Consuming loyalty
Marketing technology and relationships in the consumer society

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Abstract

The field of marketing is currently undergoing a reconceptualization, largely influenced by new computer and communication technologies. The shift to more high-tech ways of knowing is linked to a new discourse on customer loyalty, relationship management, and customer-specific marketing. Customers are increasingly viewed not as elements in a mass market or market niche, but as individuals with their own important patterns of consumption. The technologies and rationality of customer loyalty are investigated through a study of the Air Miles loyalty program and the relationship marketing literature. The 'promise' of new marketing technologies is analyzed as a means of surveillance, and as an instrument for the accelerated commodification of society.
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1 Introduction

Marketing has recently been declared to have attained a central role in the corporation, infusing all other departments with its logic. This 'changing role of marketing' follows a reconceptualization of the field from one concerned with simply selling products to focusing on individual customer relationships. This shift has been enabled largely by new technologies of communication and computation, which make it possible not only to track individual customers' behavior, but to 'mass customize' consumer messages, rather than aiming them generally at a mass market. Digitized customer knowledge is increasingly seen as a crucial asset of modern corporations. With its current ubiquitous catch phrase of 'know thy customers', marketing is undergoing a massive surge in importance and perhaps even celebrity.

The barcoding, or capture, of individual customers through card-based loyalty programs is a primary technique for automating information gathering on customers. Such programs quickly lead to vast amounts of information, and marketers are now strategically positioning themselves for battle in the coming 'information war'. This information is not only useful internally to the company, but may be easily commodified and exchanged. The Canadian Air Miles loyalty program is one such system that accumulates information from customer purchases, analyzes it, and sells it to its sponsors to inform their marketing campaigns. In this thesis, I analyze the Air Miles program as a system of consumer surveillance and management, looking closely at its technological systems for gathering and processing customer information. I then discuss current trends in the field of relationship marketing, showing how marketers are reconceptualizing their field in response to new information technologies.
Though marketing concerns itself directly with the articulation of production and consumption, it is very rarely investigated by social or cultural theorists (Dawson 1995 is a notable exception). Most work concerning itself with consumer society either focuses on consumer culture generally, or on the field of advertising. However, behind every advertising campaign lies a research network, and an apparatus of evaluation which makes it possible (Mattelart 1991). By making marketing rather than advertising my focus, I hope to begin to correct this imbalance. Marketing knowledge (or even science) increasingly provides both the technical basis and rationale for the production apparatus. The external face of the business enterprise, marketing has to be seen as one of the main engines structuring everyday life. As a medium of communication between business enterprise and individuals qua consumers, and increasingly as an integral part of the commodity product itself, the marketing 'machine' is essential to the reproduction of the social relations of capitalism.

My discussion of marketing lies at the intersection of literatures on consumer society and technological society. Rather than try to elevate one concept over the other, I map out the relations between them: in high-tech capitalist society, the institutions which largely structure social practice use and organize technologies in such a way as to encourage profitable relations; this influence is felt not only in the realm of production, but increasingly in that of consumption. I am not interested in whether or not we are in a new era that may be freshly labeled post-Fordist, postmodern, or even post-capitalist, but rather in mapping out the continuities as well as the developments and displacements surrounding the increasing technologicization of marketing relationships and consumption. The important questions
are: What is the nature of marketing's power? How is it exercised? How is it legitimized? How is it technologized?

The thesis is also a critique of technological capitalist practice. As influenced by Marcuse, it attempts to lift the 'technological veil' which covers the contingency of technical design, and technological progress. My position is then not one of technological determinism; marketing is not 'automatically' submitting to a technological logic which may be out of control. Rather, particular forms of technology are being developed and instituted which reflect existing power relationships in society.

Below I introduce the concept of marketing as a reflexive knowledge industry, and discuss the types of technologies which are important for my analysis. Chapter 2 describes the Air Miles system, its technological basis, and techniques of classification and knowledge production. Chapter 3 then broadens the discussion to relationship marketing generally, examining recent discussions in the marketing literature. It also extends the analysis with respect to theories of consumer society, and includes a critique of the 'new marketing rationality' as sophisticated moment in the capitalist rationalization of society.

Marketing as knowledge industry

Marketing is a knowledge industry which informs and directs the way businesses relate to consumers and the general public. While marketing practice is changing drastically in response to the incorporation of new information technologies, its underlying logic remains unchanged. Marketing is the external face of business, concerned with how a company's
products are selling. In an analysis of various definitions of marketing, John Frain stresses that there are two 'fundamental elements' found in the operating policies of businesses:

1. that the organisations should bring themselves into mutually satisfactory relationships with the users of their products or services, and

2. based upon these relationships, organisations must then strive to attain their objectives which, in the business world, are usually expressed in terms of return-on-investment (Frain 1986: 6).

Marketing is a system of knowledge which concerns itself with the relationship between a business and its customers. This concern may be expressed in various ways, such as determining and satisfying the needs of customers, or informing customers about products; but underlying this attention to customers is always the 'bottom line' of the dollar. The business enterprise engages in marketing for the purpose of increasing its profits, for the simple reason that it must find buyers for its products in order to remain 'in business'.

Theodore Levitt expresses this succinctly: 'The purpose of a business is to create and keep a customer' (Levitt 1986: 5). Following from such a definitive statement is the realization that the business must provide products or services that are attractive to the customer, that they must retain investors, and that to do all of this they need to have a strategy, a plan. 'In all cases there must be an appropriate system of rewards, audits, and controls to assure that what's intended gets properly done and, when not, that it gets quickly rectified' (Levitt 1986: 6). Levitt here precisely describes the rational character of marketing practice. As a knowledge industry, it must accumulate knowledge in order to inform its strategy, and it must constantly monitor the activity of the company, in order to properly direct it, and to revise operations in light of new knowledge. This reflexive, knowledge-based
character of marketing practice makes it an ideal candidate for susceptibility to the ongoing and seemingly-omnipresent 'information revolution'.

A review of current marketing literature leaves little doubt that many believe this information or technological 'revolution' is now well underway. Whether it is viewed as changing the rules of marketing (Hoffman and Novak 1997, Redgate 1994) or even rewriting the 'basic rules of competition' (Peppers and Rogers 1997), the consensus is that something big is happening, and those who wish to remain alive had better figure out what it is and how to capitalize on it. The common theme is that mass marketing is dead, and that technology killed it. While this is to some extent true, and though I will be focusing primarily on the technological features below, I will also discuss the symbolic dimensions of marketing and loyalty.

As with any process of social change, there are various continuities as well as discontinuities to take account of in the development of modern high-tech marketing. While the underlying logic of marketing remains the same, the ways in which it achieves its goals are undergoing a reconceptualization. In what follows, I will focus on two important trends: (1) the increasing rationalization (or 'scientification') of marketing practice and the ties between this process and new technologies; and (2) the shift to a customer-centered focus or philosophy. These two trends are intertwined. Marketing has always been the outward-looking face of the business enterprise; increasing the focus on the customer is equivalent to elevating the importance of marketing within the corporation; and further rationalizing marketing is a result of increased attention on this sphere.
Marketing technologies

One of the aims of this thesis is to illuminate the ties between marketing rationality, practice and its tools. While my way in is through marketing technologies, I construe this term very broadly. A 'technology' is not only a mainframe computer at American Express, or a local merchant running demographic analysis software on a PC, but also the concepts, or 'intellectual technologies', which form the basis for institutionalized forms of knowing and acting. In the pages below I will discuss computer and communications technologies at length, but I will make no hard boundaries for this category. Technology is social practice, whose rules are typically inscribed in systems of artifacts.

While marketing has always been a knowledge industry, it is now rapidly becoming an information industry. By noting this difference, I mean to imply both that marketing is increasingly obsessed with information, and that it is using computer technologies more and more to handle it. What I don't mean to imply is any significant, non-ideological difference between the two terms. In typical rhetoric in the literature about 'turning information into knowledge', the difference is overdrawn. To be sure, the kinds of knowledge/information that the marketing industry uses and legitimizes is changing, mostly as a result of the increased ability to transmit, process, and store information electronically. However, the increasing emphasis on accumulating data and information is meant to emphasize marketing's empirical basis. This rhetoric alludes to the scientific character of the new marketing, and accordingly affords new techniques legitimacy in the name of empirical, behavioral science.

The two most important types of 'concrete' technologies for our discussion are computer
networks and computer databases. If computer networks are becoming the central nervous system of the late 90s marketing-based corporation, the centralized marketing database is now functioning as the 'corporate memory' (Poulos 1996). The modern corporation depends on data (Gandy 1993: 60), and is becoming increasingly reliant on the computer database for its storage. The idea is a simple one: marketers would do well to keep track of myriad bits of information about their customers and prospective customers as well as the company's products; the tool for managing information par excellence is the computer database. Indeed, while the reach of technology into business is broad—fax machines, email communication, pagers, cell phones, computers—the computer database is the central repository for information (and in that capacity underlies many of the other technologies).

The power of a computer database is limited unless the data stored in it is accessible. Networks, or configurations of computers with the ability to transmit data among them, enable the communication of data across distances. These networks may be internal to a company, where various members of a marketing team have access to a 'data warehouse' which contains the data that informs their work. More important for our focus are systems which span broad geographic regions. The Internet is the largest computer network operating today; however there are many other private networks in operation.

The information that is stored and transmitted by computers must at some point be entered into the system. This process involves the conversion of 'real world objects' into rationalized representations. Any database starts with a data model, which is a specification of how the 'things' that are to be stored will be represented electronically (Holtz 1992). A
model of a customer may consist of a grouping of characteristics such as Age, Education, Occupation, Income, Lifestyle, Hobbies, Purchase Behavior, etc. These fields of the database reflect both what the company considers useful, in terms of what they will be using the data for, and what is convenient for the computer to store and process. Obviously, the conversion of individuals into representation involves significant choices and streamlining (Beniger 1986, Gandy 1993).

The development of scanning technology effectively automated the process of data entry (Gandy 1993, McCann 1995). Originally used to keep track of products and automate pricing in retail settings, scanners provide a crucial access point to the computer system, the point at which data about the consumer or product is ‘captured’. As Dunlop and Rivkin (1997: 13) point out, the development and widespread acceptance of the Universal Product Code led to an explosive growth in the number of products available in the typical US supermarket. Stamped with their own unique identifier, which could be read automatically instead of punched in, products became easier to track using technology. Products became both ‘visible’ to the computer and consequently more manageable. As we’ll see, the ‘barcoding’ of individual consumers promises to have similarly wide repercussions.

