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CHALLENGES OF MODERNITY AND MARKETING

CONSUMERISM. GLOBAL CRISIS. INNOVATIONS AND DEVELOPMENT

Introduction*

At the end of the current stage of globalisation of nearly three decades, the contemporary market (capitalist) economy of developed countries and consumerist societies of the West, sometimes called the innovative economy/economy based on knowledge and, accompanying it, the economies of less developed countries aspiring to that example, have found themselves facing unique challenges, unprecedented on such a scale. At the same time, these challenges:

- create new opportunities for the sustained development of societies and economies as a whole, satisfactory attainment of goals of the organizations operating in them and the attainment of the prosperity/well-being of all individual people and their micro-environment,
- but they also generate unique, difficult to foresee, dangers to that development up to its periodical inhibition, stagnation or even regression.

The limited framework of this article makes it possible to refer to certain challenges only created by:

- consumerism in rich societies of the West (against the background of an excessive stratification of richness and poverty practically everywhere in the world),
- global financial and economic crisis posing a threat to further development and social cohesion in many states, and economies that requires in-depth reforms or, perhaps, even a change of the "architecture" of the Anglo-Saxon capitalist model,
- innovations (technological and product, business and social ones) that can be not only, as is commonly believed, stimulants but also brakes – that frequently remain unnoticed – to sustained, integral, socially responsible development.

According to the author, contemporary marketing plays a special, significant role both in the generation and the popularisation of these challenges – both at the beginning of the current stage of globalisation, a modern, innovative business concept and as an effective concept and form of communication including the social promotion of projects and activities of the state economic and social policy agencies, regional authorities and even community authority agencies/ /supranational groups (mega- and macro-marketing, territorial marketing). The marketing of enterprises, banks and other organizations has a very significant influence on the behaviour of contemporary consumers or buyers and the marketing theory has tackled the issue of innovations from the very beginning**.

* The article contains extensive fragments of a lecture inaugurating the academic year 2011-2012 at the University of Economics in Katowice (see Żabiński, 2011, p. 4-12).

** Marketing defined on the enterprise level is one of the most popular concepts (philosophies, models) of business oriented on the target customer and, at the same time, on other stakeholders of the

Another circumstance in favour of consideration of the marketing perspective in this analysis has to do with important anniversaries in the history of the practical and academic marketing development falling to the academic year 2011/2012 (e.g. the 180th anniversary of the commencement of the activity of Cyrus H. McCormick, the author of the mechanization of American agriculture and a pioneer of marketing in the USA; the 110th anniversary of the launch of training lectures concerned with distribution and marketing at US universities and, immediately after that, at universities in Germany; the 75th anniversary of the establishment of the American Marketing Association – the most prestigious scientific marketing association worldwide)[*].

1. Stages of development/competitiveness of contemporary market economies and developmental challenges

1.1. Stages of development of market economies

Descriptive (empirical) models presenting stages of development of states in terms of competitiveness factors (pillars) typical for them can be helpful in the identification of such challenges – also for Poland and enterprises operating there[**].

enterprise with the primary goal of satisfying the end buyer's needs (expectations) better than the competition, which makes the attainment of corporate goals and, in the longer term, its mission and vision possible. According to the more general AMA definition of 2007, marketing is an activity, a collection of institutions and processes aimed at the development, communication, delivery and exchange of offers of value to the customers/consumers, recipients, partners and for society as a whole (www. Marketing-power.com/About AMA/Pages/Definition of-Marketing.aspex). According to estimates, nearly 30 million people are engaged in US marketing activities, i.e. every 6th citizen of that country (see: Kamiński, 2009, p. 7).

[*] Other important anniversaries are: 170th anniversary of the establishment, by V.B. Palmer, of the first professional advertising agency (Philadelphia, 1842), 100th anniversary of the publication of the first scientific publication by A.W. Shaw relating to marketing ("Some Problems in Market Distribution", 1912, Harvard University); 80th anniversary of the commencement of work on a practical concept of strategic and market segmentation of the General Motors Company under the supervision of its president, Sloan (1921), which enabled it to win the competition against Ford on the American automotive market.

[**] In our opinion, their greater usefulness for the needs of this identification than the theoretical models built and, in recent years, even empirically verified in mainstream economy (e.g. new classical economy, Post Keynesian etc.) results from the fact that they do not limit themselves to the economic growth issue but, under the influence of the institutional economy, focus on the development presented integrally as a process of the evolution of culture, society and the economy. These models also refer to the analyses of the international competitiveness of countries, regions and industries (groups of firms) developed as a part of the management sciences including the competitiveness diamond method of M.E. Porter (and its subsequently developed versions). See also Kotler, Jatusripitak, Maesincee (1999).

