 18:107-24.
- Murphy, Patrick E., Gene R. Laczniak, and Graham Wood. 2007. An ethical basis for relationship marketing: A virtue ethics perspective. *European Journal of Marketing* 41:37-57.
- Murphy, Patrick E., Gene R. Laczniak, Norman E. Bowie, and Thomas A. Klein. 2005. *Ethical marketing*. Upper Saddle River, NJ: Prentice Hall.
- National Conference of Catholic Bishops. 1986. *Economic justice for all: Pastoral letter on Catholic social teaching and the U.S. economy*. Washington, DC: U.S. Conference of Catholic Bishops.
- Nill, Alexander L., and Clifford J. Shultz, II. 1997. Marketing ethics across cultures: Decision making guidelines and the emergence of dialogic idealism. *Journal of Macromarketing* 17:4-19.
- Prahalad, C. K. 2005. *The fortune at the bottom of the pyramid*. Upper Saddle River, NJ: Wharton School Publishing.
- Prahalad, C. K., and Allen Hammond. 2002. Serving the world's poor, profitably. *Harvard Business Review* 80:48-57.
- Prahalad, C. K., and Stuart L. Hart. 2002. The fortune at the bottom of the pyramid. *Strategy+Business* 26:54-67.
- Prahalad, C. K., and Venkat Ramaswamy. 2004. *The future of competition: Co-creating unique value with customers*. Boston, MA: Harvard Business School Press.
- Rangan, V. Kasturi, and Arthur McCaffrey. 2004. Globalization and the poor. In *The global market: Developing a strategy to manage across borders*, ed. John Quelch and Rohit Deshpande,

- 335-60. San Francisco, CA: Jossey-Bass.
- Rangan, V. Kasturi, and Brooke Barton. 2006. Breaking new ground: The emerging frontier of CSR in the extractive sector. Paper presented at the 3rd International Conference on Corporate Responsibility at the London Business School, UK, July.
- Rangan, V. Kasturi, Dalip Sehgal, and Rohithari Rajan. 2007. The complex business of serving the poor: Insights from Unilever's project Shakti in India. In *Business solutions for the global poor: Creating social and economic value*, ed. V. Kasturi Rangan, John A. Quelch, Gustavo Herrero, and Brooke Barton, 144-54. San Francisco, CA: Jossey-Bass.
- Rangan, V. Kasturi, John A. Quelch, Gustavo Herrero, and Brooke Barton, ed. 2007. *Business solutions for the global poor*. San Francisco, CA: Jossey-Bass.
- Rawls, John. 1971. *A theory of justice*. Cambridge, MA: Harvard University Press.
- Rawls, John. 1999. *A theory of justice*. Cambridge, MA: Harvard University Press.
- Roberts, Janet. 2006. Project Shakti: Growing the market while changing lives. <http://worldbenefit.case.edu/newsletter/?idNewsletter=127&idHeading=53&idNews=471> (accessed July 4, 2010).
- Ross, William D. 1930. *The right and the good*. Oxford, UK: Oxford University Press.
- Sachs, Jeffrey D. 2005. *The end of poverty: Economic possibilities for our time*. New York: Penguin Press.
- Santos, Nicholas J. C., and Gene R. Laczniak. 2006. Marketing to the poor: A SWOT analysis of the market construction model for engaging impoverished market segments. Paper presented at the 3rd International Conference on Corporate Responsibility at the London Business School, UK, July.
- Santos, Nicholas J. C., and Gene R. Laczniak. 2009a. 'Just' markets from the perspective of Catholic social teaching. *Journal of Business Ethics* 89:29-38.
- Santos, Nicholas J. C., and Gene R. Laczniak. 2009b. Marketing to the poor: An integrative justice model for engaging impoverished market segments. *Journal of Public Policy and Marketing* 28:3-15.
- Schwartz, Mark S., and Archie B. Carroll. 2003. Corporate social responsibility: A three-domain approach. *Business Ethics Quarterly* 13:503-30.
- Segel, Arthur I., Nadeem Meghji, and Regina García-Cuellar. 2007. Patrimonio hoy: A groundbreaking corporate program to alleviate Mexico's housing crisis. In *Business solutions for the global poor: Creating social and economic value*, ed. V. Kasturi Rangan, John A. Quelch, Gustavo Herrero, and Brooke Barton, 155-66. San Francisco, CA: Jossey-Bass.

- Sen, Amartya K. 1999. *Development as freedom*. New York: Knopf.
- Shultz, Clifford J., II. 2007. Marketing as constructive engagement. *Journal of Public Policy & Marketing* 26:293-301.
- Shultz, Clifford J., II, Don R. Rahtz, and Mark Speece. 2004. Globalization, transformation, and quality of life: Reflections on ICMD-8 and participative marketing and development. *Journal of Macromarketing* 24:168-72.
- Silverman, Gary. 2006. How may I help you? *Financial Times*, February 4/5, W1-W2.
- Simonian, Haig. 2006. Nestlé charts low-income territory. *Financial Times*, July 14, 15.
- Sinha, Kunal, John Goodman, Ajay S. Mookerjee, and John A. Quelch. 2007. Marketing programs to reach India's underserved. In *Business solutions for the global poor: Creating social and economic value*, ed. V. Kasturi Rangan, John A. Quelch, Gustavo Herrero, and Brooke Barton, 40-9. San Francisco, CA: Jossey-Bass.
- Social Investment Forum. 2006. 2005 Report on socially responsible investing trends in the United States: 10 year review. <http://www.socialinvest.org/pdf/research/Trends/2005TrendsReport.pdf> (accessed July 4, 2010).
- Stiglitz, Joseph E. 2002. *Globalization and its discontents*. New York: W. W. Norton.
- Sturdivant, Frederick D. 1969. *The ghetto marketplace*. New York: The Free Press.
- United Nations. 2000. Copenhagen declaration on social development. http://www.un.org/esa/socdev/wssd/decl_intro.html (accessed July 4, 2010).
- United Nations. 2004. Johannesburg declaration on sustainable development. http://www.un.org/esa/sustdev/documents/WSSD_POI_PD/English/POI_PD.htm (accessed July 4, 2010).
- Vargo, Stephen L. 2007. On a theory of markets and marketing: From positively normative to normatively positive. *Australasian Marketing Journal* 15:53-60.
- Vargo, Stephen L., and Robert F. Lusch. 2004. Evolving to a new dominant logic for marketing. *Journal of Marketing* 68:1-17.
- Vargo, Stephen L., and Robert F. Lusch. 2008a. Service-dominant logic: Continuing the evolution. *Journal of the Academy of Marketing Science* 36:1-10.
- Vargo, Stephen L., and Robert F. Lusch. 2008b. Why 'service'? *Journal of the Academy of Marketing Science* 36:25-38.
- Vargo, Stephen L., Robert F. Lusch, Melissa A. Akaka, and Yi He. 2007. The service-dominant logic of marketing: A review and assessment. Working Paper, November 28.
- Vogel, David J. 2005. Is there a market for virtue? The business case for corporate social responsibility. *California Management Review* 47:19-45.

Williams, Oliver F., and Patrick E. Murphy. 1990. The ethics of virtue: A moral theory for marketing. *Journal of Macromarketing* 10:19-29.

World Economic Forum and Boston Consulting Group. 2009. The next billions: Unleashing business potential in untapped markets.

<http://www.weforum.org/pdf/BSSFP/NextBillionsUnleashingBusinessPotentialUntappedMarkets.pdf> (accessed July 4, 2010).

Young, Yolanda. 2006. Fringe economy preys on the poor. *USA Today*, January 26, A13.