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# Networks: a social marketing tool

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## Abstract

**Purpose** – This research aims to extend the social marketing literature by considering the network effect as a social marketing tool. The network effect is seen as complementary to traditional social marketing tools.

**Design/methodology/approach** – The authors study the implementation of a good practice, Local Agenda 21 (LA21), in the Basque Country. The empirical test involves 134 surveys conducted with municipal organizers of LA21. A SEM model is developed and tested.

**Findings** – The network effect significantly impacts embrace of LA21 (social product) by municipalities.

**Research limitations/implications** – The study refers to a single regional context. Future investigations are required in broader geographical contexts.

**Practical implications** – This research aims to indicate possible alternative marketing-related paths towards a more across-the-board diffusion of locally based sustainable development (SD) strategies. This approach could be used to achieve strong adoption of other good practices.

**Originality/value** – The authors adopt an uncommon perspective. Social marketing is viewable as a relationship-oriented government-to-government tool.

**Keywords** Local Agenda 21, Network effect, Social marketing, Government-to-government, Structural equation modelling, Sustainable development

**Paper type** Research paper

## Introduction

This research studies the “network effect” (Frels *et al.*, 2003) as a social marketing tool capable of bringing about strong adoption of complex behaviours by target adopters. This tool is characterised by:

- The marketer acts as a facilitator and concentrates on the selection and management of partners able to contribute the mix of resources and capabilities needed to remove barriers to the adoption of the target behaviour that is to be promoted (i.e. partnership).
- The marketer gives the most prominent role to the target adopters, who participate, from the start, in the design of actions that are initiated, and maintains a constant relation over time with them and with their partners (i.e. relationship marketing).
- The marketer fosters intense interaction between the adopters and transforms them into a credible vehicle for communicating the benefits of the social product.



- As the number of adopters increases, the social product starts to be perceived as a norm.

Some of the elements that are included in the network effect have been partially considered in previous social marketing literature. Some prior contributions, for instance, have emphasised partnership (e.g. Weinreich, 2010), upstream efforts (e.g. Hastings and Donovan, 2002), the participation of target adopters (e.g. Kotler and Roberto, 1989) and the importance of turning the social product into a “community norm” (e.g. McKenzie-Mohr and Smith, 1999). No previous work, however, has studied the network effect as a coherent whole within the social marketing context. This research sets out from the concept devised by Frels *et al.* (2003) in the commercial marketing area, adapts it to the field of social marketing, proposes a measurement scale for its component constructs and demonstrates that the network effect significantly impacts on strong adoption of the social product, using the case of Local Agenda 21 (henceforth LA21) in the Basque Country as a reference. The network effect must be integrated with all the other traditional social marketing tools. The next section briefly explains how these tools were used in the case of the Basque Country. The central thrust of this work, however, is to study the network effect.

Our research addresses recent claims by social marketing scholars regarding the need to see social marketing from a wider perspective (McKenzie-Mohr and Smith, 1999; Hastings and Donovan, 2002; Andreasen, 2006; Wymer, 2010). McKenzie-Mohr and Smith (1999) suggest that behaviour change rarely occurs as a result of simply providing information, and propose a community-based social marketing approach which focuses on removing barriers to an activity while simultaneously enhancing the activities benefits. Hastings and Donovan (2002) argue that an upstream social marketing perspective should replace the traditional downstream social marketing approach intended to persuade individuals, utilising social marketing principles and tools to identify and address environmental factors that limit a social marketer’s ability to influence an individual’s behaviour. Wymer (2010) posits that the scope of social marketing might be too narrow to effectively address many social problems, and suggests that “in time some social marketers’ activities will be more akin to those of activists rather than those of advertisers” (Wymer, 2010, p. 102).

The next section deals briefly with the conceptual background relating to marketing and LA21 literatures, discussing the relation between the network effect and traditional concepts of social marketing. The third section defines the model proposed and justifies the hypotheses that will be under test. The fourth section explains the results of the empirical test. The final sections present conclusions, implications and avenues for future research.

## Conceptual background

### *Preliminary concepts*

*Social marketing.* Recently, Dann (2010) developed a comprehensive definition of social marketing which he supported through the use of the qualitative research technique of text mining, thereby uncovering a core series of principles consistent with the historical definitions of social marketing. He defines social marketing as “the adaptation and adoption of commercial marketing activities, institutions and processes as a means to induce behavioural change in a targeted audience on a temporary or

permanent basis to achieve a social goal” (Dann, 2010, p. 151). So, although social marketing has mainly focused on campaigns and communication, more durable marketing strategies that use different marketing tools also fall within the concept of social marketing.

