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THE IMPACT OF MARKETING INFANTILISM ON THE EFFICIENCY OF MARKET MECHANISMS

This research aims to identify the mechanisms behind irrationality in consumer choice of commodities based on marketing communication strategies employed by companies and their understanding of consumers' sociological behaviour. From a reinterpretation of research evidence and an analysis of existing literature, the research examines whether the infantilisation of marketing activities stems from a mistaken notion of marketing, and a lack of understanding that marketing aims for mutual agreement and benefits for the supply and demand sides.

The argument relies on secondary studies and market analysis, such as the understanding of past and present market phenomena, factors, and processes. The present study applied exploratory data analysis to describe behaviours, needs, values, lifestyle and consumption models. The sources used included scientific papers, monographs, and reports by private foundations and commercial enterprises.

The analysis of literature revealed artificially created paradigms that frame the choice of commodity and a decline in the role of demand in creating supply – especially by individual clients. The paper proposes a need for changes in how marketing communication is seen and deployed, to limit consumption and human subjectivity.

Keywords: market economy, marketing, consumer, economic rationality.

1. INTRODUCTION

Capitalist market in its assumption is the epitome of freedom on many levels: free movement of goods and services, free competition between the free circulation of capital and the means of production. This economic system is based upon private ownership of the means of production or capital which is maximized by the owner. The consequence is the desire of individuals to meet their own needs.

This article aims to highlight the imperfections of the activities of economic mechanisms. How may these imperfections result from microeconomic factors such as wrong decisions of market participants (both individual consumers and institutions) with the use of different immature quasi marketing strategies. Presentation of the worldview consumer narcissism, which causes a lack of rationalism and the lack of following the economic incentives for businesses to create pricing strategies of products, but also by consumers when choosing potential products.

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2. IMPERFECTION OF MARKETING COMMUNICATION

The classic model of decision-making assumes the possibility of optimizing the decision. Contrary to these assumptions the economic reality is not characterized by obtaining complete and accurate information by a customer, eliminating uncertainty, rational and logical assessment of the market, or even taking the optimal decision for an organization. This is the form of marketing communications, selected by a corporate entity, which is responsible for the information discussed (Łyszkiewicz, 2000). There is no possibility that this communication contains all information and that its flow is in a perfect way. It is not always reliable (Stiglitz, 2004).

Marketing in its core is a complex task as it implies that all customers are aware of their preferences and they want to be treated as a sovereign market actor in creating and shaping the preferences. Buyers are aware of the limitations (income, price) and aware of the expectations (optimization of usefulness). They expect support from marketing to increase their “degree of beliefs certainty” (O’Shaughnessy, 1994). Consumers automatically succumb to persuasion instruments of the 4 P family[2]. However, their sensitivity to marketing tools, and therefore their effectiveness depends on the volatility of the environment, including in particular the market. Under the influence of these factors purchasers change their behavior and their sensitivity to 4P mechanisms as the intensity of the 4C changes (Zadora, 2003).

At the early stage of the product life cycle purchasers have little knowledge about the product. As a result, they (willingly) pay extra for meeting the needs of information and dispel doubts. They may opt out of additional values: the convenience of delivery or diversification. During the development of the purchasers get experience when buying and using the product and begin to see the new values: the offer range, convenience of delivery, a method of financing (loans). When the market reaches maturity, the knowledge of purchasers grows, all the elements of a set of 4C values purchased by the purchaser change. The purchasers are more able to compare competitive offers. This means the beginning of the competition, which can be called “head to head” (Abell, 2000). In such conditions, the market can grow only by low prices and other changes in the 4 P system. By lowering prices, the basic instrument of the 4P, marketing influences the behavior of buyers, prompting them e.g. for the prevention of the market, offering a higher value as a “reward”. The volatility of the purchasers in the market is a new challenge for producers. They either need to decide to sacrifice most of their resources to defend their position (which requires aggressive, very expensive marketing), or create a new market and develop new primary demand.