The information technologies under investigation in this thesis are theorized primarily through the concepts of surveillance and rationalization. These technologies are not only those of production, but also fundamentally communication and information technologies, each with its own particular logic and format. As information technologies, they are involved in the rationalization of the realm of consumption for the purposes of increased capitalist
profitability. I look in detail at how this process of rationalization is proceeding, and how power dynamics between producers and consumers are being re-inscribed.
2 Marketing information: Air Miles

The Air Miles loyalty program

[The Loyalty Group] coined the phrase *Information Wars in the Information Age*. Retailers and financial services know how to run price wars... they know location wars and they know advertising wars. Now we are learning how to compete in the real war—the information war (Moxley 1996: 1)

The Air Miles customer loyalty program demonstrates the importance of information technology for making the customer both visible and manageable. Administered by the Loyalty Group (formerly the Loyalty Management Group) in Toronto, Ontario, Air Miles rewards consumers with free air travel miles for shopping at participating stores (known as 'sponsors'). After collecting the required number of 'miles', the consumer may redeem these for a free plane ticket, or one of many other prizes. Though the offers can differ at each participating store, a common offer is one travel mile for every $20 spent in the store. In addition there may be many special promotions: double air miles for a particular purchase, bonus air miles for signing up, etc.

Air Miles is only one of an increasing number of 'loyalty programs' based on point accumulation (another type of loyalty program offers automatic price discounts based on purchasing history). From the side of the sponsor, the (partial) logic of the system is clear: stores participate in the Air Miles program to gain an advantage over competitors, since the 'average' consumer will stay at the supermarket where he can get miles, rather than shop at a store without such a reward program. The Loyalty Group accordingly charges sponsors an annual 'exclusivity fee' to keep their competitors out of the program (Deverell 1996).

Air Miles has obvious precedents in 'low-tech' programs such as coupons, coffee-club...
cards, and Green Stamps. The novelty of Air Miles is in the technology: not only are
customers relieved of the burden of collecting and pasting stamps or clipping coupons,
but their behavior is easily captured by the system. Each time the consumer presents her
Air Miles card at a participating store, it is simply swiped by the cashier, and information
about the purchase and the collector is automatically stored. Dave Moxley, former Vice
President of Technology at the Loyalty Group, describes the benefit: ‘Our . . . participating
sponsors record each customer’s purchase and send us the data, which is basically a free
byproduct of the Air Miles program’ (Moxley 1996: 1). Moxley’s statement is both correct
and misleading. It is correct in that the information about the customer’s purchase is
captured almost effortlessly, since the same system that counts up the miles records product
information as well. The statement is misleading in its intimation that this data is merely
a side benefit of the program. In fact this information is the driving force of the Loyalty
Group.

The Air Miles system is a broad electronic network, spanning Canada, which captures
information from collectors and assimilates it into a main database in Toronto. The program
has been growing since its inception six years ago. In terms of consumer coverage, the
program is expanding in two dimensions: increasing numbers of Canadians are participating
as collectors, and more and more stores and chains are signing up as sponsors. As of August
1998, the program had 134 sponsors across Canada and 7.2 million participating households,
accounting for 56 per cent of all Canadian households (Noble 1998). According to Moxley,
the penetration in certain regions is even better: ‘. . . in some cases, in large western cities
like Edmonton, Calgary and Vancouver, we have 70% to 80% Air Miles penetration. So what we actually have is very near a census. *Stats Canada* would love that kind of response rate when they run the census' (Moxley 1996: 17).

As the spread of the Air Miles system indicates, point accumulation loyalty programs are now a 'craze' among consumers. One report claims that 52 million people in North America are participating (Craig 1998). 'There are newsletters dedicated to collecting points, Internet sites that offer advice, and even a U.S. company that sells insurance to protect them' (Craig 1998). Credit card companies are also getting into the game—a somewhat easier effort as they already have the networks in place. James McPhedran, director of loyalty, advertising, membership rewards and event marketing for American Express Canada claims that points have become a 'second currency' in North America, and that a third of Amex customers rate loyalty programs as the most important benefit a card can offer ('Point spread': 1997).

One important feature of the Air Miles system that differentiates it from many other loyalty programs is that it is a 'cross retailer' program, meaning that many different stores participate, both chains and independents. The types of stores participating in the program is broad, including pizza restaurants, department stores, video rental stores, phone companies, hardware stores, hotels, courier services, and gas stations. Air Miles has also increased its coverage by signing up American Express and Master Card as sponsors. With these partnerships, customers are able to double the miles they collect by using one of these credit cards at a participating Air Miles sponsor. In terms of customer knowledge gathering from a variety of sources, Air Miles is rivaled only by the credit card companies themselves. This
incorporation of information technologies is a major innovation in loyalty programs and has broad implications for marketing knowledge.

The consumer as information provider

By incorporating computer technology, the Loyalty Group has essentially and importantly 'informed' the operation of consumption (Zuboff 1988). Just as the introduction of computer technology into the workplace led to the effortless capture of information regarding employee (computer operator) performance (see e.g. Rule 1996), by requiring participants to present an identification card at the point of purchase, the Air Miles program creates the starting point for a massive system of consumer surveillance and management. Business Professor John McCann describes the necessary conceptual shift: '...we must move ... from a view of people as consumers of information to people as generators of information' (McCann 1995). Of course consumers may be seen as both, but only when they are part of a system such as Air Miles are people effectively 'barcoded', turned into identifiable objects of marketing administration.

The Air Miles system is thus fundamentally a network of consumer surveillance. It is designed for the efficient, continuous, and automatic gathering of information about individual consumers' behavior. The history of the mechanisms of control that constitute surveillance were best understood by Foucault (1977). His analysis of the concepts of 'correct training' and 'panopticism' are crucial for understanding the importance of surveillance in the world of marketing and society generally, as well as the ongoing push to increase the
surveillance capacity of modern institutions. In Foucault’s analysis, the two key elements of correct training are hierarchical observation and normalizing judgment. Discipline begins with observation; the individual is watched and her behavior noted by someone who maintains a 'higher' position in the system hierarchy. Through judgment, the observed individual is compared; her actions are referred 'to a whole that is at once a field of comparison, a space of differentiation and the principle of a rule to be followed’ (Foucault 1977: 182).

The techniques of hierarchical observation and normalizing judgment are combined in the examination, which Foucault describes as a ‘normalizing gaze’, a ‘visibility’ through which classification and punishment of the individual is made possible (Foucault 1977: 184). Also through the examination, the individual is introduced into a ‘network of writing’ which serves to 'capture and fix' her (Foucault 1977: 189). The individual subject then becomes an object in the panoptic system, understood in her abilities and characteristics through the body of knowledge which the system produces. In this sense, the individual is constructed through the gaze, not only as an individual object, but as part of a population. The examination then makes this ‘comparative system’ possible, in which a population is created through the production of individual ‘cases’ (Foucault 1977: 190).

A number of authors have usefully extended Foucault’s analysis of surveillance to include information technologies (Webster and Robins 1986, Gandy 1993, Lyon 1994, Poster 1995, Samarajiva 1996). The Air Miles network is, in Poster’s terms, a ‘superpanopticon’ which extends the lines of visibility electronically across vast distances. The Air Miles collector enters the computer database ('network of writing') upon application, and is 'observed'
every time her card is swiped. Her behavior is then examined and she is classified and judged. She thus becomes part of a 'market' or 'market niche' and is handled accordingly—receiving appropriate marketing offers in the mail. Gandy (1993) summarizes the panoptic process as consisting of identification, classification, and assessment.

The main ingenuity of Air Miles and programs like it is the combination of a frequency program—rewarding customers for repeat purchases—with the ability to tailor advertisements to specific individuals. The communication process flows both ways: the Loyalty Group does not just collect information, but needs to communicate back to collectors as well. This can be done on an individual basis through the use of computer technology: 'By adding a database to the Air Miles concept, we created the opportunity for interactive communications with our Collectors and the ability to model and target high potential value customers based on demographic and purchase behavior data' (Underwood 1996).

Air Miles is largely about direct marketing, greatly hyped in the current marketing literature, though it's been around in practice for decades. The main idea of direct marketing, as Underwood points out, is the ability to target particular customers with advertisements or offers. Targeting is important for economic reasons; by focusing only on high-probability responders (alternatively, eliminating those who are unlikely to respond), the marketer increases the chances of getting a profitable return on investment. The marketer is also now in a 'relationship' with the customer, which is mediated by technology. The customer communicates with the company by filling out forms and surveys, but most importantly just by using the card. The marketer is now in a position to 'listen' to the individual customer (Melmon
n.d.), and communicate with them directly. This key realization now has marketers talking of ‘dialoguing’ with individual customers, rather than conducting a monologue (McKenna 1997).

The power of customer knowledge has always been in differentiation—differentiation both of the customer base and of the way each segment or individual is approached. Communication with customers can now be varied, and the product or service individually tailored on a broad scale. Marketers refer to this phenomenon as mass customization. One marketing consultant defines mass customization as ‘conducting a dialogue with each core customer—one at a time—and using the increasingly more relevant and detailed feedback to produce the best products or services for that customer. This binds producer and consumer together in an interactive learning relationship’ (Bhote 1997).

The potential of direct marketing then puts the onus on marketers to increase their knowledge of customers. Now they not only need to know the market, but where each customer falls within it. Dividing consumers into segments is the typical strategy for direct marketing. Formerly based largely on demographics (inferring what a customer will buy based on where they live) or lifestyle, card-based programs like Air Miles are now allowing marketers to build up profiles of consumers based on their actual purchase history. The main bulk of information that the Loyalty Group manages is the behavioral information that is collected when a customer buys something at a sponsor store. ‘[This] data tells us what 5 million consumers are doing—real households in the marketplace. It’s completely automated’ (Moxley 1996: 1). Moxley goes on to emphasize the value of this new approach:

We are about behavioral information. It starts with getting the warranty cards;
the check cashing card or the in-house credit right up to a coalition loyalty pro-
gram... The coalition program collects information not only on your customers,
but also on non-competing retailers' customers who could potentially become
your customers. That's information at the highest level. It's behavioral infor-
mation. It's what customers do, not what they've said they'll do... We're all
creatures of habit and we tend to do what we've done in the past. Time and
time again, behavior is the best predictor of future behavior. My favorite story
about the difference in those two things is that approximately 80% of mothers
say they will never buy pre-sweetened cereal for their children, yet 90% of them
do. (Moxley 1996: 7).

The emphasis on empirical, behavioral data is becoming widespread; and the implication
here is that marketers are now poised to more accurately predict the behavior of consumers.
In the past, marketers were forced to use heuristics, such as lifestyle characteristics or place
of residence, to guess at customers' future behavior. Now, with an informed consumption
process, marketers claim to be working towards eliminating the assumptions underlying these
previous methods.

The crucial concept behind direct marketing of any kind is stated by marketing consultant
Brian Woolf as the first principle of 'customer specific marketing': 'All customers are not
equal' (Woolf 1996: 11). As I discuss below, consumers may be differentiated in many ways.
Marketing consultants and authors Don Peppers and Martha Rogers provide a framework
for this conceptualization of customers; they claim that there are
two . . . useful differences among customers—needs and valuations. Customers
have different needs from a firm, and they represent different valuations to
a firm.

All other types of customer description—demographics, psychographics, firm-
ographics, business category, satisfaction level, transaction history, business cul-
ture—are just proxies for discovering the customer's needs and value. (Pepp-

According to Peppers and Rogers a company may employ a strategy which attempts to
differentiate customers either by needs, or by value, or both. This process may begin with the barcoding of the consumer, which automatically places emphasis on behavioral consumer data and therefore leads to an increased focus on directly measuring the value that a customer represents to the business.