One such model is the model presented in table 1 that was developed for the 2008 World Economic Forum in Davos (with M.E. Porter participating). It presents three development stages of countries which were identified on the basis of a wide range of 110 indicators in 207 countries covering selected features of the economies, societies and the regime-institutional system of the analysed states pertaining to their international competitiveness (and innovativeness). These stages are:

- stage 1: economies whose development (and competitiveness) is based on the basic production factors,
- stage 2: economies stimulated with the effectiveness (its improvement),
- stage 3: economies whose development primarily depends on the innovations.

All competitiveness pillars (factors) exist at each development stage but their shares differ, entailing a prevalence of different methods/strategies of competing enterprises (Płowiec, 2010). In stage 1, the economic development of a country is based on cheap resources of unskilled labour and raw materials and enterprises, focusing on the production of low-quality products for mass markets with a low purchasing power of customers, and mainly compete on price. The following components are of key importance for the development of countries: established private and public institutions, built transport, communication, and energy infrastructure, maintained macroeconomic stability, guaranteed basic healthcare and education for people. Even though the share of innovations in that stage of development was estimated to reach 5% in the studied model, their impact on the development is certainly higher. These can be not only individual technological (product) innovations but also innovative business or management models. There are examples from the past[a] and contemporary ones[b] in evidence of that fact (Frame 1).

Frame 1

[a] Industrialization of American agriculture in the 19th century is not only related to the technological and production activity of the inventor of a mechanical harvester, Cyrus McCormick, but also to his development and implementation of a pioneer marketing system covering the designing (and improvement) of that product for the needs of farms, accurate price definition policy combined with the hire purchase making it possible for farmers to buy that product against their future income, modern combination of the sales with the customer service and event market and competition research. According to P.F. Drucker, McCormick was an authentic entrepreneur, the father of business management who found imitators only at the beginning of the 20th century (see Drucker, 1992, p. 39-40; Sztucki, 1998, p. 162).

[b] Most well-known contemporary examples include the activity of the bank for poor people (Grameen Bank) established in Bangladesh in 1976 by professor Muhammad Yunus, winner of the Nobel Peace Price in 2006; the bank extended micro-credit to poor female entrepreneurs for the financing of business operations and financed scholarships for the children of such women to make it possible for them to start university studies, which turned out to be an effective method counteracting poverty in that society and gave rise to similar ventures in other countries, among others, in India. As of 2008, that self-financing bank having 97% return on loans has branches also in poor districts of several cities in the US, e.g. in New York. I believe that the functional concept of the Grameen Bank can be interpreted in terms of the modern management model and relationship (partnership) marketing based on the capital of trust of the organization's stakeholders that, in theory, is usually ascribed to firms including banks operating in highly developed countries (see Yunus, 2011).

In the next, i.e. the second stage of development, the competitiveness of market economies is shaped, in particular, by the effectiveness stimulants (efficiently operating labour, financial and commodity markets, the readiness of enterprises to introduce technological changes and select effective management systems, investments in the human capital, etc.) while enterprises compete on the quality of processed products and efficiency of the target customer service.

Marketing becoming popular in enterprises at that time (as a concept of the customer-oriented business) also contributes, in the opinion of J.J. Lambin, to the development of the economic democracy, because:

a) its starting point is the analysis of consumers' expectations,
b) it controls decisions relating to investments and production on the basis of the anticipation of market needs,
c) respects the variety of predilections and preferences thanks to market segmentation and development of sales offers adapted to market needs,
d) stimulates innovativeness and entrepreneurship (see Lambin, 2001, p. 34-35).

In stage 3 of the development, development of the competitiveness of economies (regions and firms) is particularly dependent on the breakthrough and continued innovations, refined, complex businesses subsidizing, along with the state, the development of an innovative, knowledge-absorbing activity (B+R). Firms thus equipped can effectively compete (and, at the same time, cooperate with one another) on global markets in the hyper-competition conditions.

1.2. Development challenges

According to Urszula Płowiec, Poland whose GDP/c amounted to 13 861 USD in 2008 according to the evaluation of that synthetic criterion has already been classified with a few states from Central and Eastern Europe to the stage of the transition from stage 2 to stage 3 (innovative economy)[*].

However, this classification seems premature in the case of Poland even though Poland had a relatively high global consumer index (GCI) of 4.33 in 2009-2010, occupying 46th place on the list of the studied countries (first place: Switzerland with GCI = 5.60). In addition to the institutional system of the market economy and a relative macroeconomic stability of our country (in comparison with other European countries), many key development factors characteristic for stage 1 do

[*] Such countries are: Croatia, Estonia, Hungary, Latvia, Lithuania, and Russia (Płowiec, 2010, p. 272).

not meet the required criteria in Poland as yet. Such factors include the technical and social infrastructure* (including the weakness of the civil society), the condition and functioning of public healthcare and even education (especially when it comes to professional training).