*LA21 and sustainable development.* This research intends to contribute evidence of the relevance of the network effect for achieving the strong adoption of LA21 among municipalities to meet goals of sustainable development (henceforth, SD). SD is understood as development that meets the needs of the present without compromising the ability of future generations to meet their own needs (United Nations, 1987). SD strategies are approaches that lead to SD. LA21 is understood as a local strategy/action plan for tackling SD issues through new forms of involvement and co-operation that lead to quality-of-life improvement (Echebarria *et al.*, 2009). Civil society involvement and three-dimensional SD perspective (including social, economic, and environmental targets) are essential elements of LA21. A broad consensus exists around the central role local governments and civil society play in achieving SD, given the latter’s proximity to the causes of and solutions for many of the problems associated with this major goal (Evans *et al.*, 2005). Consequently, all the European countries participating in the Rio de Janeiro World Summit (Brazil, June 1992) subscribed, at least nominally, to the United Nations proposal to promote the devising and implementation of local SD strategies, known as LA21s. Nineteen years later, however, the response from local authorities is relatively scarce. This investigation aims to indicate possible alternative marketing-related paths towards a more across-the-board embrace of locally-based SD strategies.

*Embrace or strong adoption.* In this research we use the term embrace of LA21 rather than the terms diffusion and adoption. Embrace is conceptualised as strong adoption of the tool. Adoption is considered to be strong if, after implementation, the representatives of municipalities attach high value to the new tool and show satisfaction with and loyalty to it. Most previous innovation adoption research has approached adoption in terms of a yes/no question. But it has also been shown that adoption does not always imply that the roots of new tools have penetrated deeply into the fabric of local governance (Coursey and Norris, 2008).

*Complexity of adoption.* Embrace of LA21 by municipalities cannot be achieved in isolation. When municipalities consider the possibility of adopting LA21 they usually perceive doubts, risks and lack of resources and capacities. Experiences studied by LA21 literature show that implementing a complex new tool such as LA21 calls for certain minimum human and financial resources in order to get the process going. At least one full-time expert has to be in charge of implementation (e.g. Kern *et al.* 2004), while funding is needed to enable the plan to be drawn up with collaboration from civil society and to develop the actions included in the plan. Municipal mayors cannot run the risk of passing action plans, supported by their citizens, that are subsequently not carried out through lack of economic resources (Barrutia *et al.*, 2007). A complex mix of knowledge is also needed, which must include methodology for designing strategies, awareness of the content of environmental, social, and economic departments and their interrelations, and of the functioning of public institutions and their interrelations, as well as the creation and running of forums that encourage participation from civil society. The degree of compliance is easy for the political opposition and civil society to follow, which is something local governments are not always happy about.

Complements to the focal tool, therefore, are needed to create an augmented product. Hence, as European experience has shown, to foster embrace of LA21, strong support from higher levels of government is necessary (e.g. Eckerberg *et al.*, 1999; Echebarria *et al.*, 2009).

*Augmented product.* Following Levitt (1969), the concept of augmented product/tool is understood in this research as additional (and initially unexpected) complements that increase the value perceived by users in relation to the isolated focal tool. The main additional complements include financial support, methodologies, training, teamwork, and a hot line. The inclusion of these complements strengthens the embrace of the tool, while failure to include them may cause the municipalities not to embrace the tool.

*Network effect and social marketing: a contextualised view*

This investigation takes as its principal reference the experience of the Basque Country. This region has three provinces and 251 municipalities, most of which are small. Its environmental tradition is very limited. Nevertheless, at the beginning of the year 2000, a strategy of social change was launched encouraging local councils to adopt initiatives to implement LA21s. Today, 90 per cent of councils in the region utilise LA21, which in comparative terms represents a very high percentage, surpassing the environmental achievements even of some of the most advanced countries in Europe, such as the Nordic countries (Echebarria *et al.*, 2009).

How was this achieved? The first step was taken by an agency, called IHOBÉ, which was created by the Basque Government to stimulate SD in the region. The heads of IHOBÉ convinced political leaders in the Basque Government, in the three Basque provinces and in the association of municipalities (upstream efforts) that diffusion of LA21 (social product) ought to constitute a high-priority social cause to be championed in the region. They later investigated the reasons why local councils did not launch LA21s, holding in-depth face-to-face interviews and focus groups with council leaders and their environmental heads (marketing research). This allowed them to identify important barriers to LA21 adoption and to segment the councils, identifying those that were more prone to implement LA21 (as was suggested by Kotler and Lee, 2008). IHOBÉ set up a pilot experience in which five municipalities took part, working as a team to shape their LA21s (as was suggested by McKenzie-Mohr and Smith, 1999; see Barrutia *et al.*, 2007, for more details).