For the Loyalty Group, the ability to discover a customer's value lies in their 'information warehouse', which they refer to as the 'STAR System (Strategic Targeting Analysis and Results' (Moxley 1996: 5) (Figure 1). The figure shows the flow of information in the system, from behavioral data, their own research, and data purchased from other sources, through the STAR System to the desktop where it is analyzed with software by a marketing expert. Though the bulk of the information feeding into the database is behavioral, the Loyalty Group still relies on other forms of information, including what they can get the collector to disclose about herself. This 'layering' of information is enabled by its 'digital advantage': any data that can be digitally coded can feed directly into the warehouse, where it can be easily and cheaply stored, transported, combined, and manipulated (Davis et al. 1997). The desktop computer then becomes, in Latour's (1987) phrase, a 'centre of calculation' from which the entire marketing space of the Air Miles system can be viewed and analyzed.

Basic information about age, gender, household size and income is requested on the original form that must be filled out to become a collector. In addition, the Loyalty Group runs special offers to encourage collectors to divulge more information about themselves. A recent example from the Air Miles web site offers collectors a chance to win 10,000 travel
miles if they answer questions such as which credit cards are used in their household, how often they buy lottery tickets, whether they rent or own their home, what their level of education is, and what the ages of the other members of their household are ('Air Miles collector survey'). Also included in the survey are a few questions asking the collector to divulge how often they buy gas, which department stores they shop at and how often, how much banking they do with which banks, and which credit cards they use and how often. Such questions are designed to determine more about the consumer's activity outside of the Air Miles domain. The marketers at Air Miles know exactly how much a collector spends at the Bay department store (which is a sponsor), but they don't know what portion of her total department store shopping is done there, except by making uncertain inferences based on general market data about families which are 'like' hers (according to some criteria). This is beyond their reach, unless, by answering the survey, the collector provides them with more knowledge.

The Loyalty Group doesn't give sponsors direct access to the database, but instead fulfills their queries for them. Figure 2 shows the types of information a sponsor can get from the Loyalty Group for free. By 'hacking through the funnel' (Figure 2, upper left), a sponsor can receive a target audience for a particular promotion simply by providing criteria from among the fields in the database. For example, a sponsor could get the names of all collectors who are residents of British Columbia, who have shopped at either Shell or Safeway, and have at least 100 Air Miles (Moxley 1996: 7-8). This gives sponsors a broad ability to segment their customers according to any of a number of different criteria, limited only by the scope
of customer information that the Loyalty Group accumulates.

The importance of combining behavioral information with other data gathered on an
individual or household is illustrated by the Air Miles Marketing Opportunity Matrix (AMOM)
(Figure 2, bottom). The two axes of the matrix reflect the spending potential and the
behavior of the customer. The spending potential (vertical axis) in the figure is household
size, but it could also be income level, lifestyle, or other information assumed to reflect
how much a person or household might possibly spend. Again the limits to the marketer's
vision are only the amount and variety of the stored information. By reducing the data
in the information warehouse down to an easily readable matrix, the marketer visualizes opportunity for increased profit. Spending potential is directly comparable to performance, and the AMOM thus turns the data into an ‘actionable tool’. Moxley claims that the main lesson to learn from the matrix is ‘Fish where the fish are. One household may spend $30 or $40 on groceries. Don’t bother spending money going after those individuals’ (Moxley 1996: 8). The sponsor has assistance from the matrix in determining when and when not to write off a consumer. A family of seven will most likely deserve more attention than an elderly couple, since their spending potential is substantially higher. The main point is that the marketer has more than one way of viewing a customer. The set of barcoded customers
can be assessed and judged according to any market niche they might be placed in, as well as according to their 'potential'.

These two examples highlight the new marketing technique of segmenting customers in terms of value. While demographics and psychographics have been around for decades, the categories of 'gold' customer, or 'decliner' are only recently being used in retailing. The impetus for this is the economic advantage of direct marketing, as well as its measurability. Businesses are consequently interested in finding out who their 'best' customers are, in terms of money spent. Of course, this has always been valuable information, but it wasn't available until the individual consumer was identified and his behavior tracked. Moxley points out that proprietors can be very surprised to find out through the database who their 'real' customers are.

...if you were to sit down with a merchant or a banker and ask who [his or her] real customer is, he or she would not wait a heartbeat to tell you—'He is 45 and earns this much with that education and this many in the household.' They know the answer. It becomes quite revealing for them when they see who the real customer is, not only at a national level, but at a regional level or even at a branch level. Often, the target customer does not match the actual customer. If you know the actual customer, you can start to buy your media a lot smarter to actually talk to the right people. (Moxley 1996: 10-11)

This idea of 'talking to the right people' is at the heart of the new marketing. When the marketer has access to both behavioral and other types of information about the customer, she can begin the business of identifying the best customers, and then see who has the potential to move into this category.

A common, and even more fine-grained, practice is to break up the customer database into deciles—segments of 10%. Brian Woolf describes a report that can be generated from
### Table 8-3

<table>
<thead>
<tr>
<th>Decile</th>
<th>Customers</th>
<th>Trans.</th>
<th>Sales</th>
<th>Trans.</th>
<th>Sales</th>
<th>Cum. Trans.</th>
<th>Cum. Sales</th>
<th>Days since last visit</th>
<th>Visits Per Week</th>
<th>Avg. Trans.</th>
<th>Spending Per Week</th>
<th>Spending Per Year</th>
<th>ASI' (S)</th>
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<td>42.2%</td>
<td>29.8%</td>
<td>42.2%</td>
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<td>$38.80</td>
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<tr>
<td>9</td>
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<td>20.1%</td>
<td>49.6%</td>
<td>62.3%</td>
<td>2.9</td>
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<td>8.9%</td>
<td>74.2%</td>
<td>83.8%</td>
<td>7.1</td>
<td>0.64</td>
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<td>90.1%</td>
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<td>99.3%</td>
<td>99.3%</td>
<td>23.7</td>
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<td>1.70</td>
<td>$71</td>
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<td>1,500</td>
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<td>19</td>
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<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>30.1</td>
<td>0.12</td>
<td>8.98</td>
<td>1.08</td>
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<td>1.40</td>
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<td>Tot.</td>
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<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>12.8</td>
<td>0.60</td>
<td>$27.39</td>
<td>$56.35</td>
<td>$680</td>
<td>1.76</td>
</tr>
</tbody>
</table>

| Avg. Per Wk | 9.0 | $245 |

---

Figure 3: RFS Decile Report. From Woolf (1996: 116)

A database to give the marketer an 'understanding of their customer dynamics' (Woolf 1996: 118). The RFS Decile Report (Figure 3) profiles customers according to what he terms the 'three pillars of customer segmentation': Recency, Frequency, and Sales. The deciles in the figure are ordered according to sales; the spending habits of the 'average' member of any decile can be easily viewed in terms of average transaction, spending per week or spending per year. One can see from the chart that the customers who spend the most in the store also shop there most frequently (highest number of visits per week) and have shopped most recently (fewest number of days since last visit). If ever there was a doubt that all customers are not equal, this chart quells it. Clearly some customers are worth spending more time on than others. Woolf asks the follow-up question: 'Why are the customers who spend the most treated the same as the ones that spend the LEAST?' (Raphel 1996: 24).
With an information warehouse, a marketer may easily create new categories of customers. The marketer defines what the important characteristics of consumers are, and the types of queries that may be useful. The focus on customer value leads increasingly to new 'value' labels: the 'loyal' customer, the 'decliner', etc. Using a rationalized, instrumental system, the loyalty marketer works from a desktop with representations of customers, defined according to the marketer's needs. Consequently, the motivations behind these statistics are lost as the customer characteristics are reified and manipulated. The consumer is now calculable, but this identity may largely, if not completely, take over other forms of knowing. As marketing campaigns increasingly use these rationalized forms of knowledge, they become the standard of legitimation and a relationship of dependency is created. Any marketing campaign will need the 'hard numbers' to back it up, which necessarily rely upon an apparatus of measurement and classification.

With the addition of behavioral data, including specific product information, to the marketing database, the segmentation strategies can be even more detailed. The categories of gold, bronze or silver reflect overall buying performance of the customer. But what about individual product categories? In the Air Miles system, each time a card is swiped both the product and the consumer are captured and linked. It is then possible to determine who has slipped in their buying of a particular product. Who somehow doesn't seem to need salsa anymore? Moxley explains the refinement of the Loyalty Group's segmentation approach:

'We're developing a third dimension to [our] marketing opportunity matrix, which we call the Spock—it is category activity. We're moving into the next level, which is category management at the household level. We're looking at [an] individual's behavior and saying, 'Well, this guy is in your store on a regular basis. He's shopping the dry goods. He's shopping the frozen goods. He's
shopping the fresh foods, but for some reason he’s not in your deli.’ Deli is a huge gross margin for grocers. So, offer five bonus Air Miles if he spends $10 in the deli next week. We’re moving to that level of detail. (Moxley 1996: 17-18).

The idea of the consumer as information provider is just the enabling moment of the modern marketing apparatus. The consumer is coded in a database and becomes, along with the earlier barcoded product, an ‘immutable mobile’, capable of being transmitted through the network and analyzed and recombined at will (Latour 1987). The ‘marketing space’ of important events is contained in the database, which can be endlessly reanalyzed for new important relationships. Individual purchasing events can now be easily related to one another: ‘Purchasing a box of cereal, or anything else, is not a totally independent, isolated event undertaken by a virgin shopper who appears in the market only for the purpose of buying that product and then, mission accomplished, disappears forever.’ (Peppers and Rogers 1993: 31). For producers, the customer now exists over time, and therefore has a history; any consumption event is added to this history and may be related to other events. Furthermore, while the customer has always been valuable in an abstract way, that value has now been quantified. The importance of these shifts for marketing knowledge is explored in the next section.

**From measurement to management**

I think it is useful to look on customer loyalty not as a switch that is on or off, but as a spectrum. The question is not whether customers are loyal or not loyal. The question is how loyal they are. If you think of loyalty as a spectrum, stretching all the way from no loyalty at all at one end to absolute total loyalty on the other, then every customer is positioned somewhere along that spectrum.

Our task, day in and day out, is to move every customer further along that spectrum. (Feargal Quinn, quoted in Woolf 1996: 229)
'The road to success is paved with good information', says marketing consultant Brian Woolf (1996: 109), adding that since the amount of information being generated by consumer transactions is now overwhelming, marketers need a compass to guide them towards profit. His RFS Decile Report is one step toward this success, being a complex measure of customers' behavior. The value of this detailed customer information is only fully realized when the dynamics of marketing practice are taken into account. Since the purpose of marketing is to get and keep a customer, it is an active, reflexive practice, which uses various techniques to encourage the customer to keep buying, to buy more, to buy something else, etc. The reflexive character of marketing is highlighted when marketing professionals talk of 'closing the loop' by having sales data inform marketing practice. With this development, the effects of individual promotional campaigns can be precisely measured, and the next campaign adjusted accordingly.