Additionally, it would be difficult to talk about an effective functioning of many effectiveness stimulants characteristic for the next stage 2 of the development in our country. Some of them include, for example: an effective, flexible financial market including a banking system allocating savings in a productive manner and financially supporting entrepreneurs and innovators, the existence of a large-scale readiness of Polish firms to implement and use existing technologies, especially ICT, to improve their productivity; developed pro-exports focus of the economy or an effectively operating university education (especially the public one). There is also no appropriately developed business environment for systemic (innovative) products functioning in Poland (see Żabiński, 2009, pp. 217--237). Even though it is possible to conclude that many of the above-mentioned effectiveness stimulants and even key development factors do not operate satisfactorily also in highly developed countries (including the USA), this fact can only slow down the construction of innovative, highly competitive economies of these states, in particular, the United States**.

This is so because Western firms participating in the global competition with enterprises located in fledgling economies (including China) can no longer compete with them on the basis of low costs or even methods based on competition on quality. Rapid commercialisation of new technology results (preferably breakthrough innovations) becomes the only effective competition method.

* To be accurate, it is worth observing that, under the Polish Development Strategy of the Country 2007-2015, the implemented investment priorities are: the technical and power infrastructure, improvement in the quality of regional cohesion policies and intangible assets (human capital) and innovative economy (in that order) supported by EU aid.

** Nobel Prize winner J.E. Stiglitz is more critical of the USA writing about the American financial sector that is "[…] excessively bloated and based on fraudulent foundations, unwilling (by choice) to credit small and medium enterprises (innovative, creating new jobs), power industry of that country whose disputable part is not fit for maintenance for environmental reasons […] the ruin of large parts of the production sector […] worse, on average, health services rendered by the ineffective American healthcare system" (with enclaves of such care unequalled in the world), ineffective transportation and (primary and secondary) education sectors, etc. According to Stiglitz, "[…] long-term competitive edge of the USA included university institutions (state-owned and non-profit) and technological progress generated there. However, university education alone will not provide content for the entire long-term economic strategy of America" (Stiglitz, 2010, p. 225-226).

However, it creates special challenges for business including the marketing of enterprises and banks that have both positive and negative consequences. These challenges attained a very strong presence in the following periods: immediately before the outbreak of the global crisis and throughout its progress.

2. Globalisation, global crisis, some causes and mechanisms

2.1. Globalisation, nature and causes of the crisis

Since the early 1990s or, according to some opinions, much earlier, i.e. since the 1970s (i.e. since the abandonment of the Bretton Woods monetary system and the overcoming (in the 1980s) of the long-term stagflation arising after the petroleum shocks) the development of many servicizing national market economies of the West took place in the condition of the developing and deepening globalisation. The globalisation that, mentally, involved the propagation of the belief in the absolute superiority of the development paradigm based on macroeconomic stabilization, market liberalization and privatisation*, propagated not only in Western countries but also in states transforming their economies or even in poor countries of the former Third World. As Witold M. Orłowski wrote: "Efficient functioning of the market combined with unlimited social consent to getting rich […] among other things, a series of income tax reductions in the USA was supposed to guarantee a high effectiveness of management and an increase in innovativeness and entrepreneurship […] overcoming the menace of stagflation [via] a high, no-inflation economic growth […]. All that has been perfectly functional for decades, [supporting] a gradual transmission of the liberal Anglo-Saxon economic model to the entire globe, both as a result of supranational expansions of firms and consumer customs and […] the integration of global financial markets (possible thanks to the technological progress) […] till the outbreak of the crisis" (Orłowski, 2011, p. 15).

* This paradigm was based on the assumptions of the full rationality of behaviour of people/private business entities (only governments could make mistakes) and of the regulatory and allocation efficiency of market mechanisms in the attainment of balance, remedying of errors in the state regulation and negative effects of monopolization (Orłowski, 2011, p. 15).

At present, it is increasingly clear what the causes were: the systemic, structural and direct causes of the global crisis (see Table 2) even though individual authors vary in their evaluations of their importance[*], and the nature of the crisis[**]. It is time now to discuss briefly two selected phenomena and some of their mechanisms that had a significant influence on the outbreak of the crisis. These phenomena are:

- the polarization of income in market societies and economies with the related consumerism;
- the process of a hasty implementation of innovations in the conditions of hyper-competitiveness and developed stockization.