Initially there existed only a vague definition of the social product to be promoted, in the shape of a generic, or not very detailed, methodology developed by ICLEI (an international association of local governments). Teamwork at council level, backed up by local environmental consultants whose fees were paid for by the regional government and the provincial governments, made it possible to cut costs, share experiences and knowledge, and work on the development of a methodology adapted to the regional context. Strong links between municipal heads of LA21, coupled with the fact that those involved attached importance to being perceived as consistent, created a strong commitment to the social product and to the activity (see McKenzie-Mohr and Smith, 1999). Difficulties in the design of the plans and in their implementation were overcome with assistance from IHOBÉ and its partners, who set up multi-institutional encounter forums and actively dialogued and negotiated with the councils, giving rise to appropriate solutions for the problems identified. In addition to other support given,

IHOBE and its partners contributed economic resources for hiring environmental technicians at the municipal level. Regional perception of risks and costs associated with LA21 implementation was seen to fall. As a consequence, new councils began to join in with the LA21 experience. The day-to-day knowledge acquired was transmitted by word of mouth in the small regional space, the LA21 product gradually became an augmented product and the perception of risks, barriers to adoption, and costs lessened. As diffusion of LA21 broadened, many councils that had not adopted LA21 felt they had been remiss, sensing that they were being left out of something important, and they decided to adopt LA21 (as institutional theory shows; see, e.g. Di Maggio and Powell, 1991). The marketer had managed to position the social product as a “norm” to follow in the region (see McKenzie-Mohr and Smith, 1999).

Is this social marketing? We think it is, because the main elements of social marketing are present in this experience: a social cause/product (adoption of LA21 by town councils), an agent of change/marketer (IHOBE), target adopters (town councils), previous market research that results in the identification of the target adopters most prone to action and a series of actions that seek to reduce the barriers to adoption of the social product. The marketer also uses the 4Ps as basic social marketing tools, attempting to “augment” the focal product by developing methodologies, teaching training courses, creating a hot line to resolve uncertainties or devising LA21s at group level. The marketer tries to reduce the adoption cost (price), providing municipalities with consultants and human resources and getting them to work jointly so that they not only learn, but also share costs. The marketer makes LA21 implementation convenient (place) for the municipalities. For instance, each local council voluntarily chooses the municipalities that it will be involved with in group work, which generally tend to be nearby councils where there has already been prior experience of joint work. And, lastly, IHOBE uses pioneering councils as communications/promotion tools. These are used as credible disseminators of the advantages of the social product and as trainers of the municipalities that join the scheme later on (they are helped and are asked in exchange to assist and promote the social cause). In this last stage the objectives are set and monitored, while corrective actions are defined. We believe, therefore, that this experience matches some of the most prevalent concepts of social marketing, such as: the “benchmarks” that should be considered “for identifying an approach that could be legitimately called social marketing” as defined by Andreasen (2002, p. 7), the “eight essential components of social marketing” as termed by Lefebvre and Flora (1988, p. 301), and Kotler and Lee’s (2008, pp. 7-17) view of social marketing.

Nevertheless, we are also aware that this form of carrying out social marketing does not fit perfectly with the experiences usually studied by mainstream social marketing literature, which has concentrated on campaigns that have mainly used the mass media as a communication tool and have been aimed at informing individuals and families and making them aware in order to demarket inappropriate (and usually health related) behaviours (e.g. Dooley *et al.*, 2010; Peattie and Peattie, 2009; Szmigin *et al.*, 2011) and foster desired behaviours (e.g. Shang *et al.*, 2010). The Basque Country experience displays some key differences with this literature:

- Local governments are the target audience, rather than families.
- The marketer is fundamentally a facilitator. Their effort does not focus on designing a communication campaign but on covering councils’ needs through upstream efforts. Their approach involves all actors relevant to the process.

- Target adopters have a participatory rather than a merely passive role and the marketer has an ongoing rather than occasional relation with them (relationship marketing). They form work groups and identify barriers and needs that they debate with IHOBE and its partners.
- Pioneers and early adopters are expected to communicate their experiences and influence adoption by late joiners. As the number of adopters grows, adoption becomes a norm to be followed in the region.

In our judgment, these differences should not leave this initiative out of the reach of social marketing. In fact, many of these aspects have already been included, though not as a coherent whole, in previous social marketing works. Our view of the first difference, in relation to the target public, is that, as was suggested by Kotler (1972), marketing involves two or more social units that may be individuals, groups, public and private organisations, communities or nations. So government-to-government marketing is included within the marketing concept. We believe that when high levels of government pursue the adoption of good practices (social product) by lower levels of government, benefiting adopters and society and using the logic and tools of marketing, they are practicing social marketing. Turning to the second difference, concerning the intense use of partnership, it must be mentioned that “partnerships are increasingly being recognised as essential factor in successful social marketing” (Donovan and Henley, 2010, p. 282). Weinreich (2010) suggests that 7Ps should be considered within social marketing, rather than the 4Ps. Partnership is included within these 7Ps. Luca and Suggs (2010) recently carried out a review of 24 papers describing 17 health-related interventions and found that the majority of social marketing interventions had, to a greater or lesser degree, used partnerships. The same idea of adding partnership to the 4Ps was made by Gummesson (1994) in the field of commercial marketing, supporting his argument on concepts derived from relationship marketing and industrial marketing. There is, meanwhile, a growing emphasis on partnership in recent commercial marketing propositions associated with the relationship marketing concept. Holistic marketing concept (Kotler *et al.*, 2002) and service-dominant logic follow different argumentative lines, but both share in common the emphasis they lay on the notion that companies do not face the market as isolated entities but as integrators of value from different suppliers, and that they do not compete alone but go to the market accompanied by the right partners to achieve their commercial objectives. Where the third difference is concerned, relating to the intense participation of target adopters and their group work, it has to be mentioned that commercial marketing has increasingly recognised the relevance of consumer participation in product development and has proposed the creation of virtual communities so that consumers interact and co-create value and, at the same time, contribute innovative ideas to companies (e.g. Blazevic and Lievens, 2008.). Within the social marketing field, Kotler and Roberto (1989) refer to some experiences of what they term participative adoption in government-to-consumer contexts and argue that participative adoption has advantages in terms of facilitating adoption, sustaining it over time and adapting the social product to local conditions. The concept of community-based social marketing stresses the importance of encouraging target adopters to take on public commitments (McKenzie-Mohr and Smith, 1999). McKenzie-Mohr and Smith suggest that when commitments are made public,