In marketing's 'dark ages', it was difficult to measure the effectiveness of a particular marketing campaign. The problem was that the marketer couldn't tell which of her customers were influenced by the advertisement or marketing strategy, and which were not. Department store owner John Wanamaker famously said that 'I know that half of my advertising is wasted, but I don't know which half' (Clancy and Shulman 1991). With the advent of an electronic feedback loop, the marketplace has literally been turned into a laboratory for the scientific study of marketing efforts. Each marketing campaign is now an experiment which refines the company's marketing science, and the consumers are the subjects. Marketing may or may not be a domination enterprise, but its fundamental purpose is to influence
consumer behavior. With increasingly sophisticated techniques of measuring this behavior, the door is opened for the continual refinement of marketing practice. 'The wonderful thing about Air Miles is that you can measure the results' according to the manager of marketing services for Shell Canada, Terry Plomske (Rasbach 1995).

Part of the measurability of the Air Miles system simply comes from the fact that it coordinates a massive system of direct marketing. Being able to determine who responds to which advertisements is one of the basics of 'classic direct marketing' (Ozimek 1993). But a significant additional advantage is the computerization of the direct marketing apparatus, as well as the broad scope of Air Miles coverage. The results from each 'experiment' that the Loyalty Group runs feed into the STAR system to be combined with the others that have been run in different domains. In the marketing world, the Loyalty Group is on the cutting-edge, practicing what McKenna (1995, 1998) calls 'real time' marketing. The database may be queried again and again in a short period of time, and is constantly updated in light of new information about customers behavior.

The main logic behind loyalty programs such as Air Miles is identified by Woolf as one of his two principles of customer specific marketing: 'Behavior follows rewards' (1996: 11). However, there are many variables to take account of here, which is where detailed reports prove useful. One important part of Woolf's 'retail compass' is the Quo Vadis Retention report (Figure 4). The translation from the Latin, whither goest, gives an insight into the report's utility—it measures the dynamics of customers segments over time, showing who is moving, and where. For example, from the chart we can see that while 45% of the
‘silver’ quintile stayed in the silver category (measuring from one twelve week period to the same period the next year), 16% of them moved into the ‘gold’ category, and 20% slipped down to ‘bronze’. The chart allows the marketer to see which customers are being lost entirely. In the figure, while the store lost 29% of cardholders, only 4% of these were ‘gold’ customers. The modern marketer needs to know not just that customers are leaving the store but which customers are defecting. Perhaps they’re customers that aren’t profitable anyway. By running experiments and then measuring the results, marketers can determine which offers may entice particular quintiles to move up towards the ‘gold’ category.

The Loyalty Group measures ‘the impact of changing customer behavior’ with three different methods, which they label shift, lift, and retention (Moxley 1996) (Figure 5).
Shift refers to customers who move to an Air Miles sponsor store from a non-participating competitor. It is only possible to measure shift with coalition loyalty programs such as Air Miles, since with a local loyalty program the database will only contain information about customers’ buying behavior at that particular store. The shift measurement is an extremely useful one when fishing for new customers. The Bank of Montreal, an Air Miles sponsor, looks to the Air Miles database for the names of collectors who aren’t currently bank customers (Rasbach 1995). It then offers them bonus Air Miles for coming in for a mortgage or retirement plan. Shell makes collectors a similar offer if the targeted customers come in for gas.

Shift is actually a special case of the more general measurement of lift, which Woolf’s Quo Vadis Retention Report also measures. Retention reflects customer longevity. As a marketer, one wants customers to be loyal in terms of not shopping at competing stores (shift), but also in terms of duration: you’d like them to continue shopping with you for as long as possible. When a store is an Air Miles sponsor, it becomes easy to measure how well customers are retained over time, especially during important times such as the opening of a competitor’s store across the street. The lower right hand of Figure 5 shows the effects on customer retention of the opening of a competing grocery store across the road from an Air Miles sponsor. Not only did the store customers who were also collectors not ‘leave in droves’ as the non-collectors did, but they soon ‘recovered’ to the same level of purchasing they were at in the pre-competition period. The heading of the figure, ‘Economic Benefits of Air Miles’, highlights the chart’s role in legitimizing loyalty, and hence the Air Miles card

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itself; the economic benefit of loyal customers can be read directly off the graph in the lower right hand corner. Clearly the loyalty of customers is worth working on.

In addition to the AMOM, the funnel queries, and the shift, lift, and retention measurements, the Loyalty Group offers a number of other ‘advanced queries’ which sponsors may request for a fee. For these queries, the Loyalty Group relies on the four ‘rocket scientists’ they have on staff (as of 1996) for statistical analysis. Moxley explains, ‘[t]hey are able to draw advanced information from the thousands of individual variables we have for each household’. (Moxley 1996: 10). This ‘advanced information’ typically takes the form of
isolating the variables which have a high correlation with the 'objective function', which is making a purchase at the sponsor's store. Out of all the pieces of information that are recorded about a particular individual, which ones are correlated with good purchase behavior? Again, the benefit of this type of analysis is basically in targeting: by predicting who the likely respondents to a particular offer will be, the sponsor increases the response rate while decreasing the cost of communicating the offer.

But the value of this information goes beyond targeting advertisements to the best customers. In differentiating customers, marketers are also defining new ways in which customers are the same. Once customers are judged to be similar according to some criteria, the marketer can further segment them in terms of customer performance, and try to devise a way to bring the poorer performers up to par. Whereas in the past, customers were the same or different according to age, lifestyle, income, gender, etc., now the measurements of similarity can be based on any number of possible combinations of products purchased, surveys participated in, etc.

Such sophisticated techniques are becoming increasingly common and are usually referred to as data mining. Gary Saarensvirta of Loyalty Consulting and the Loyalty Group defines data mining as '[t]he process of extracting valid, previously unknown and actionable information from large consolidated databases and using it to profitably support the business decision making process' (Saarensvirta 1998, emphasis added). In computer science literature, data mining is also referred to as 'knowledge discovery in databases' (KDD), a term which emphasizes the novelty of the information that is generated.
Saarenvirta gives an illuminating example of the data mining technique of affinity analysis, or the identification of 'previously known and unknown patterns' in the data.

...a bank has a high profit and a low profit behavioral customer segment, and both have similar demographic sub-segments. The profile of the sub-segment is young-family, high-income professionals. The marketer would want to ask the following question. Why do these similar demographic segments behave differently, and how do I change the low profit group into a high profit group? It is difficult if not impossible to answer why, but data mining provides an answer to the how. Affinity analysis discovers that the high profit group of young, wealthy professionals have a distinct product pattern—mortgages, mutual funds and credit cards. Using affinity analysis on the lower profit group reveals that they have product patterns that partially fill the high profit groups' pattern—mutual funds and credit cards. The marketing campaign to increase the profitability of the low profit segment would thus be to market mortgages to them (Saarenvirta 1998).

The strategy here is to take a group that is similar in some respect, and then determine in which ways they are also different. In this way the marketer attempts to at least temporarily 'normalize' the deviants in the group. In marketing-speak, this 'community knowledge' enables companies to 'anticipate what an individual customer needs, even before the customer knows he needs it' (Peppers and Rogers 1997: 231). The 'community' here is a substantial deviation from traditional lifestyle models. The categories according to which customers are judged to be similar may reflect no natural preconceptions about styles of life, but merely correlations in the data.

The sophisticated possibilities for segmentation are now clear. The Loyalty Group's system of marketing knowledge is an electronic, recordable, manipulable version of what Baudrillard (1998) calls the 'industrial production of differences'. In addition to the simple segments in terms of customer purchases or profitability, household income or lifestyle, the
customer database may be segmented again and again according to different queries and marketing campaigns. The segments which result likely haven't existed before. The limits of this approach lie only in the storage capacity of the database, the processing power, and the sophistication of the algorithms which are applied. As the aim of the system is to reproduce capital, there is continual pressure to increase the efficiency of the knowledge production process and develop new techniques for analyzing data.

The Air Miles network is thus a disciplinary marketing space, and is therefore a tool of both knowledge and power. Once an individual is inserted into the network, she is locked into a knowledge network which attempts to train her for correct consumption. She learns to calculate with the 'miles' she earns, and receives statements regarding her performance. Consumer surveillance is not only reflexive, but asymmetrical as well. Surveillance in general 'gives rise to particular asymmetries of power, and in varying degrees consolidates the rule of some groups or classes over others' (Giddens 1991: 149). In addition, the system works not only through classification, but through judgment and exclusion as well. The point is not only to reward the good customers, but to punish the bad. Loyalty systems which offer not points but variable prices depending on past customer performance may be developing techniques for effectively 'firing' customers.

The 'loyalty' aspect of the Air Miles system is relatively simplistic. Consumers are effectively offered a bribe to be the subjects of surveillance. The Loyalty Group is primarily a direct marketing company, an enterprise which demands increasing amounts of consumer knowledge. The digitization of customer identities not only facilitates processing and trans-
mission, but the *commodification* of these objects as well. In Smythe's (1980) terms, the Loyalty group is in the business of delivering audiences (or markets) of consumers to the advertisers. The twist in this case is that the consumers are already customers of the sponsors who purchase the knowledge. The Loyalty Group is attempting to 'loyalize' both sponsors and collectors simultaneously. By centering itself within the network it has constructed, the Loyalty Group largely controls the means of communication of a firm to its own customers, as well as the flow of information about the customers back to the firm. Though they are in the 'loyalty business', their product is the knowledge of consumption.

Though the Loyalty Group is intensively gathering and analyzing consumer knowledge, finding new ways of governing consumption through differentiating customers by value, its techniques of customization and relationship marketing are relatively unsophisticated. In the next chapter I discuss general strategies of customer relationship management that systems such as Air Miles enable.
3  Marketing in the consumer society

In the previous chapter I examined the Air Miles loyalty program and the types of detailed knowledge it reflexively produces and manages. In this chapter I'll broaden this discussion along two dimensions. Looking at recent marketing literature in which the new field of 'relationship marketing' is theorized, I'll examine the types of techniques that are enabled by a consumer surveillance system such as Air Miles. Whereas the Loyalty Group focuses largely upon data collection itself, other marketers are thinking more broadly about the changing relationships between the business enterprise and the 'information age' customer, and attempting to redefine themselves according to a new model of 'intimate' relationship mediated by technology. I then look more generally at power relations between businesses and consumers, analyzing the new rationality of marketing with respect to theories and critiques of consumer society. Against common conceptions in sociological literature, I emphasize both the material and the symbolic dimensions of loyalty, and emphasize the continuities as well as the differences between the new 'mode of consumption' and the old.