2.2. Polarization of income (and well-being), consumerism, innovations generating crisis

Even 40 years ago, a renowned Polish economist Edward Lipiński (1981, p. 529) wrote about consumption as the most powerful production force. An unresolved discussion concerning the praise and criticism of the consumer society has been going on in the economic, social and philosophical literature (Burlita, 2011). However, there is no doubt now that, starting at the second stage of development of the market economy (distinguished in the above-mentioned model), consumption becomes not only an increasingly important goal/effect of the governance but also a primary stimulus for the economic development and consumer attitudes (Szulce, 2011, p. 13)[***]. It does not resolve the issue of whether this is sustainable consumption (complying with the requirements of ethics and ecology) or wasteful consumption ("abusing the world")[****].

[*] See, for example, statements and publications by Balcerowicz, Taylor (2010), Stiglitz, Rosati, Szymański (2009) and Otte (2009).

[**] Witold M. Orłowski cited above reminds us of the lack of a clear economic definition of a crisis that cannot be defined only by the GDP drop or the depth of the breakdown of stock rates. These measures looked worse during the previous Great Crisis when more than 5 thousand banks went bankrupt in the USA (at present, it is one large investment bank and those facing bankruptcy were acquired or partially nationalized). During the Great Crisis, the scale of the American GDP breakdown reached 30% (in 2008, GDP drop in the US reached 3%). NYSE indices dropped by as much as 90% then (at present, i.e. spring 2009, "only" by 50%). However, according to that author, "a crisis does not <let us add "only"> involve a drop of the production or stock prices. It involves a permanent, usually rapid breakdown of trust […] of all in all: customers' trust in banks (we can add: to firms and their brands), banks' trust in other banks, […] workers' trust in employers, people's trust in the economic policy of the government. The market economy is based on trust – it ceases to exist without a minimum trust level. And the greatest casualty of the trust breakdown is […] the faith in the development paradigm […] and the model of the economy defined by the Washington consensus (Orłowski, 2011, p. 14.)

[***] See also the works by J. Kramer, Cz. Bywalec, E. Kieżel, Z. Kędzior.

[****] Inhabitants of North America and Europe, i.e. 12% of the population, spend more than 60% of the global expenditure on consumption while 1/3 of the global population from South Asia and Africa – only 3.2% of that spending.

Consumerism is "[…] an excessive consumption of commodities and services not justified with the actual needs of man, not considering social, environmental and individual costs; it is an incessant quest for new goods in which functional values recede into the background and what counts is the novelty effect and compliance with fashion trends. What counts is not the goods themselves but the impressions they can provide. The answer of producers and distributors taking this trend in the consumer attitudes into account was the experiential marketing [marketing of impressions and experiences]. In highly developed capitalist countries, in the era of the globalisation and the Internet, consumption became a new form of 21st century religion for crowds of consumers"*.

The excessive consumption of some social layers/classes, in particular, from the high-end market or, less frequently, medium market, is accompanied by an inherent insufficient consumption of lower-class consumers (i.e. low-end market). The economic basis for these phenomena consists of an excessive differentiation (polarization) of income (and well-being) of people. Such an excessive polarization has already twice become one of the material causes of an outbreak of global economic crises in the history of capitalism: the Great Crisis and Depression in 1929-32 (Galbraith, 1982, pp. 253-254) and the current one. Factors causing the polarization of income in the 1990s occurring in the American economy and society as well as, with lesser force, in other states with the Anglo-Saxon model of capitalism consist of those listed below.

Firstly, social, culturally established and politically accepted permission to get rich with hardly any limitations (perceiving greed as a virtue); in the opinion of many outstanding politologists (e.g. R.B. Reich, G. Ritzer) and economists (e.g. E. Phelps and J. Sachs), it was possible due to the erosion of the civil society caused due to a convergence of programs of dominating political parties, postmodernism in the axiology area, privatisation of the media, an increasing permeation between the grand business circles and politics. People's roles and attitudes become re-evaluated: a citizen driven by the directive of the common good is overtaken by a consumer (but a hedonist, sybarite satisfying his whims) and an investor – a speculator searching for fast short-term profits (famed "financial markets" that the politicians fear).

Secondly, an excessive stockization of the economy and society (every second household in the USA and every 5th one in Germany holds stocks, in many American companies, stocks are given to employees as a part of their salary and to corporate presidents as a bonus); it improves development perspectives including the introduction of innovations by firms but generates pressure from shareholders on short-term dividends.

* *Oblicza konsumpcjonizmu* (2008). See also, e.g. works by J. Bandrillad and Z. Bauman.