behaviour change is more likely, and their duration over time will be greater. In the case of the Basque Country, the participation of target adopters, their teamwork and face-to-face interactions between all the agents in the region spark off many public commitments both individually and at group level. McKenzie-Mohr and Smith also refer to the fourth differentiating aspect of the Basque Country experience, the conversion of social product into a social norm, which is achieved as the number of adopters increases.

Now, is there a marketing contribution that allows us to integrate the above-mentioned differentiating elements within a single concept? In our opinion the (commercial) marketing concept that best allows the Basque Country experience to be explained and incorporated within a coherent whole is that of the “network effect”, developed by Frels *et al.* (2003). These authors explain the way in which consumers tend to acquire products that are:

- Dominant in the market, or which they believe will become so in the future. Consumers thereby hope to be able to interact with other consumers in relation to the product, in order to exchange experiences or resolve uncertainties and problems in the use of the product, in addition to feeling socially accepted.
- They are supplied by various producers who, taken together, contribute the support or complements that the focal product needs, in a convenient fashion. The combination of these elements (various producers, several complements, a broad network of users and collaboration between users) creates a network effect that is very difficult for competitors to beat.

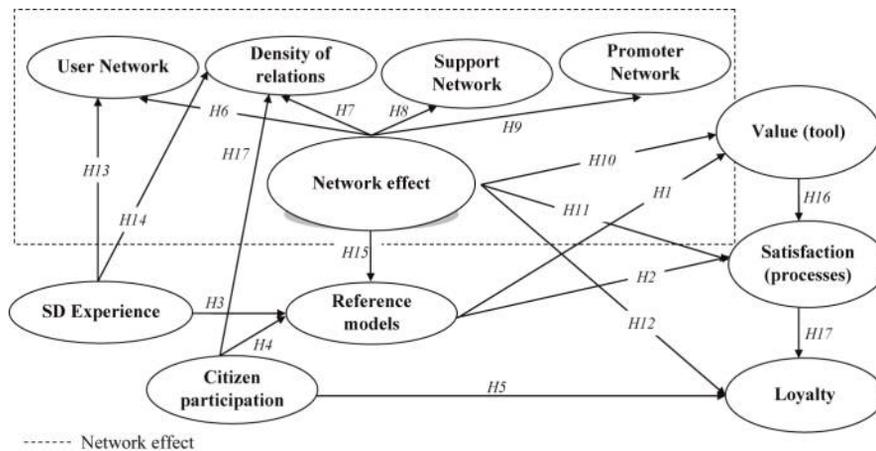
The network effect concept, understood as a coherent whole, has had no echo in social marketing literature. This research seeks to cover this gap. We believe it is important for social marketers to understand this concept in its globality and attempt to create it in their interventions.

### **Proposed model**

The model was built on an in-depth study of previous literature regarding

- the adoption of new tools by public institutions;
- marketing: commercial and social marketing; and
- experiences of LA21 implementation in Europe.

Initially, LA21 is viewed by managers in the municipalities as an innovative practice. Our approach is, consequently, consistent with previous research regarding innovation adoption that has identified two clusters of factors that affect (strong) adoption: the specific characteristics of the municipalities or internal factors and external factors (see Figure 1). Both types of factor will affect the value perceived by municipalities. The literature has also shown that innovation adoption is complex and contingent (i.e. different factors drive the diffusion of different types of innovation in different contexts) (Coursey and Norris, 2008). So, we built on previous works that study the factors that have affected the evolution of LA21 in Europe (Eckerberg *et al.*, 1999; Evans *et al.*, 2005; Echebarria *et al.*, 2009). Key marketing insights were obtained from the work of Frels *et al.* (2003). Starting out from previous works (e.g. Lambkin and Day, 1989), they proposed an integrated network model in which three kinds of network



**Figure 1.**  
Model proposed: factors  
that explain value,  
satisfaction and loyalty in  
LA21 processes

(composed of users, complements, and producers) acted to add value or improve the attraction of a particular product considered in isolation. Frels *et al.* (2003) empirically tested the model proposed for the case of IT professionals in their decisions concerning the allocation of resources with regard to Unix and Windows NT operating systems. The results suggested that the value added of the network effect was significant and related positively to these professionals' allocation of resources. On the basis of LA21 experiences and of Frels *et al.*'s (2003) model we see the network effect as integrated by four constructs: network user dimension and density of relations (users), complements network, and promoters' network. These constructs integrate the network effect.