Building customer loyalty: relationship management, customization and integration

The information revolution has made possible a new kind of relationship among strangers, based not on physical proximity but on the speed of electronic information. Today companies and customers, doctors and patients, students and teachers, and architects and clients can know more about one another and work more closely together than they ever could before. Virtual intimacy, electronic collegiality, instant familiarity, call it what you will: There's a new and evolving relationship that defines brand in the information age. (McKenna 1995)
The discussion thus far has been focused on the fine-grained details of marketing surveillance systems. I have shown how the loyalty marketing system is increasingly interested in detailed knowledge about customer behavior, how this knowledge is gathered and analyzed, and to some extent how it structures the marketing practices of companies. In this section I want to focus on this latter question, and analyze the conceptual shifts which marketing is undergoing as a result of its 'new media'. By looking at recent marketing texts which theorize the new field of 'relationship marketing', I will further illustrate the logic and techniques of these systems.

The ability to 'dialogue' with individual customers on a mass-basis has many marketers now discussing an emerging field of 'relationship marketing'. While marketing has always been concerned with the relationship between the firm and its customers, the emerging field of relationship, or 1:1 marketing is self-consciously focused on the recently visible individual customer. As the purpose of a business is to get and keep a customer, the identification of individual customers has made it possible to increase emphasis on the second part of this maxim: 'Now that you've got the customer, how are you going to keep her?', as well as the economic advantage of retaining a customer over 'acquiring' a new one. From the new ability to hypothesize about a customer's 'lifetime value' it is now an effortless jump to the question 'Do you want to keep your customers forever?'

There is thus a new vocabulary of loyalty in the language of marketing. Accounting techniques, which used to 'hide the value of the loyal consumer' now illuminate him brightly (Reichheld 1996: 35). The long-term or even lifetime customer is the loyal customer,
and is the goal of the modern relationship marketer. Marketing consultants Peppers and Rogers emphasize that it takes more than technology and rewards to succeed in this new marketing phase. The Loyalty Group is about customer loyalty to some extent, however the potential for loyalty marketing goes considerably beyond point accumulation. The company of the future has to take the concept of a customer relationship seriously. Its importance is unavoidable:

How does a firm go about the task of increasing the likelihood that customers will remain in the franchise, often in the face of dramatic and hard-to-resist promotions by competitors? Sooner or later, most businesses that tackle this problem come to the conclusion that the only reliable way to protect their customers from competitive predation is to create relationships with them (Peppers and Rogers 1997: 77-78).

Customer relationships for Peppers and Rogers mean ‘Learning Relationships’. Though a certain type of learning relationship is established de facto by loyalty programs like Air Miles, in which the firm is always gathering more information about the customer’s preferences, Peppers and Rogers emphasize that for maximum benefit, the customer has to have an active role in the relationship.

When an enterprise gains new knowledge of an individual customer’s own specifications or needs, two activities are taking place: The firm is learning and the customer is teaching. What creates genuine loyalty is the interaction of both these activities. The customer’s effort to teach an enterprise, when the reward for that effort is a more individually satisfactory product or service, is what makes a customer loyal. The customer is, through his own effort, increasing the value of the enterprise, to him. With respect to this individual customer, the Learning Relationship ensures loyalty and protects the firm’s unit margin as well (Peppers and Rogers 1997: 170).

Part of the key to this ‘ensuring’ of loyalty is simply participation. Woolf (1996: 102) points out that the businessperson can now encourage customer participation in question-
naires, focus groups, etc., on a rational basis, according to the customers’ individual tastes and/or performance. Peppers and Rogers claim that this type of strategy leads to collaborative, rather than adversarial, marketing practice. The customer who has played an active role in the design of a product might be more satisfied with it and more loyal. The strategy of encouraging participation is a technique of consumer ‘empowerment’ (Cruikshank 1994). With the assistance of customers, who not only may have been barcoded, but who may also be enticed to further confess their desires and preferences to special focus groups or questionnaires, the product is customized (or ‘customerized’) to their preferences; the individual customer’s needs are embedded into the product itself. The consumer in this case becomes a ‘consumption worker’ (Baudrillard 1998) who spends time and effort helping a company market products to himself. I’ll return to this concept of participatory or collaborative marketing below.

On the surface this conception of business/consumer relationship may seem substantially different from that underlying the Air Miles program, but the logic is the same. As noted above, the Air Miles collector teaches the Loyalty Group about themselves simply by receiving targeted offers and then buying or not buying products at sponsor stores. The important point is simply that the collector keep participating in the system. She has been trained to organize her consumption behavior in such a way that it can be tracked; and she makes an effort to continue to be a part of the system by digging out her Air Miles card whenever she goes to a participating store. While the physical products that she is buying from sponsors may not be customized according to her tastes, the Air Miles product, or ‘product-service
bundle’ (Peppers and Rogers 1997), is.

Products in consumer society have long been attached to advertisements and services. However the new field of relationship marketing is taking this to a new level. The important dynamic is this expansion and redefinition of the concept of the product. The customized product is made with a particular customer in mind. Any communication from the consumer might be useful in custom tailoring the product. The marketer now mediates and manages, on an individual level, the connection between the manufactured product and the customer; the accumulation of customer knowledge now enables the further refinement of the product concept. The product is now produced as personalized. In Baudrillard’s (1998) terms, the relationship marketing system is one of both personalization and of solicitude, but the relations are more tightly bound to the product than with traditional marketing techniques. The personalized product not only speaks to you through its advertising, but also directly through its structure, its design.

In the last chapter I examined techniques for differentiating customers according to their value. Using the schema of Peppers and Rogers quoted above, the strategy of customization involves the additional segmentation of customers according to their needs. For a particular company, their product line will put them naturally into one of the quadrants of Peppers and Rogers’ ‘Customer Differentiation Matrix’ (Figure 6). In the figure are plotted a number of types of stores, which range from gas stations (low customer value differentiation, low customer need differentiation) to pharmacies and computer systems companies (highly differentiated in both dimensions). This matrix is designed according to a traditional notion
of a product: gas is pretty much the same to most consumers, books are very different from each other. Peppers and Rogers explain in detail how companies can re-position themselves in this matrix, by redefining the notion of the product they offer. The key is to move in the direction of increasing differentiation both of needs and valuations, toward quadrant IV. This is done though changing the capabilities of the company along two dimensions: flexibility of communications and flexibility of production and logistics (Figure 7).

The beginning of this process is establishing the learning relationship. This requires first of all ‘communications flexibility’, i.e. a technological base of electronic media through
which individual customers can communicate with the company. Once the company has this
ability to identify and engage with customers, it should 'look for all the little opportunities
to remember differences among customers. Every piece of identification, timing, delivery,
or product specification is a possible mechanism for establishing a Learning Relationship'
(Peppers and Rogers 1997: 195). Then the modern marketer whose company is mired in
quadrants I or III can go about the business of 'expanding the definition of what any individual
customer needs' (Peppers and Rogers 1997: 196-197). As this is done, differences among
customers will increase, and what was once a generic mass of needs becomes variegated.
With each increase in need differentiation, there will be more opportunities for remembering
them, and for putting the company's 'production and logistics flexibility' to make mass
customizing products to fit. This cycle is the 1:1 marketing version of the traditional
dichotomy of product differentiation and customer segmentation. As the customer's need
set is expanded, there are more opportunities to tailor products, or product-service bundles,
to niches or individuals. ‘You want your customers to want different things, so that by
catering to their desires you can make them more loyal and increase your margins' (Peppers
and Rogers 1997: 197)

In the marketing world, customers and products cannot be easily separated; differen-
tiated products must be for a particular individual or niche (Slater 1993). New forms of
knowledge gathering on customers then necessarily feed back into the process of production.
Advertisers and marketers have traditionally been in charge of designing and building the
'metaproduct', of tying particular meanings to products that will seduce the appropriate
market segment, and then communicating this to them. Far from traditional marketers, the Loyalty Group has built a network of information and communication which undergirds the more specific marketing efforts of their sponsors. In doing so, they provide a service both to their sponsors and their collectors; the Air Miles brand is a ‘metabrand’ which labels their ever-growing system of benefit—whether the benefit is marketing knowledge (from the sponsor’s perspective) or the ‘something-for-nothing’ offer of free travel (from the collector’s perspective).

For an individual sponsor, signing up with Air Miles is a means of moving in the direction of quadrant IV. The Air Miles system is an added service/benefit that is automatically
'bundled' with any product that is sold by a sponsor. Peppers and Rogers describe this process as expanding the 'core product' into the 'product-service bundle' which may then be tied to a customer's 'enhanced need set' (Figure 8). Even companies with relatively uniform commodities, and hence supposedly uniform needs among its customers, can get involved in this expansion, which is the hallmark of the 1:1 marketing game. Such a company simply needs to reconceptualize their customer base.

When the enterprise sees its customers as having relatively uniform needs, what is often happening is that the firm is viewing its customers through the lens of a fairly uniform set of core products. But even a commodity product is actually a bundle of physical goods, ancillary services, delivery times, invoicing schedules, and other features that are rarely commodities at all. The truth is the 'products' we sell are generally much more complicated than we give them credit for being (Peppers and Rogers 1997: 198).

Expanding the customer need set is achieved by tying new services, which are tailored according to individual needs, onto the old product (in Levitt's [1986: 79-84] terms, 'augmenting' the 'expected product'), which as I've shown, requires a base of detailed customer knowledge. Samarajiva describes the switch in the automotive industry, where cars may now be 'bundled with warranties and sometimes with twenty-four-hour emergency service and maintenance packages which increase the service component of the transaction and require the yielding of personal information, including access information, to the dealer' (1996: 137). Such a program only works if the auto company can keep track of individual customer information, so as to communicate with them individually and to predict their individual needs.

Figure 8 shows that the product-service bundle includes not just new service operations, billing and delivery, but marketing operations as well. The concept of the product isn't
distinguished from its marketing. As Levitt notes, '[t]he way a company manages its marketing can become the most powerful form of differentiation' (1986: 85). American Express, who offer a similar service as Air Miles, in which specially tailored advertisements based on purchasing history are sent with customer bills, are attempting to expand their customers' needs through the addition of these direct advertisements. 'The theory is that offers will be so well-targeted that customers will see it as an extra service, rather than simple advertising' says Barry Hill, senior VP of product development at Amex ('Amex targets special customers' 1996).

These 'extra services' have become the explicit focus of marketers such as Peppers and Rogers. In their rhetoric the goal of the 1:1 enterprise is 'not to find more customers for
its products, but to find more products for its customers' (Peppers and Rogers 1997: 210); they're not interested in increasing the share-of-market, but rather the 'share-of-customer' or 'share-of-wallet'. Detailed customer knowledge has allowed marketers to begin with the individual, rather than reaching the individual through the mass. Once a satisfied customer has been created, the marketer can begin to think about what else she can do for that customer.