Thirdly, changes in the economic and social structures characteristic for the transition from the society of the industrial era to the consumer society (based on knowledge?) such as:

1) dual servicization including, at the same time: focus on the most profitable activity in the service sector, e.g. financial, medical, engineering/architecture, software, marketing/advertising and the movie industry in the USA as well as a wide range of varied consumer and production services based on private businesses but with lower-paid jobs (than in liquidated branches of the industry),
2) focus on the most refined manufacture of industrial products with highly advanced technologies,
3) delocalization of the production to countries with cheaper production factors (labour).

Fourthly, the economic growth policy based on the modelling of high internal consumption levels, taking advantage of the motivational function of consumption as regards growth (income tax concessions, low interest rates of the central bank, loosened crediting policy of commercial banks based on innovative banking products); since the mid 1990s, increasingly dependent on the inflow of cheap capital from the Far East (mainly China and Japan). The combination of these factors caused that "crisis-generating" polarization of income (and well-being) in the American society (and in other Western states) as evident in the Gini ratio for the USA and selected countries presented below (Table 3) and also an almost complete loss of willingness to save in American households[*].

Table 3

Polarization of income in the USA and in selected countries

– USA (2000) – 40.8	– Germany (2000) – 28.3	– Norway (2000) – 25.8	– Japan – 24.9 (1993)
– RPA (2000) – 57.8	– France (1995) – 32.7	– Sweden (2000) – 25.0	
– Great Britain (1999) – 36.0	– Holland (1999) – 30.9	– Denmark (1997) – 24.7	
– Australia (1994) – 35.2	– Austria (2000) – 29.1		
– Ireland (2000) – 34.3	– Italy (2000) – 36.0		– China – 41.5 (2005)
	– Spain (2000) – 34.7		– Brazil – 55.0 (2007)
	– Portugal (1997) – 38.5		– India – 36.8 (2004/5)
	– Greece (2000) – 34.3		– Russia – 37.5 (2005)
	– Czech Rep. (1996) – 25.8		
	– Poland (2005) – 34.9		

Source: *Statistical Yearbook of Foreign Trade* (2009, p. 249).

[*] For example, the savings rate of households in the USA in 2005 reached nearly 1.5% (according to other estimates, it was even negative) while it reached 10.9% in Germany, 7.4% in Japan and 25.5% in China (see Otte, 2009, p. 52).

According to Paul Krugman, these income inequalities reaching 300:1 between the highest unit income and the average income in the USA (at the turn of the century) while it amounted to 30:1 even 15 years ago were the reason why the society stopped being a middle-class society (great areas of wealth[*] and poverty with the diminishing potential of the middle market)[**].

The buyer's market created in highly developed countries, i.e. also in the USA, before the global crisis required increasingly effective methods to overcome the strong demand barrier both among the rich (comprising the high-end market) whose consumer needs are more than satisfied and among the poor belonging to the low-end market who do not have sufficient income to satisfy such needs. Consumers/households from the diminishing medium market were in between. Some of them, having sufficient income and usually supported with loans, tried to imitate the consumer attitudes of the high-end market, e.g. purchasing innovative "new-luxury" products and gambling on stocks while others, outclassed, moved to the low-end market.

The basic "recipe for life" for the high-end market, in addition to the increasing, refined marketing of offered products/services based on multi-products (i.e. system products) and containing increasingly developed experience-products/ /impressions typical for various forms of over-consumption consisted of stock deposits bearing very high risk[***]. For the outclassed medium market and low-end market, cheap economy products were left including offers from the discount commerce with own brands and even the no-name products, cheap communication services (e.g. airways), previously "industrialized" gastronomy, etc. A great social issue for the lower class creating the low-end market consisted not only in the low income but also, especially in the American conditions, the lack of retirement and health insurance (lost simultaneously with job loss), high unemployment, particularly high among the young people of the productive age as well as, in the opinion of the cited Nobel Prize winner, E.S. Phelps, a tempting alternative of crime as a way to solve material (and not only) life problems.

[*] The value of assets of the 400 richest Americans is estimated at 1.4 billion USD, which equals the annual GDP of India.

[**] In the 1990s, that potential also included 47 million American households with an annual income exceeding 50 thousand USD, i.e. more than 120 million people (see Silverstein, Fiske, Butman, 2003).

[***] At the end of the 1990s, American households with the highest income (V quintile group) held about 63% of all securities.

It is difficult to classify the increasing refinement of brand product offers as consumerism (as a rule, the continued innovations), increasingly better adapted to individual needs and expectations of the buyers from various markets (e.g. mobile phones with functions/options for specific user groups, private medical care or education services, etc.)*, even though it has existed in that area as well. However, a parallel direction of marketing activities of enterprises/organizations includes the "infantilization" of the consumer typical for consumerism including the "consumerization of a child".