#### *Specific characteristics of the municipality*

A municipality's perceived value of LA21 reflects the quotient between expected benefits and costs and perceived risks (e.g. Ravald and Grönroos, 1996) and will depend on the characteristics of the tool and the particular characteristics of local governments. Several authors have emphasised the presence of key agents who can act as LA21 process leaders in municipalities. The European research project DISCUS (Evans *et al.*, 2005), in particular, shows that numerous cases can be found where mayors or other agents endowed with sufficient charisma and commitment have acted as drivers for the promotion of LA21s, and have even adopted unpopular decisions, on frequent occasions, in order to prioritise long-term SD targets. That is to say, particular key individuals in the municipalities will go for the tool even without in-depth knowledge of it, either because of its aims (driving Local SD), the means employed (strategic planning and citizen participation) or the institutions that promote it (United Nations, regional governments, etc.). In the context of social marketing, Wymer (2004) states that social marketers' effectiveness in recruiting a political champion influences their successes in gaining government support. A popular, influential political leader who works to further the cause facilitates social marketing efforts. The expected outcome, therefore, is that the existence of key individuals/reference models within the municipality will have a direct positive impact on the value assigned to LA21 (H1).

Once municipalities have adopted the new tool and experienced its advantages and drawbacks, governments will obtain a particular level of satisfaction. This will once

again depend, among other factors, on the existence of opinion leaders in the municipality who choose to introduce the new tool and the elements essential to it. The existence of reference models within the municipality will therefore have a direct positive impact on the level of satisfaction that municipalities obtain from LA21 (*H2*).

Nevertheless, it seems unlikely that key individuals will spring spontaneously into existence, but it is reasonable to assume instead that their presence will be due to specific antecedents, one of which will likely be the existence of some experience/tradition of SD within the municipality. Some authors consider that a SD tradition constitutes a precursor for LA21 processes (see, e.g. Eckerberg and Dahlgren, 2007). The absorptive capacity theory (Cohen and Levinthal, 1990) provides additional support for this idea. It argues that in order to grasp/understand innovative approaches some previous knowledge base is necessary. The expected outcome therefore is that the degree of SD tradition in the municipality will have a direct positive impact on the existence of reference models that opt for LA21 (*H3*).

A singular component of LA21 is citizen participation. Municipalities are closest to the citizen but have not always incorporated citizen participation as an element for integrating political management. For some municipalities, its introduction may constitute an element of rupture with practices that have become customary. Consequently, a lack of effective citizen participation has repeatedly appeared in the literature as one of the weak points in experiences of implementing LA21 and is one of the areas to which researchers have recently devoted their efforts (see, e.g. Coenen, 2009). As Coenen (2009), among others, states, citizen participation may be the most differentiating component of LA21 and one of the main factors driving or putting a brake on its adoption. The expected outcome, therefore, is that a more favourable attitude towards citizen participation will have a direct positive impact on the existence of reference models that opt for LA21 in the municipalities (*H4*) and on loyalty towards LA21 processes (*H5*).

#### *Network effect*

Frels *et al.* (2003) proposed an integrated network model that considered three kinds of networks (user network, complement network, and producer network). Within the user network they included:

- the user network dimension (current size and expectations of future size); and
- what they termed user network strength.

Social network theory supports the relevance of user network dimension, arguing that the number and prestige of present users should be a key factor for new adopters' value perception (Scott, 1991). Taking this argument as a point of departure, institutional theory has demonstrated that the wide adoption of tools such as LA21 gives them legitimacy within the institutional sphere, which contributes to speed up their diffusion (e.g. Di Maggio and Powell, 1991). Ultimately, these innovations acquire such a degree of recognition that not to adopt them appears to be irrational and negligent. Network externalities theory reinforces these ideas, in suggesting that network dimension is the most important factor among those that new adopters must weigh up when taking their decision (e.g., Katz and Shapiro, 1985). Lastly, much marketing literature has considered network dimension as an explanatory factor for the adoption of products/tools (e.g. Sawhney and Parikh, 2001). A broad network functions as a

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value network that offers important additional value to those adopting it, through the generation of network externalities (Frels *et al.*, 2003).