As an example of a 1:1 enterprise, Peppers and Rogers discuss Streamline, a company that does customers' shopping for them. 'In Streamline's vision, customers pay about $30 a month to sit at their PCs and order their weekly quota of bananas..., pasta, and dish detergent. They also use the PC to arrange for video rentals, dry cleaning, film processing, and numerous other services' (Leibs 1997). The service begins by coming into a customer's home with a barcode scanner and capturing all the products the customer has. The service can be configured to automatically keep the kitchen stocked with popular items. Once Streamline develops its database, it is in a position to branch out and provide other delivery services to the customer. 'One Streamline customer... says he "used to have shopping down to a science" and could get through a store quickly while keeping costs down. "But Streamline gives me back a lot of time, not only the time I spent shopping, but also going to the video store and the dry cleaners"' (Leibs 1997). Streamline, like Air Miles, uses detailed customer knowledge to develop its own unique product; it manages the consumer's consumption. The limits to Streamline's growth are only the consuming habits of the customer.
The 'core product' has now grown to incorporate the entire marketing apparatus, and the relationships it is based on; in a sense the product is now a system which expands itself. Though the relationship marketing system is an 'extra service', it is also the starting point for a knowledge intensive campaign of service expansion. Baudrillard's (1998: 159) claim that in the consumer society 'everything is a service' referred to the symbolic dimensions of commodities; however products are now personalized both symbolically and materially to serve you.

Traditional studies of advertising have focused on the symbolic meaning of advertisements. The symbolic dimensions of commodities is an important part of the consumer society; Baudrillard's definition of the system of consumption as the 'industrial production of differences' is still an accurate one, however this system of difference has changed character in some ways. My focus on the relationship marketing apparatus, rather than on advertisements themselves, emphasizes the neglected material dimensions of promotion, consumption, and customer loyalty. The system of differences is incorporated directly into the product, and the structure of the system adds to its potential for 'loyalizing' the consumer.

The system of customization 'delivers the goods', as Marcuse put it; but customer satisfaction is only partly responsible for any increased customer loyalty. As Peppers and Rogers point out, there is a need for the marketer to insure against the predation of competitors who may also have a high level of customized product quality. They dub this the problem of 'quality equality'. What to do when everyone's got a loyalty program, when everyone is
1:1 marketing? The solution lies (no surprise) in the learning relationship. As the firm gets to know a customer better, as the customer works to teach the firm about herself, she is expending effort to help the firm to reflexively learn how to serve her better. Peppers and Rogers point out that this has the effect of creating a 'barrier of inconvenience' which helps prevent customer defection. The consumer is using a product that may admittedly be more convenient, but which also serves to 'lock' her in to a relationship which enables both the targeting of messages to her and the continuous collection of information about her.

This advantage isn't automatically dictated by the system, but arises from asymmetries in the flow of information in the new networked marketplace. The key to the barrier of inconvenience lies in controlling the flow of customer information. Though the business and the customer are in dialogue, the nature of this communication is one-sided. The firm builds up a file on the consumer which is proprietary, and the possession of this knowledge affords them the advantage. If, say, the information about a customer's specialized needs resided with the consumer in electronic, easily communicated form, the advantage of customization would be lost. With the Air Miles program, this barrier of inconvenience is in part the miles themselves. Switching to a new program would mean losing any points the collector has accumulated. Less importantly perhaps, it would also mean starting over from scratch, teaching the new company about herself. This results from the ownership of the information by the Loyalty Group. If the individual herself possessed the information (a completely technically possible situation), she could simply take her business to another coalition program, which might even honor her miles.
It comes as no surprise that the interests of relationship marketers go beyond the creation of a 'virtual intimacy' with their customers; the bottom line of marketing is of course still profit. The technologicization of the relationship between consumers and businesses has added a degree of leverage to the power of corporate interests. Consumer society is based upon capitalist social relations, and the new technologies are directly contributing to the 'widening and deepening' of those relations (Harvey 1989). The network of market relations is increasingly becoming a technological system; and the technical nature of this system adds to its potential for reproduction and entrenchment over time. 'Powers are stabilised in lasting networks only to the extent that the mechanisms of enrollment are materialised in various more or less persistent forms—machines, architecture, inscriptions, school curricula, books, obligations, techniques for documenting and and calculating and so forth' (Rose and Miller 1992: 183-4). As networks become 'concretized', so do their embedded power relations.

This dimension of commodities is entirely new and based upon the technologies which allow the gathering of information on consumers, detailed classification according to perceived value and need, linking to particular product-service bundles, and the customization of those products. Surveillance and management have become an integral part of the product, with the result that the control of consumption is increased. As marketing consultant Regis McKenna puts it: 'Marketing has shifted from tricking the customer to blaming the customer to satisfying the customer—and now to integrating the customer systematically' (McKenna 1991, emphasis added). However, this is only part of the impact of the new
marketing technologies. Both loyalty programs and relationship marketing generally also rely on a particular culture of consumption, in which they develop and situate the meanings of their product/services through their own marketing efforts. Before I discuss these other dimensions, I want to frame my discussion of new marketing rationalities with respect to theories of consumer society.

**Relationship marketing and consumer society**

I'd now like to step back and discuss generally the 'new marketing' in light of discussions in the literature about consumer culture, consumer society, and power relations between producers/marketers and consumers. Marketers and consumers can be viewed as being in a power struggle for the definition of consumers' needs. As modern marketing reconceptualizes its practice, it is increasingly focusing on the consumer, who is often said to now have greater power and authority (see e.g. Abercrombie 1991, 1994), stemming from the capabilities of the new marketing technologies. I will problematize an understanding of marketing as following and adapting to changing technical capabilities and consumer demand. I'll then move to looking at the critique of consumer culture with this new understanding in mind.

The 'new type of marketing' that marketers like Peppers and Rogers and the Loyalty Group feel they're inventing has led some to reconceptualize the role of the corporation in society, or at least how they talk about their role. Many companies are now talking of reinventing themselves as 'customer-centric': American express is no longer a purveyor of charge cards, but a 'manager of customer relationships' (Lloyd 1996); 'After 159 years, [Procter &
Gamble is changing the name of its Sales Department to Customer Business Development' (Narisetti, quoted in McKenna 1997: 89); Federal Express is now ‘all about networking’ and customer integration through computer technology (Janah and Wilder 1997). Once many large companies are refocusing in such a way, according to the competitive logic of capitalism, the new marketing becomes a ‘tool for survival’ in the marketplace (Neodata n.d.). Those not on the bandwagon early will have to get on, and reinvent themselves ‘around the needs, preferences, behaviors and values of its customers’ (Retail Target Marketing Systems 1997).

In the marketing literature there is an acute awareness of the role of technology in enabling this new consumer focus. The new media are changing the rules of marketing, and perhaps even of competition generally. However the change is also described as necessary in order to keep up with today’s changing consumer. Today’s ‘new customer’ is experienced in the marketplace and savvy; she’s a ‘knowledge age’ customer, who wants to be ‘informed, not sold’ (Redgate 19), as she no longer trusts what the advertisers have to say (Leventhal 1996); she’s used to having a lot of choice, and she is increasingly demanding of businesses (McKenna 1997); due to a saturated marketplace, she’s been conditioned to switch brands easily (Peppers and Rogers 1993); she’s never satisfied, though she expects instant gratification (McKenna 1997). The vision that emerges from the marketing literature is of a consumer who is simultaneously fickle, spoiled, and alienated.

Of course these may just be the fantasies of marketers; but fantasies or not, it is these conceptions of consumers that are driving the very real instantiations of technological mar-
marketing systems. The consumer is a heavily sought after commodity, now more than ever, and the last chapters have detailed the efforts to which marketers are going to increase the likelihood of customer loyalty. Consumption is a site of struggle, and the relationships between business enterprise and consumers which marketers manage involve relations of power. As Foucault (1982: 221) notes, power and freedom are not opposites: 'power is only exercised over free subjects'. Consumers are 'free' to make their choices within the marketplace. Marketers are constantly trying to influence the behavior of consumers, trying to increase their control over consumption—to make it predictable. However, as an 'art of government', this process is always failing; and is therefore continually rethought and reinvented (Miller and Rose 1990). The marketing systems analyzed in this paper are just one moment in this process.

Post-Fordist marketing?

In literature on the 'consumer society', the transition from mass marketing to niche marketing and individual relationship marketing is usually analyzed as following the switch from Fordist to neo- or post-Fordist modes of regulation of capitalism. Central to Fordism is the recognition that mass production means mass consumption, 'a new system of the reproduction of labour power, a new politics of labour control and management, a new aesthetics and psychology, in short, a new kind of rationalized, modernist, and populist democratic society' (Harvey 1989: 126). A new type of society was to be structured around a new type of worker. The worker was bribed with the 'Fordist Deal' of a five-dollar, eight-hour day, both to ensure
capitulation to new management techniques as well as to enable consumption. According to this model, Fordist consumption is mass consumption, with the 'producer rather than consumer as dominant; commodities little differentiated from each other by fashion, season, and specific market segments; relatively limited choice—what there is tends to reflect producer interests, either privately or publicly owned' (Urry 1990, quoted in Warde 1994: 233).

In post-Fordism, so the story goes, there is a shift to 'flexible accumulation'. Technological innovation intensified, new production sectors and hence new markets appeared (Harvey 1989: 147). Under post-Fordism, the consumer becomes 'dominant'; consumer expenditure increases, more aspects of social life become commodified; consumers react to being part of a 'mass'; and products proliferate (Urry 1990, quoted in Warde 1994: 233).

As post-Fordism was a reaction to Fordism, the new consumer arose out of a reaction to both 'massification' and product differentiation. Marketing consultant Regis McKenna describes how Procter & Gamble envisioned the change:

[Procter & Gamble] 'recognized that its 440 promotions a year for 110 brands—which involved making fifty-five price changes a day—were only confusing customers. Customers did not, for instance, want the thirty-five kinds of Bounce fabric softener sold in North America alone. This excess of variety amounted to foisting on consumer choices that P&G thought they should want...rather than choices for which consumers had expressed an actual need. In this case what consumer did need was fewer promotions and less choice. As noted in the [Wall Street Journal] article, 'Today's average consumer... has less time to browse; it is down 25 percent from five years ago.' This consumer typically spends twenty-one minutes buying 'an average of 18 items, out of 30,000 to 40,000 choices...the company decided it is wiser to let consumers drive supply than to force-feed retailers by making them buy more products than they can sell' (McKenna 1997: 88-89, internal quotes from Narisetti 1997).

Through insufficient attention to customer's actual needs, producers have become too out
of touch. Not only is the marketplace saturated with too many products, but they're being 'foisted' upon consumers. The consumer is tired of being treated as a statistic—as part of a mass market or a niche. She wants a company who recognizes who she is (McKenna 1997).

A common idea in recent sociological literature is that we live in an increasingly fractured, fragmented society, and that consumption patterns reflect this. Similarly to marketers, some social theorists argue that Post-Fordist or postmodern forms of capitalism have been forced into existence by the consumer. Consumers are in a position to direct businesses to satisfy their needs. The mode of consumption has thus changed from mass to individualized (Harvey 1989), in response to consumers grown disenchanted with the 'bureaucratic society of controlled consumption' (Lefebvre 1968). According to this story, the proliferation of consumer needs prefigures the proliferation of commodities. The current phase of 'customer-centric' marketing is largely legitimized by marketers themselves in a similar fashion—consumers these days won’t stand for anything other than a personal relationship with companies who will personalize their products to their needs.