The creativity of this contemporary, aggressive route of behavioural marketing focused not exactly on the needs or even expectations of the consumers but on their whims: initially those of the children and teenagers, students, young adults aged 25-30 (many of them, i.e. the singles, have professional careers but still live with their parents and have no life and family obligations of their own). It took advantage of the mentality of the infantile age when the drive to satisfy a whim does not take others' needs into account and is linked to a momentary impulse. It also made successful attempts to propagate such features of consumer attitudes in the whole of society as a part of the shopping lifestyle, including nearly unlimited purchasing possibilities with the use of innovative credit cards, modern commercial solutions, e.g. trade centres seizing municipal public space and also commercial media (commercials, movies, television) overpaid by corporations. An appropriate agency of the US government with commercial banks participated in the consumer loan program for students taking place in the form of a public-private partnership, issuing credit guarantees to them (on average, graduates from American universities are in debt worth about 14 thousand USD as soon as they graduate, a US household has a debt amounting to 17 thousand USD not including mortgage debts) (see Szymański, 2009).

One of the methods used in order to solve economic and social issues of the middle class (and, at least, partially, of the lower class) excellently fitting with the US governmental policy of economic growth via an increase in credited consumption became the "house for everyone" program based on the "American dream", a myth cultivated by both great political parties since the times of the presidency of F.D. Roosevelt, taken over by the government of President B. Clinton (and continued by his successor).

* They took on the form of the mass individuation marketing, individualized marketing, consumer activation in the co-development of products (see Kotler, 1999, p. 50; Prahalad, Ramaswamy, 2005).

An aid in its financing included the Fed's low interest rate policy discouraging saving (2002-2006) and encouraging credited consumption. The basis for the financing of this project consisted of "innovative" credit banking products (among others, subprime loans) suggested and extended to households, even those without any creditworthiness, including the unemployed (i.e. ninja loans). The risk related to such products with variable interest rates was "diluted" thanks to another banking innovation consisting of liens on mortgages of purchased properties and state guarantees with the subsequent securitization of such loans. Additionally, the banks were making profit on other "innovative" products: loans for apartment owners (already having mortgages), extending loans to them for the further financing of the consumption (for the furnishing of such apartments, purchases of new cars, contributions to retirement benefits, etc.).

According to J.E. Stiglitz, all these innovative financial products were based on the rule of the "information asymmetry" to the detriment of the consumer, they were insufficiently safe for him, were supposed to stimulate and finance consumption (which they, for the time being, managed to achieve) but combined with the Fed's interest rate increases from 1.5% up to 5% in 2006, they significantly contributed to the outbreak of the financial and economic crisis. "America is not on the verge of a tragedy parallel to an economic catastrophe. Millions of poor Americans lost or will lose their homes […] in 2008 […] 2.3 million, in 2009, 2.1 million. By 2012, other millions of homes are expected to be taken over by banks due to unpaid loans. Banks have jeopardized lifetime savings of millions of people persuading them to live beyond their means" (Stiglitz, 2010, p. 91). According to A. Jarmowska, a huge part of the American society lost a major part (some of them the entirety) of their lifetime savings[*]. A similar situation – although on a smaller scale – occurred in the real estate market in Spain, Great Britain and Ireland.

2.3. About the mechanism of a hasty implementation of innovations in the conditions of hyper-competitiveness and developed stockization

Another crisis-generating phenomenon with a particularly strong impact in highly developed, globalised economies, consists of hyper-competition. It is a new form of competition among firms on global deregulated markets and in

[*] According to the estimates of the cited author, the value of assets of US citizens as of the peak prosperity period in 2007 has dropped by 14 billion USD, the value of houses diminished by ca. 20%, the value of pension funds – by about 22% and the value of stocks by about 45% (Jarczewska, 2010, p. 49-50).

convergent industries. It is caused by: fragmented tastes/expectations of consumers, attractiveness of substitute or new products, willingness of innovative firms to quickly gain a competitive edge as a result of being first. Such firms have such new technologies/offers at their disposal that no competition rules/standards have appeared as yet. However, they frequently do not have sufficient financial funds to commercialise these technologies (see Kotler, Caslione, 2009, p. 45).

Hyper-competition enforces the fast marketing of product innovations in the form of breakthrough innovations (initially addressed to niche markets) or continued innovations, which is subjected to a cycle of marketing activities (including the designing of a new or improved product). If such a product is a market and financial success the conditions of the competition change in the industry and its environment ("murder" of the existing product category, victory of the innovator and his product with a new brand, elimination of the existing leader from the market or even the "fall" of an entire industry).