European experience of LA21 bears out the assertions above, with some countries, such as Switzerland and Portugal, showing a merely anecdotal presence of LA21 processes, not having achieved a minimum critical mass, while in other countries the spread of processes became progressive, reaching higher levels of implementation (as occurred in Spain and Italy), although this took time to happen. Network user dimension (current and expected) will therefore be one of the factors that form part of the network effect (*H6*).

The second of the user network elements proposed by Frels *et al.* (2003), is user network strength and refers to the existence of fluid and intense relations between adopters of the new tool. Frels *et al.*'s (2003) view is consistent with LA21 literature that has emphasised the relevance of the existence of dense fluid relations between local governments as a key factor in the diffusion of LA21 processes (Echebarria *et al.*, 2004; Sancassiani, 2005), fundamentally with reference to smaller municipalities (Barrutia *et al.*, 2007). Both perspectives seem to attribute a relevant role to strong ties at an inter-municipal level as an explanatory factor for the embrace of LA21 processes. For the sake of clarity, the present study calls this element density of relations between municipalities. The density of relations between municipalities will therefore be one of the factors forming part of the network effect (*H7*).

The complement network comprises services that are necessary to make the focal tool more attractive by creating an augmented tool. Higher levels of government (and specialised international institutions, such as the ICLEI) can decide to offer value complements (e.g. financial support or training) to the tool in isolation (Kotler and Lee, 2008). The strength and characteristics of the complements impact the value and satisfaction the local authorities perceive. Frels *et al.* (2003) conceived the designation for the for-profit sector. For the purposes of this work, the term for this element will be support network.

The producer/promoter network includes those who offer value complements. According to marketing literature, the existence of different agents offers the possibility of accessing complementary or alternative goods. This is relevant because we sometimes find that a provincial government, say, cannot offer financial aid, while a regional government can provide this financing. The different promoters, moreover, actively compete among themselves in offering different kinds of support to councils.

The conclusion marketing literature arrives at is consistent with studies concerning LA21 implementation in Europe that point towards the need for strong support from the higher levels of government (see, e.g. Kern *et al.* 2004; Sancassiani, 2005). Lack of support is an important factor that acts as a brake on these processes in countries such as Switzerland, France, or Portugal (Echebarria *et al.* 2009). In general terms, therefore, the greater the quantity and quality of promoters and complements in convergence, the greater will be the value added that the local authorities perceive. Consequently, support which the higher levels of government provide (*H8*) and the coexistence of different higher levels of government promoting LA21 (*H9*) will form part of the network effect.

LA21 literature shows consensus regarding the importance of the existence of networks of municipalities to explain the dissemination of LA21 processes and their

quality. These networks seem to constitute a launch pad for the explosion of initiatives of this kind, as cases such as that of Italy (Sancassiani, 2005), Sweden (see the case of eco-municipalities in Eckerberg and Dahlgren, 2007), and Spain (Echebarria *et al.*, 2004) illustrate. Municipal governments participating in networks appear to develop a higher degree of commitment to LA21 and to obtain important benefits from the transmission of experiences and inter-municipal collaboration (Echebarria *et al.*, 2009). The network effect will therefore have a direct positive relation with value perceived by municipalities, stemming from the use of LA21 (H10), their satisfaction (H11), and their loyalty to LA21 processes (H12).

#### *Municipal characteristics-network effect complementarity*

We believe that the characteristics of the municipalities will influence some of the components of the network effect which Frels *et al.* developed. In particular, prior SD experience in municipalities will influence the perception they have of the evolution of the LA21 user network. Similarly, the density of relations between municipalities is explainable not only by work that the higher levels of government carry out, fostering the intensification of such relations (see Barrutia *et al.*, 2007), but also by the municipalities' previous track record and, in particular, by their prior experience of collaboration around SD aspects, among other factors. Therefore, councils' previous experience of SD will directly and positively influence municipal perception of the future of the user network (H13) and the density of municipal relations (H14).

Lastly, the network effect is likely to influence key individuals who support LA21 in the municipalities. Influential individuals in the municipalities will probably commit themselves to a particular tool when they perceive that a high degree of commitment is demonstrated by higher levels of government. Social marketing literature (e.g. Wymer, 2004) indicates that these reference models in the councils should constitute the main target market for the upper strata of government. It is likely, therefore, that the network effect will directly and positively encourage the involvement of reference models within municipalities that support LA21 (H15).

#### *Relation between value, satisfaction and loyalty*

It is possible to conceptualise satisfaction as a positive affective state resulting from the evaluation of all the aspects associated with a particular activity or relation (e.g. Lam *et al.*, 2004). Customer loyalty refers to a users' attachment or commitment to a product, service, brand, or organisation (Oliver, 1993), and exhibits itself in various behaviours, when recommending a product or an activity, for instance, or in the repetition of this purchase or activity (e.g. Dwyer *et al.*, 1987). Although the relation between value, satisfaction, and loyalty has not always shown consistent results, the majority of researchers (e.g. Lam *et al.*, 2004; Yang and Peterson, 2004) have found that value has a positive impact on satisfaction, and that the latter has a positive impact on loyalty. This research echoes the so-called "satisfaction model" (Brady *et al.*, 2005). The satisfaction model includes satisfaction as a central mediating variable between value and loyalty. The value that the municipality perceives in the LA21 tool will therefore have a direct positive impact on satisfaction (H16), and the level of satisfaction that municipalities obtain from LA21 will have a direct positive impact on loyalty (H17).