Many marketers talk of designing this vision technologically. In the era of mass marketing, customers were conceived of as a mass because that’s what the technologies would allow. Businesses used mass media to send generalized messages to an undifferentiated, or mildly differentiated audience. Now that customers may be identified, 'known', and engaged systematically, it is possible for sensitive marketers to perform a corrective to the manipulative marketing of the mass society. The 'new marketing' distinguishes itself from crude mass techniques of persuasion, promising personal attention and customer empowerment;
marketing has the opportunity to become collaborative rather than adversarial.

However this trend cannot be isolated from the logic of innovation, differentiation, and progress that underlies change in the commodity-based society. The new marketing technologies and techniques are being sold as advancement; they are explicitly distinguished from old techniques which are no longer cutting-edge. The mass mode of communication now becomes the signal of an out of touch ‘uncaring’ company. ‘No one at Kellogg’s knows whether you prefer the added interest of nuts and raisins with high-fiber flakes. No one will wonder why you stopped buying Frosted Flakes after ten years as a loyal customer or what they could do to get you back again... No one in the marketing department at one of these companies really cares about you personally’ (Peppers and Rogers 1993: 30).

Such statements may appear laughable, but some marketers are taking them very seriously. The promise of intimacy through the marketplace isn’t an entirely new phenomenon, but it now has a technological basis which adds to its appeal. Interpretations of capitalism as being consumer-driven are further legitimized by the hype surrounding the new interactive technologies. ‘Much of today’s "interactivity" talk boils down to one thing: the customer is increasingly in control, and happy that way (Foskett 1997: 63). As a consumer, you’re in the driver’s seat, and your power increases with new marketing technologies because you’re valuable in your own right now, not just as part of a member of a market niche. In this way, marketing is responding to critique—both the critique of manipulative marketing practices and the critique of the fractured, postmodern society in which traditional forms of social relations and social status have melted away. Marketing is searching for a new grounding for
authority, and is shifting toward a self-conceptualization as a 'liberalized' discipline which
doesn't govern so much as 'empower' and coordinate autonomous activity.

I'll come back to a critique of such rhetoric below, but first I want to emphasize that
this story of increasing consumer power neglects the continuities between the mass and
individualized modes of capitalism, and in addition simplifies the extent to which there ever
was a period of 'mass consumption' (see Warde 1994, Slater 1993, 1997). Slater points out
that Ford's original strategy of 'any color you want so long as it's black' gave way quickly
to 'Sloanism' at General Motors in the mid 20s (Slater 1997: 192). Webster and Robins
further explain that

[i]f one side of 'Sloanism' was an attempt to regulate distribution and to intensify
consumption, the other entailed making sure the consumer was known about
and open to persuasion. Information was to be sought about income levels and
spending patterns, and publicity was to be disseminated to promote the appeal
and desirability of the product ... [C]orporate capital began to extend its sphere
of operation deep into the society; it sought to become knowledgeable about
consumer needs and lifestyles, so that it could shape them to corporate ends.
(Webster and Robins 1986: 315).

Here in Sloanism one can see the roots of the modern technological marketing apparatus;
the attention to individual difference is not such a new phenomenon.

Business enterprises have always had an imperative toward gaining more control, and
hence more information, over both the spheres of production and consumption. Fordism
was underpinned, on the shopfloor, by the management strategies of Taylorism. Mass pro-
duction required sophisticated techniques dividing labour tasks and disciplining the workers.
Taylor's theory of scientific management was 'an attempt to apply the methods of science
to the increasingly complex problems of the control of labor in rapidly growing capitalist
enterprises' (Braverman 1974: 86). Under scientific management, the labour process is controlled exactly by management, thereby deskillling the worker—rendering her traditional craft knowledge useless. A later phase of scientific management focused on developing contented and cooperative workers, encouraging them to become ‘members of the team’ (Noble 1977: 267-8). Ford had similar strategies, including the ‘bribe’ of high wages which also stimulated workers to increase consumption (Slater 1997)

This rationalization of the labour process was enabled by the surveillance of workers which could be easily carried out within the factory. Mass production techniques led to increased consumption, and a largely ungovernable mass of consumers. The surveillance and discipline of consumers now follows from this same imperative towards control. Marketing has been called both ‘social Taylorism’ (Webster and Robins 1986) and ‘the antithesis of Taylorism’ (Slater 1993). Slater describes the differences: ‘rather than defining norms of movement by standards of efficiency [marketing] measures crowd movements for efficient exploitation ... As the advertisers say in all seriousness, marketing is about having what the consumer wants rather than making them want what you have ... It nudges and draws people in by their desires and impulses rather than by a disciplinary space’ (Slater 1993: 203). What Slater misses here is that electronic space of marketing is in fact a disciplinary space which is made up exactly of those ‘desires and impulses’ themselves. The norms according to which consumers are judged may be more complex and fluid, but the system operates through a system of rewards and punishments. The marketing space into which the consumer is captured is comprised of her own recorded behavior, as well as the behavior of every other
consumer in the system. Through classification and judgement against norms defined by the marketer, the system relies upon an alignment or connecting up the ‘free choices’ of consumers with the profit interests of the corporation.

Baudrillard put it this way: ‘consumption is only possible in the abstraction of a system based on the “liberty” of the consumer. It is necessary that the individual user have a choice, and become through his choice free at last to enter as a productive force in a production calculus... The system of needs must wring liberty and pleasure from him as so many functional elements of the reproduction of the system of production and the relations of power that sanction it’ (Baudrillard 1981: 82-82, 85). In other words the ‘system of needs is the product of the system of production’ (1998: 74).

The larger point that Baudrillard was moving to here is the one I’d like to emphasize as well: that the separation of the spheres of consumption and production is generally overdrawn. He points out that ‘[t]he same process of rationalization of productive forces which took place in the nineteenth century in the sector of production reaches its culmination in the twentieth in that of consumption... Production and consumption are part of one and the same process of expanded reproduction of the productive forces and their control (1998: 81-82). Profit may be increased either by increasing the efficiency of production or distribution, or by increasing consumption, and as I’ve shown, both spheres have been the subject of investigation for increasing profit for decades. Furthermore, the rationalization of production entails the rationalization of consumption; Beniger (1986) notes that ‘mass production and distribution cannot be completely controlled... without control of... demand
and consumption.’ Customer loyalty programs, and 1:1 marketing in general, represent attempts to further rationalize marketing strategies through the deployment of new techniques and technologies.

The connection is further highlighted by the recent shifts in marketing practice. As marketing becomes the ‘center or “soul” of the corporation’ (Deleuze 1992), and as marketing practice is further rationalized, customer knowledge increasingly becomes a necessary raw material of production. This leads to its increased commodification and value, and hence to increased pressure for innovation—developing new information accumulation and processing techniques. The Loyalty Group is in the business of producing and selling such knowledge; it created the system in which Air Miles sponsors reflexively consume consumption. This system establishes the Loyalty Group as authority and creates a dependency relationship similar to the customer integration that Peppers and Rogers envision. The barrier of inconvenience is created for sponsors when the Loyalty group facilitate the easy transition to knowledge-intensive marketing practices by providing all of the networking and computer infrastructure; they allow companies to simply buy-in, and then to become locked in over time.

The combined rationalization of production and consumption, together with the ‘informating’ of both realms, has served to effectively collapse the space between producer and consumer (McKenna 1997: 55). Another way to view this is as the expansion of the commodity/product/service to incorporate both the consumer and the marketing/production apparatus. The logic of marketing remains the same through the shift in the ‘mode of con-
consumption' from mass to individualized, though its techniques and rationality have changed. The shifting power of marketers is further analyzed in the next section, where I discuss the implications for the individual consumer caught in the electronic web of marketing.

**The loyalized consumer**

In the section above on relationship marketing, I discussed the material dimensions of customer loyalty—how loyalty programs and customization may serve to lock the customer in through information control. This is of course only part of the story; the symbolic dimensions of loyalty marketing are important as well, and integrally tied to the material dimensions. As Miller and Rose (1997) point out, marketing is a 'complex technical process' of 'making up the subject of consumption', which involves acting on the subjectivity of the consumer. Marketers engender customer loyalty not simply through the structural integration of the customer's needs, but also through the manipulation of images and meanings, as well as through the construction of a *rationality* of consumption. Once 1:1 marketing has been enabled and envisioned through differentiating customer needs and values, the idea of customer loyalty makes sense. Customers have been 'made thinkable' according to this logic, and as the techniques for governing them are refined, the standards for rational consumption develop and gain legitimacy.

The Air Miles program sells itself primarily through advertising's traditional offer of 'something for nothing' (Baudrillard 1998). Everyone must be a consumer; therefore one might as well be accumulating air miles toward a 'free' trip while consuming. Even if the
consumer is aware of the surveillance aspects of Air Miles, they may succumb to the 'post-Fordist deal' of undergoing surveillance in exchange for free trips. However, as Deverell (1998) points out, '[o]ne Air Mile for each 20 spent turns out to be, upon close inspection, the equivalent of a measly 1 per cent discount. Yet Air Miles is undeniably a hit.' Apart from this discount and the convenience of having only one loyalty card for many stores collectors are buying into the promise of an escape from the mundane: a flight from their everyday world with a 'free' airline ticket. As Moxley (1996) explains, it gets very cold in Canada in the winter time. Also important is the Air Miles brand. Recognition of the Air Miles logo is claimed to be near 95% (Moxley 1996: 9). Though not associated with a traditional 'product', the Air Miles brand comes to be a 'metaproduct' that consumers can trust; as the program spreads and endures over time this trust increases.

Customer loyalty programs attempt to engender this feeling of trust. Though claims of intimacy in market relationships may be exaggerated, customers may come to depend on the card in the sense that they know they are making an investment, and that the company is reacting to them in some way. As lives become busier, these relations of trust, as well as the technical relations, assist the expansion of the customer need set. As the relationship develops over time, the consumer comes to trust the judgments of the expert marketing system (Giddens 1990). Switching to a new loyalty program and/or brand would entail not only inconvenience but economic risk as well.

The recent definition and quantification of the loyal consumer has the immediate import of providing a new descriptive label according to which customers are judged by marketers,
but also (more importantly perhaps) with which they may self-identify (Hacking 1986). When a new label such as ‘Air Miles collector’ is created, people’s identities come to reflect it. The embedding of marketing surveillance systems into the product itself entails the increased reflexivity of the practice of consumption. Consumers are invited to continually reconsider their identities, to judge themselves according to the marketer’s gaze. Are you a collector, or not? Are you a loyal customer? To the extent to which loyalty marketing systems proliferate and are adopted by more and more stores, it becomes less possible to continue consuming without answering these questions.