C.M. Christensen and M.E. Raynor (2008, p. 49), authors of the theory of breakthrough innovations describe that mechanism directing attention to the "merciless" pressure of financial markets expecting high increases in the market value of the innovator's firm; let us add that it is also intensified by the cheap credit for purchases of stocks of innovative firms. It corresponds with the earlier opinion of Ch. Kindelberger that the creation of innovative products nearly always arouses the hope of speculator-investors for exceptional profits from quickly purchased stocks of innovator firms and their resale before they start losing their market value (among other things, as a result of an introduction of subsequent innovations). However, it can lead to the overestimation of new expansion possibilities related to an innovation. And, via the "bursting of the speculative bubble" due to an intense promotion of innovations, it can lead to a crash (crisis) when the hopes of other shareholders for easy profit, except for the leading speculators who sell the stock sufficiently in advance, are not fulfilled (Otte, 2008).

This is what happened with the previous crisis in the American economy in March 2001 when the technological bubble (dot-coms) supporting the growth of that economy in late 1990s burst. The drop in stock value of firms from that sector by 78% caused the suspension of large investments and that, in turn, caused a recession. A similar but more complex mechanism was triggered in the real estate market (and related industries comprising nearly one third of the US economy) bringing about the same effect at the end of the decade, i.e. a breakdown and recession (January 2008 to March 2009).

In the latter case, it was about a great "innovative" change in the life situation of millions of Americans from the lower class – and, in part, from the middle class – thanks to the first purchase of their own house. The change was intensely promoted as a part of the policy of the quantitative and qualitative development of consumption by the federal government, central bank (implementing, for the time being, the low interest rate policy) and banks promoting innovative loan products (but with variable interest rates) that wanted to make good profit on them and, finally, intensified by the belief that prices of the purchased properties would be continuously on the rise because of the increased and sustained demand. However, buyers of these houses and loans financing them usually did not have sufficient knowledge and competencies to assess the risk related to (easily) obtainable loans that, according to J. Stiglitz, was even purposefully underestimated or shrugged off by lenders. The asymmetry of the information prevailing during the creation of such financial products to the detriment of the customer by banks/financial institutions, as indicated by that Nobel Prize winner, sheds new light on the thesis about economies and society of knowledge in highly developed countries including the USA, which is worth critical consideration.

3. Will the crisis slow down enterprise innovations? Any advice for firms for the recession?

Professor Nouriel Roubini has written recently that "Karl Marx had a point when he tried to prove that globalisation, wild speculation and the fact that the capital takes down the majority of job revenues and gets rich rapidly can be about the self-destruction of capitalism […]. Firms reduce employment due to an insufficient demand. This reduces income from the labour, increases inequalities and reduces the demand even more. Even middle classes worldwide experience the drop in income and reduction of opportunities as painful. Most developed economies face another recession" (Roubini, 2011). The danger of such a recession is even greater due to the slump in Japan after the catastrophes, the crisis in the Eurozone, budget issues of the USA (with an attempt to reduce the rating), the weaker-than-expected development of BRIC countries including China and the economies of Germany and Australia oriented on exports to these countries[*].

[*] According to Roubini, growth stimulation is hindered in developed countries due to: the budgetary policy (with huge debts of these states), no possibility of real depreciation of national currencies (e.g. the Yen, Franc) without the outbreak of currency wars, indebtedness crisis – already not only in peripheral states of the Eurozone and the resistance of Germany to decisive, although mainly feasible at their cost, methods of its settlement (Roubini, 2011).

The wave of the recession can soon cover the countries having economic and commercial relations with Germany, including Poland (if it is not amortized by the demand in the relatively high Polish internal market).

Even if we assume that Poland will not find itself in the slower growth or even recession area in 2012 (an optimistic proposal of the minister of finance relating to the draft of next year's state budget is 4% of GDP growth)*, it is worth becoming familiar with the perception of the crisis in the optics of a single enterprise and suggestions as regards its operation during the recession.