## Empirical analysis

### *Data collection*

The empirical test involves 153 surveys conducted with municipal organisers for LA21 in the Basque Country; 127 municipal experts and 26 district development agency experts. As the latter are responsible for a LA21 covering a group of small municipalities, altogether 225 municipalities are included in this research (89 per cent of those existing in the Basque Country). However, the final sample size is 134. Nineteen surveys were not usable.

Questionnaires were addressed to the people in charge of LA21 in each municipality. These people dedicate all or practically all their time to LA21 and are the most knowledgeable regarding the variables and items included in this research within the municipalities. They are also best able to observe and determine the impact of the variables studied on the rest of a municipality's activities. These people coordinate the tasks of all municipal departments in relation to LA21 and are in permanent contact with civil society within their territories, with peer municipalities, and with the other members of the network. Due to their central role, involvement of municipal organisers is critical for achieving the embrace of LA21 by municipalities.

### *Metrics*

Constructs and items used in this research are included in Table I. The measurements for value, satisfaction, and loyalty followed, in adapted form, the works by Lam *et al.* (2004), and Yang and Peterson (2004). The network effect measurements follow the contribution by Frels *et al.* (2003). The SD experience metric was inspired by previous work. The reference model metric was built for this research on the basis of the concept used by Evans *et al.* (2005). We define the propensity to civil society participation as the extent to which municipalities attach value to that participation. The scale building was inspired by previous work (Coenen, 2009).

Before the field work came meetings with those regionally responsible for organising the dissemination of LA21 processes and with councils, which acted to refocus, define and properly draft the items used and to guarantee the validity of content of the scales. To test the apparent validity of the items proposed, 11 (municipal and regional) experts had to assess the different items as clearly representative, somewhat representative, or unrepresentative. Only the items around which consensus existed were retained. 11-point Likert scales constituted the method of measurement (between 0 and 10).

### *Results*

*Network effect.* One aim of this research was to test the existence of the network effect, within the area of social marketing. To do this a second order model came into effect, reflecting the network effect factor in the network dimension, density of relations, support, and promoter factors. A preliminary analysis consisted of verifying the normality of the data, revealing that the individual values of asymmetry and kurtosis for each item were, in general, relatively satisfactory. Nevertheless, the normalised estimate for the Mardia coefficient presented a value of 17.6, which is indicative of the existence of a multivariate kurtosis (Bentler, 2005, recommends a cut value of 5). It was necessary, therefore, to consider the robust fit measures (specifically, Satorra and Bentler's (1994) scaled Chi-square test).

	Standardised loadings	Composite reliability coefficient	Average extracted variance
<i>Network dimension</i>			
X <sub>1</sub> : Present use of LA21	0.83	0.88	0.79
X <sub>2</sub> : Future use of LA21	0.94		
<i>Density of relations</i>			
X <sub>3</sub> : Frequent contacts	0.87	0.96	0.82
X <sub>4</sub> : We communicate often	0.91		
X <sub>5</sub> : We sometimes meet up	0.92		
X <sub>6</sub> : Long conversations	0.96		
X <sub>7</sub> : Very fluid relation	0.88		
<i>Support network</i>			
X <sub>8</sub> : A lot of support at present	0.85	0.91	0.72
X <sub>9</sub> : Much future support	0.78		
X <sub>10</sub> : Easily accessible support	0.86		
X <sub>11</sub> : Quality support	0.91		
<i>Promoter network</i>			
X <sub>12</sub> : Fluid relations	0.78	0.88	0.70
X <sub>13</sub> : Prestigious promoter	0.87		
X <sub>14</sub> : Reference promoter	0.86		
<i>Reference models</i>			
X <sub>15</sub> : Influential people who have opted for LA21	0.85	0.86	0.76
X <sub>16</sub> : Municipal organisers who have opted for LA21	0.89		
<i>SD tradition</i>			
X <sub>17</sub> : Council traditionally a reference	0.83	0.84	0.72
X <sub>18</sub> : Long experience	0.87		
<i>Citizen participation</i>			
X <sub>19</sub> : More benefits than costs	0.68	0.75	0.60
X <sub>20</sub> : Cit. part. worth the trouble	0.86		
<i>Value</i>			
Y <sub>1</sub> : More benefits than costs and problems	0.89	0.94	0.89
Y <sub>2</sub> : LA21 worth the trouble	0.99		
<i>Satisfaction</i>			
Y <sub>3</sub> : Very satisfied	0.90	0.86	0.76
Y <sub>4</sub> : Satisfies expectations	0.85		
<i>Loyalty</i>			
Y <sub>5</sub> : Our intention is to keep working with LA21	0.82	0.87	0.78
Y <sub>6</sub> : We will intensify	0.94		