The rational consumer then becomes the loyal consumer, since this is how reward in the marketplace is achieved. However, the story isn’t quite this simple. There is considerable contradiction in the subjects of consumption that relationship marketers are attempting to construct. These contradictions arise out of the questions of power in market relationships that I began to address above. The recent popularity of postmodern conceptions of the ‘active’, authoritative consumer parallels the critique of previous critics of consumer society, such as Ewen (1976) and Marcuse (1964). These critics are now frequently chastised for envisioning a world in which the consumer is a ‘foolish’ creature, dominated and manipulated by advertisers (see e.g. Miller and Rose 1997). Slater characterizes this dichotomy in consumer society literature as viewing the consumer as either a fool (in the critical or Marxist analysis) or a hero (in the liberal tradition). ‘Rational or irrational, sovereign or manipulated, autonomous or other-determined, active or passive, creative or conformist, individual or mass subject or object—these are the dichotomies through which the consumer has been viewed.
since early modernity' (Slater 1997: 33-34).

Slater's characterization is an astute one, but it applies not just to theorists of consumer culture, but to marketers themselves. The marketing systems that I've analyzed above are based on this conflicted vision of consumers. On the one hand consumers are treated as heroes: they are expected to rationally calculate their choices in the ever expanding marketplace; they are demanding of new types of services and market relationships in order to advance their convenience and satisfaction. In short, they are called upon to exercise their consumer sovereignty, which 'brings together the three defining obsessions of modernity: freedom, reason and progress' (Slater 1997: 35). On the other hand, loyalty systems are based on the presumption that consumers will buy into the concept of getting 'something for nothing'; that the proliferation of products is so overwhelming that consumers need help being integrated into certain metaproduct systems; that perhaps, as Baudrillard (1998) has it, the heroes of consumption are fatigued.

It is this conflicted logic which lies behind relationship and loyalty marketing efforts. By creating elaborate systems of metaproducts, marketers create even more choices for consumers while at the same time trying to entice them to limit their field of vision. Marketers are in a sense increasingly interested in using technology to 'deskill' the consumer. The consumer integrated into the company through relationship marketing may have no access to information recorded about her own needs and preferences. This is an attempt to render the consumer's knowledge about her own consumption useless, to substitute expertise and rationalized procedures of judgment for the consumer's own. The consumer's calculations
about purchasing decisions come to reflect the formal logic of 'loyalty' as well as individual
needs and desires. Furthermore, as I’ve shown, these systems provide leverage for profitably
extending the need sets of customers.

Marketers are busy constructing individual histories of consumers; but these individual
stories are shaped by a general story of human nature which underlies them. This idea is
important because of the power of marketers to structure the 'system of needs' in which
consumers exercise their bounded 'freedom'. The consumer is free to choose, to exercise her
'sovereignty', only from among products which are profitable to produce. Flexible production
techniques may be changing and expanding this range of products, but the power of the
consumer to determine her own needs remains limited. As relationship marketing systems are
fundamentally based on the differentiation of customers according to value and needs, the
consumer seeking to increase her power must attempt to position herself within marketing
space in such a way as to be profitable to engage. The terms of this process are defined by
the marketing department.

A large part of the power of marketing lies in the fact that people do not choose to be
consumers. As Slater (1997) points out, it is the wage-relation that produces the consumer;
the worker and the consumer are produced simultaneously. The consumer is in this sense
trapped in a system which attempts to pull him in conflicting directions. He is not free
not to choose (Baudrillard 1981). As companies incorporate surveillance and production
technologies to differentiate themselves from one another, the choices for loyalty proliferate,
and its importance to the system increases.
These contradictions in marketing's position are inherent. The capitalist system needs to produce dissatisfactions in order to continually reproduce itself (Baudrillard 1998). Loyalty programs attempt to secure 'intimate' relationships technologically. Marketers are attempting to capitalize on consumer alienation with a 'technical fix': by customizing products and facilitating relationships, tailoring both for individuals, but in the mass, routinized way which is dictated by economics (Bressand et al. 1989). As the customer is known better, more and more of her needs can be filled with commodity products and product-service bundles; hence more and more of her needs become 'a mere condition for making profit' (Slater 1997: 115). The pressure to increase profits directs marketers to expand and fill more customer needs, and more of the routines and activities of life become 'detraditionalized'. To the extent that people seek non-commodified social relations, the system will continue to produce dissatisfaction; it will reproduce its own market of customers susceptible to the offers of 'intimacy' and 'empowerment'.

In this sense, the marketing enterprise is reflexively reacting to problems that it has played a hand in creating. The iatrogenic tendencies of consumer capitalism produce a 'sickness' of dissatisfactions which are ever-susceptible to new marketing techniques. Baudrillard's critique applies well here:

The system is built upon a total liquidation of personal ties, of concrete social relationships. It is to this extent that it becomes necessarily and systematically productive of relationships (public relations, human relations, etc.). The production of relationships has become one of the key sectors of production. And because they no longer have anything spontaneous about them, because they are produced, those relationships are necessarily fated, like all that is produced, to be consumed (Baudrillard 1998: 198-199)
Yet for some marketers these relationships have become explicit selling points. There is of course quite a wide variation in the attitudes of marketers. What may be simply a tool for the Loyalty Group is a revolution of society for Peppers and Rogers. The difference is in the marketing; revolution sells well in the consumer society.

Slater characterizes consumer culture as involving market relations which are 'anonymous and in principle universal' (1997: 26). It is seen as embracing everyone. While this supposed inclusivity has always been problematic, it is perhaps being further undermined by consumption systems which are increasingly capable of excluding 'non-productive' consumers. The logic of differentiation is fundamentally tied to the concept of individualism. If Fordism involved the 'massification' of consumerism, recent marketing practices are encouraging a shift back to elitism. Of course consumer culture was always founded on the pursuit of self-interest: 'A customer's only reality ... is his own individual existence—his own individual free will' (Peppers and Rogers 1993: 96).

The contradictions of marketing can be viewed as mobilizing a liberal rationality based

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1 Some marketing experts are pushing new technologies of customer differentiation in reaction to the horrors of mass culture, of not being recognized for their VIP status. McKenna (1997: 101-102) relates a story:

The nature of my wife's work has made her heavily dependent on her cellular phone company, so a notification that she was about to have her service cancelled came as a nasty shock that morning. It seems that her payment for her bill, which happens to be five times the national average, had not been received by the company. She had, in fact, paid what she owed by electronic funds transfer. To establish this, she was forced first to spend half an hour on hold waiting for a cellular company representative and then to have our bank fax confirmation of the payment to the billing department. The cellular service was unwilling to give her the benefit of the doubt.
on freedom, equality, and responsibility, through a technological rationality of efficiency and control. Underlying both is the imperative of capitalist rationalization. The dichotomy is characterized by Featherstone in these terms: ‘today’s consumer culture represents neither a lapse of control nor the institution of more rigid controls, but rather their underpinning by a flexible underlying generative structure which can both handle formal control and de-control and facilitate an easy change of gears between them’ (Featherstone 1991: 27). This underlying structure is the system of needs, which the marketing apparatus constructs in ever-more detailed fashion. The ‘liberal capitalist imaginary’ is the institution of more rigid controls, experienced as the lapse of control.
4 Conclusion: Marketing society and the legitimation of capitalism

Our society thinks itself and speaks itself as a consumer society. As much as it consumes anything, it consumes itself as consumer society, as idea (Baudrillard 1998: 193).

To summarize the discussion above, I’ve painted a picture of consumption as a complex system of objects, commodities, needs and relationships, which are reflexively produced and consumed as the marketer and the consumer struggle for position and power. The system of consumption is increasingly a technological system, and the requirements of that system necessarily limit the movement of the consumer within it. Marketers are increasingly formulating the concept of the loyal consumer, and through individualized communication and ‘dialogue’, they are interpreting consumers’ desires and needs into an instrumental system designed for the calculated movement of customers in the direction of increasing loyalty and hence profit.

Despite claims of customer empowerment and collaborative marketing, more and more products and services are being tied to elaborate systems of marketing surveillance and knowledge production. This has the effect of breaking down the distinction between production and consumption, as the product expands to incorporate not only the marketing apparatus, but a complex construction of the consumer’s identity as well. This system provides a basis for the continued commodification of more areas of human activity, and the expansion of customer needs and simultaneous design of customized products. In general, loyalty marketers such as Air Miles attempt to expand both the needs of consumers and
producers who increasingly require the knowledge that gets produced. The logic of the
system is thus still commodity production rather than simply customer sovereignty or, more
generally, human development.

As an example of such a complex commodity system, the Air Miles customer loyalty
program involves the creation, commodification, and consumption of customer knowledge,
relationships, and loyalty. Marketing is founded upon the ‘industrial production of differ­
ences’, and it operates through the creation of a ‘system of needs’ and relationships which
connect up the desires of consumers with the flexible production system. My analysis has
claimed that this role of articulating the spheres of production and consumption has be­
come both more technical and more prominent in businesses today. I’ve also claimed that
the freedom of the consumer within the marketplace is fundamentally bounded according to
the technologies of marketers, as well as new marketing rationality.

However, the implications of new relationship marketing practices go beyond the struc­
turing of ‘consumer freedom’ within the marketplace. Capitalism is a system which is both
expansionary and imperialistic; marketing plays a fundamental role both in its reproduction
as well as its legitimation. As relationship and loyalty marketing help to expand capitalist re­
lations into new areas of life, more and more satisfaction is derived through the marketplace.
Relationship marketing works in part through ‘delivering the goods’; but also, as the system
of needs shifts and becomes redefined, it becomes increasingly difficult to ‘opt out’, not only
due to inconvenience, but because the universe of use-values has also shifted (Illich 1980).
If you’re not a valued loyal customer, if you’re not having your shopping done for you, you
become poor. As the system expands around you, your own use-values may disappear. This inequality itself is part of the way in which the commodity system reproduces and expands.

The technological system of consumption expands and entrenches itself. As more types of activity become commodified, as the technological networks expand, and as the system reflexively reorganizes itself, the consumer society reproduces and consumes itself. Through its rationality, techniques, and technologies, marketing underlies the reproduction and legitimation of capitalism. The 'technical fix' that marketers promise falls in line with common conceptions of liberation through technology. As the system of commodified goods and services expands, society increases its dependence on consumer goods, and it continues to 'identify technical progress with the multiplication of commodities' (Illich 1980: 15). The increasingly technical marketing apparatus further entrenches this identification.

Furthermore, '[m]arketing, purchasing, sales, the acquisition of differentiated commodities and object/signs—all of these presently constitute our language, a code with which our entire society communicates and speaks of and to itself' (Baudrillard 1998, translation from Baudrillard 1988). The individual is constructed as a 'rational', 'empowered' consumer. The culture of work and spend is reproduced as the individual is obligated to exist as both worker and consumer, and as the standards for rational consumption shift with new techniques. 'Need', 'freedom', and 'progress' are increasingly defined only in individual, consumerist terms, and loyalty becomes the primary basis for achieving a position of influence in the consumer society.
5 References


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‘Point spread: frequent flyer points have developed into more than just a way to build customer loyalty, now everyone is getting in on the action’ (1996) *Financial Post Daily*, 9(132), September 20. (online: Canadian Business and Current Affairs Index, May 23, 1997).


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