Table 4

Firm's marketing activity program during a crisis (recession)
(according to H. Simon, Ph. Kotler and J.A. Caslione)

Served target markets − **focus on the most valuable customer segment**, penetration strategy to take over customers from weaker competitors (H. Simon) and its defence from strong competitors (Ph. Kotler) − cautious geographic expansion (H. Simon)
Product/producer and vendor's trade offer policy − **focus on basic values for the customer** − ongoing verification of the product portfolio and product lines of the company − potential returns to less complex versions of products − cautious introduction of innovative products for interested consumers (Kotler) − transformation of the offered products into a system solution offer/with a package of innovative services at constant prices (Simon)
Customer communication policy − rationalization of expenditure for traditional advertising (TV, the press, outdoor) and its transfer to the electronic media (Kotler) − **higher focus on the content of the promotional message, promotion of utility values in place of the emotional, image values** (Simon)
Price and sales policy − **defence of the existing/attained price level** even if an additional benefit for the customer is to be added for free (e.g. extended guarantee) − cautious price increases in connection with the incomplete transparency and varied willingness of customers to pay them (Simon) − **in the event of a price reduction − a uniform rebate policy with no impairment of the brand image** (Kotler)
Distribution and sales management policy (prevent sales reduction) − **do not give up on weaker intermediaries but motivate them better** (Kotler) and, according to H. Simon: − extend the assortment of the sales to include complementary product, cross-sales − development of direct sales, rationalization of the sales time − appropriate management of visits to a customer − **strengthening the sales staff (and its motivation)** − **"transfers" of the best vendors from competitors** − engagement of back office employees to participate in the sales − topical, specific training

Source: Simon (2009); Kotler, Caslione (2009).

* It would happen if the public debt of Poland exceeded 55% of the GDP (currently 53.3%) and if the budget deficit of 7.9% of the GDP could not be reduced to 3% of the GDP required under the Maastricht Treaty. In such a situation, the government would have to reduce investments and the indexation of salaries in the public sector and pensions to reduce the debt level (see *Żaden kraj nie jest wyspą*, 2011).

According to Herman Simon, a German management and marketing professor, the crisis for an enterprise always entails a drop in sale/revenue due to the diminishing demand and also a drop in the profit resulting from the sales drop and price reductions necessary to curb it. It can also entail the danger of the loss of financial liquidity and creditworthiness if the above-mentioned phenomena are long-lasting. This is because "[…] both private and corporate customers refuse to make purchases […] being concerned about the future […] save money […], continue the extension of their assets to be able to compensate for losses borne on investments (e.g. in securities, real estate, etc.)" (Simon, 2009, pp. 15-16; see also: *Zachowania polskich konsumentów…*, 2011).

The consequence of this diagnosis is the suggestion of an integral system of marketing operations including sales and selective steps leading to cost reduction in order to trigger three profit levers improving its ratios and financial liquidity: prices, sales volume and costs (see Table 4). In turn, according to that author: "[…] activities oriented on an improvement in the strategic position of the firm and the long-term growth of the enterprise such as innovations, entry to new markets, diversification and integration, radically new business models and improvement of employee skills […] are not appropriate in fighting the crisis […]. They initially generate negative cash flow […], encumber […] the strained finances of the firm […]. Their effects are perceived only a few years after their application" (Simon, 2009, p. 57).

Ph. Kotler and J.A. Caslione express a different opinion as they formulate a plan of anti-crisis operations for enterprises nearly identical as that formulated by Simon (see Table 3). However, they also support the introduction of new, innovative products by firms but under different brands and addressed to the most frugal customers (Kotler, Caslione, 2009, p. 161).

Programs of tactical and operational activities of enterprises for periods of recession, even if full of marketing/commercial "micro-innovations" forced as a result of the crisis cannot overshadow the strategic issue of how to operate in longer periods if the global crisis is not curbed but transforms into a long-lasting recession (according to letter L) or, as an alternative, took on the form of a hysteresis (a drop in the development level of an economy is partially compensated but many of its causes and effects continue to exist, e.g. higher unemployment, lower exports than before the crisis…).

Necessary transformations of enterprises, their business models and management systems also covering contemporary networked enterprises/organizations being one of the key factors and effects of the previous globalisation will make it possible to (Prahalad, Krishnan, 2010; Kotler, Kartajaya, Setiawan, 2010):

1) via the co-creation of innovative offers/values with the consumer – make people more sensitive to unsolved social and environmental issues (e.g. consumerism/poverty, degradation of the natural environment and climatic dangers),
2) in the firm's access "to resources and talents worldwide", uniformly distribute the costs and risk and proportionally share the attained value added with all partners of the firm,
3) be able to operate also in the conditions characterized by de-leveraging or relying on the internal capital if the acquisition of funds from financial markets and from bank loans turns out to be difficult,
4) not to give up the attainment of profits or their maximizing including the dividend for shareholders but in longer periods, thanks to the sale of products of companies for a "fair price" and environmentally sustainable business practices,
5) not to focus on aggressive competition but rather on cooperation with competitors in the solving of environmental issues,
6) reach those target markets, also low-end markets (lower class), that will be able to benefit most (see also Yunus, 2011),
7) in the making of decisions, be driven not only by knowledge of all stakeholders including the consumer, the firm but, in particular, by wisdom.

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