But before the buyers choose the goods and services on the market, they need to decide how much of their income will be spent on consumption, and what part on savings. Many economists (including J.M. Keynes) argue that consumers do not change their consumption habits so quickly and with an increase of income, they save more. Consumers save in order to increase future consumption to protect against unexpected expenses, to finally enlarge their financial wealth. Before they make a choice on the market of goods and services they decide on the distribution of income. The role of marketing in these decisions is not fully recognized. However, it is known that some buyers do not save if the usefulness from the consumption of material goods is greater than the usefulness of capital goods. And even to

[2] Rationality of behavior casts doubt on the effectiveness of the impact of instruments extending to areas of psychological persuasion.

meet the preferences of consumption, they seek additional resources for loans. Then the power of marketing persuasion can influence the purchase decision, since the loan effectively alleviates budgetary constraints. However, the main area of selection applies to consumption and savings, and within which consumers decide whether they want to spend and how much, or save their income. In this area, decisions marketing is not visible, even though these decisions determine more about how to spend the income on goods and services and how to save, in which marketing is sometimes excessively active (Zadora, 2003).

The modern theory of decision repeals the assumption of perfect information and tries to model the decision-making process, depending on the conditions under which they are taken. Imperfections in information owned by entities result from many causes, the most important of which will be discussed below:

- profitability of information retrieval;
- lack of access to data, lack of effective predictions;
- barriers to the provision of information (*uncoded knowledge*);
- conscious information asymmetry.

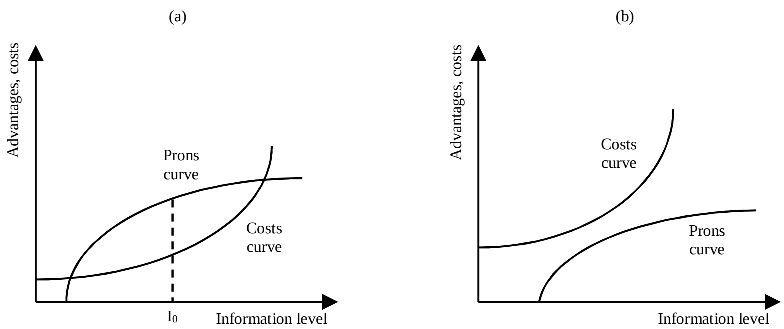

Figure 1. Determination of the optimum number of information

Source: (Forlicz, 2001).

Obtaining valuable information makes that not always the optimal choice, from the point of view of the decision-maker, is taking steps to obtain it. When the benefits of the information acquired are lower than the costs, the optimal decision is to refrain from collecting information (the situation shown in Figure 1. b.). The decision on the acquisition of information occurs when it is profitable - the figure 1.a. the optimal level of information determines the greatest distance between the curve and the benefits of cost curve (level I_0). On the second chart there is not such the level of information where the benefits outweigh the costs, thus gathering information would be inefficient, which forces to operate in conditions of ignorance (Forlicz, 2001).

3. RELATIONSHIP OF DEMAND FROM THE IMPACT OF MARKETING ACTIVITY

Scientific publications do not mention about the impact of marketing communications, and consequently about the opinion of environment and changing fashion, purchasing decisions by the customer of a product compared to other competitive products. Stanisław Piasecki in the "Introduction to the theory of market competition", has assumed that the customer is guided only by their market benefits – that is, if he had a choice to buy product *A* and *B*, which serve to satisfy the same needs, respectively, for a C_A or C_B price , he will choose the one for which the quotient:

$$\frac{C_A}{T_A} \text{ lub } \frac{C_B}{T_B}$$

reaches a lower value, where T_A, T_B are the times of use, respectively of the product *A* or *B*.

If for the use of the product the energy is needed, then the *T* value may act as a use timer, which can be obtained for both products at the same cost of energy purchased. For example, if the product were a passenger car, the times T_A or T_B represent the number of hours of driving on fuel purchased for the same amount. In the case of a car, after a suitable modification, the *T* value of may be used as the number of kilometers.

However, we often act differently. Among other things, we are influenced by the opinion of the environment where we belong, or we would like to belong and we buy not the product which fulfills the self-interest criterion, but the one that is well perceived by others. A commonly known example is having properly expensive car of Mercedes, BMW or Audi by the president of the company, if one wants to have the appropriate authority among other managers (Traczyk, 2007). Typically, this behavior occurs in case when much cheaper car would be sufficient. Driving an expensive car, despite the obvious denial of our own economic interests, gains elusive prestige, which may ultimately give quite certain economic benefits (i.e. can assist you in obtaining favorable credit conditions in the bank).

Another example of the rejection of the self-interest criterion is the influence of fashion, that is "variable like a woman". A clear influence of fashion on the purchasing decisions of products can be seen on the example of women's clothing. For example, a more expensive and of lower quality sweater will be in demand by clients just because it has a currently fashionable color – which is not consistent with the nicer color.

The opinion of environment is usually permanent (at the time), but the fashion generally varies cyclically. Besides, when the belief of environmental concerns mainly the price of product characteristics, then the characteristics of fashion concerns less significant factors from the perspective of the use of the product (e.g. the color of the product). However, both of these groups of products are characterized by high prices, which are highly inflated in relation to their cost of production, especially in the case of fashion. Fashion itself is not something pejorative. A sample issue can occur when the fashion market extrapolates a single company for the sole purpose of increasing profits, such as Apple which in 2001 introduced onto the market the iPods with white headphones attached. Technically, the products do not stand out from the competition, but promotional activities aimed at convincing the potential buyers that thanks to listening to music through white headphones they will become individualists among friends. Within a few years, most citizens of the United States, used Apple products, and yet those customers themselves as a member of the elite club. It is hard to find in this case a bit of the productive rationality. According to information by Steve M. Chazin (former Apple Marketing Executive), "white iPod earbuds were not created by the engineers. They were pure marketing trick used by Apple in order their product was more pronounced and has become a status symbol" (Toczyski, 2010).

The situation on the market makes that soft stimuli cause the formation of mechanisms of the impact of non-economic factors on the demand. This mechanism is explained by the example of two products: *A* and *B* which meet the same requirements of customers, but they have clearly different prices: $C_A > C_B$. An example will be sports shoes produced by well-known company *A* (Adidas) and some less well-known company *B*. Let us assume that this price difference can be justified by various durability of the footwear T_A and T_B. It may happen that the values:

$$d_{gr}^{A} = \frac{C_A}{\gamma \cdot T_A}; \quad d_{gr}^{B} = \frac{C_B}{\gamma \cdot T_B}$$

defining the lower limit of customer's income customer, at which he is still able to acquire the footwear by company *A* or company *B*, will converge to values in such a way that:

$$d_{gr}^{A} = d_{gr}^{B} = d_{gr}.$$

These products, though physically different, meet the same need, they become mutually competitive on the market and, as a result, they may be regarded as "identical" (equivalent) from the point of view of competition. It may happen that the durability of these products are equal in such a way that:

$$T_A = T_B = T.$$

Then we get

$$d_{gr}^{A} > d_{gr}^{B}.$$

In this situation, from the point of view of competition, the are two different products, although they meet the same customers' need. Of course, one of them, the more expensive, normally should be eliminated from the market. This is not going to happen as the crucial role is played by the opinion of snobbish environment of more affluent clients, with higher incomes. Namely, the customer who uses more expensive product (although less advantageous from the point of view of their economic interest) can claim to be better than someone who uses the cheaper product. Sometimes it turns into contempt for the users of cheaper products. In this case, part of the demand for athletic shoes will direct the more expensive products by *A* company, with the exception of part of the demand of this group of customers for whom price C_A exceeds the income capabilities of *d*:

$$d < d_{gr}^{A} = \frac{C_A}{\gamma \cdot T}.$$

The first group of customers for sports footwear will be divided into the group of clients (against their own economic interests) who satisfy the income condition:

$$d > d_{gr}^{A} = \frac{C_A}{\gamma \cdot T}$$

and the group of customers with incomes

$$d_{gr}^{B} < d \leq d_{gr}^{A}$$

As a result, we are dealing with a new phenomenon. Namely, the demand for products B of a better economic indicator will be only a part of the demand for sports footwear proportional to the difference:

$$q\left(d_{gr}^{B}\right) - q\left(d_{gr}^{A}\right)$$

and will be described by the formulae (for the simplest, linear demand model)

$$\Lambda_B = \lambda_0 \cdot \left[q\left(d_{gr}^{B}\right) - q\left(d_{gr}^{A}\right)\right] \cdot L_{mx}$$

where λ_0 is an average number of pairs of athletic shoes purchased over the years by a single client (usually this is an inverse of the period of use *T*) and L_{mx} is the total number of customers buying sports shoes, in a given market (Piasecki, 2007).

4. LIMITED RATIONALITY OF DECISION MAKING PROCESS

All theories use simplifications. Idealizations are simplified by the model structure by excluding problems not susceptible to modeling. The decision theory, which describes rational decision making, applies idealizations to exclude the problems associated with human cognitive limitations and errors associated with decision-making problems. This type of assumptions results from the characteristics of the decision maker. Idealizations concern internal factors related to the body that takes decisions. According to the assumptions this body does not have cognitive limitations. It is perfectly aware of themselves, never hesitates to respect their beliefs or desires; is able to consider all options, thinks instantly and effortlessly (Weirich, 2004).

Microeconomics examines in detail the decisions taken by market operators. To describe the decision-making problem, the mathematical model is built. In order to formalize, the concepts of states of nature, actions and consequences are introduced. State of nature is a description of the world so full that if it was true and well known, then the consequences of each action would be known. Action (alternative) is any decision possible to be taken, and the prospect is any possible variant called the future course of events (Lindgren, 1977). The consequence is the result of taking a particular decision at the ensuing state of the environment. This result is not always clearly defined.

Depending on the subjective characteristics, in determining the decision situation, one can distinguish:

- An ability of determining a set of possible actions,
- An ability of determining a set of possible states of nature,
- An ability to assess the consequences of action because of the possible states of affairs.

In decision situations of Bayesian type[3] it will be necessary to mention about an ability for determination of the probability distribution P on the set of possible states of nature.

For each type of decision taken, some stages of the decision making process can be identified. Generally, the decision making process involves five basic steps:

- Identification of the problem,

[3] These are the situations where one can determine the probability of existing of possible states of nature.

- Searching for information,
- Evaluation of alternatives,
- Decision,
- Conduct after the decision.

Evading the simplifying assumptions in economic theory allows to describe previously unexplained phenomena taking place in the economy, and on their basis to justify the reasons for the inefficiency of markets. The effects of the repeal of the assumption of perfect information have been described. The next step will be to analyze the conditions of limited rationality in economic activities, i.e. to look at the consequences of the rejection of the idealization of the capability of decision-making entity.

The assumption of rationality of players is the basis of the neoclassical theory of choice. In colloquial use the term "rational behavior" has at least two meanings. The first relates to the method and secondly to the effect observed. As the method, the rational behavior is the action selected reasonably, and not arising out of habit, emotion or prejudice. With respect to the results, rational behavior is an action that can effectively achieve the goal (Hirshleifer, Glazer, Hirshleifer, 2005).

The adoption of the assumption of rationality in economics is attributed to the classics. However, it should be noted that for the classical economists, such as Smith and Ricardo, rationality has limited significance, which boils down to a preference for more than less. This meant that the entrepreneur would invest in the sector with the highest rate of profit. Individual remarks on technical substitution, especially in Ricardo, can be interpreted as the assumption that in competitive conditions enterprises choose the combinations of factors of production, which minimizes production costs. Although the hypothesis of rationality is not explicitly defined by the classics, one can assume that it boils down to maximize profits by the company (Arrow, 1998).

One will not find in the classics the rationality of a postulate formulated for consumers. It was only introduced by the pioneers of the marginal revolution: Jevons, Menger and Walras. Rationality, in their view, required the maximization of utility by reducing the budget. As the theory ordinal utility began to be displaced by the theory of preferences (cardinal utility theory), the postulate of rationality became an optimization requirement, of the so-called internally consistent preferences, i.e. those fulfilling the conditions of completeness and transitivity (Czarny, 2002; Rubinstein 1998).

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