Note: n = 134

**Table I.**  
Analysis of  
unidimensionality,  
convergent validity and  
reliability

Table I shows the analyses of unidimensionality, convergent validity and reliability of the 1st-order factors of the network effect, which receive comment in the following section relating to the general model. The model fit seems to corroborate the existence of the second order factor: network effect (see Table II). It presents a  $\chi^2 = 81.2$  with 73 degrees of freedom ( $p$  – value = 0.21). Nonetheless, the factor coefficients, although

significant, proved to be uneven: 0.71, 0.56, 0.80 and 0.98, respectively, for the factors of network dimension, density of relations, support and promoters. The density of relations factor exhibits a standardised coefficient and a determination coefficient that are only marginally acceptable (Byrne, 2006; Hair *et al.*, 2010), suggesting that the explanation might additionally lie in other factors. With the justifications gathered above, the assumption is that this factor is also explainable by another factor of the model associated with the characteristics of the municipality, SD tradition; and that the second factor with a lower coefficient, perception of network dimension, is likewise explainable by SD tradition/experience. These hypotheses are tested below, within the general model.

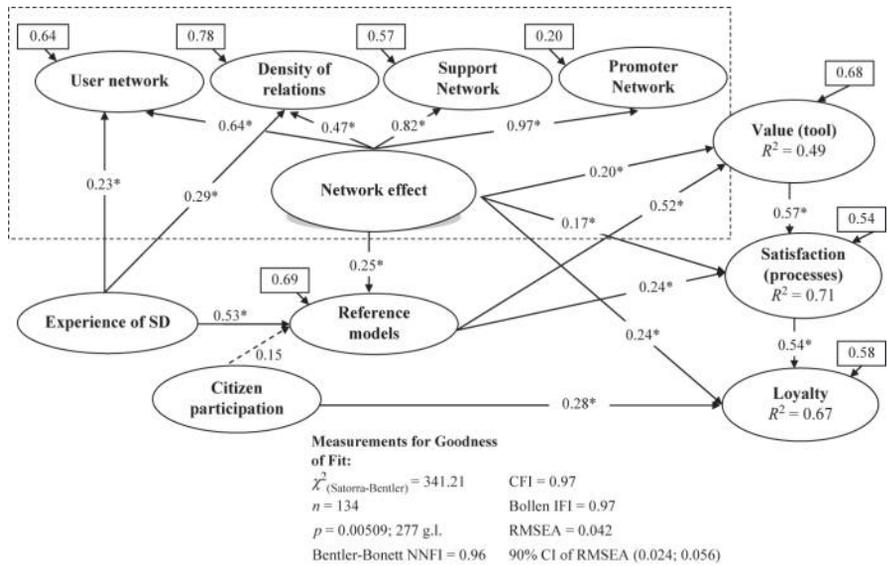
*General model.* Table I shows the results of the unidimensionality, convergent validity and reliability analysis obtained through the execution of a First Order Confirmatory Factorial Analysis (following the procedure proposed by Anderson and Gerbing, 1988). As is evident from Table I, all the standardised loadings are satisfactory, the smallest of them offering a value of 0.78. Similarly, the composite reliability coefficients of the factors are high, with the lowest value at 0.75, corresponding to the factor citizen participation. Finally, the average variance extracted (AVE) in the different factors is also generally satisfactory (the lowest offers a value of 0.60 and, once again, corresponds to the factor citizen participation) (see, for example, Byrne, 2006; Nunnally, 1978). Discriminant validity was tested by utilising the three traditional forms of verification (see, e.g. Hair *et al.*, 2010). They all proved the discriminant validity of the dimensions used. The results are available on request to the authors.

After analysing the measurement model, the validity of the causal model proposed was tested. An analysis of the normality of the data, including in the general model, demonstrated that the individual values for the asymmetry and kurtosis of each item were relatively satisfactory. However, the normalised estimate of the Mardia coefficient presented a value of 21.18, so robust fit measures were considered. As Figure 2 shows, both the measures of absolute fit and those of incremental fit, offer acceptable results. The causal model proposed appears to satisfactorily explain the data variance. Satisfaction, in particular, seems to find an excellent explanation. Its predictors account for 71 per cent of the total variance. The variances for value and loyalty are also reasonably explanatory, presenting  $R^2$  values of 48.5 per cent and 66.6 per cent respectively. It is possible to accept 16 of the 17 hypotheses posed. The rejected hypothesis refers to the impact of the attitude-towards-citizen-participation factor in the reference models factor, which appears as non-significant. A possible

Second order factor	Standard. Gamma	Critical <i>t</i> -ratios Robust test	Determinant coefficients ( $R^2$ )	AVE	IFC	First-order factors
Network effect	0.71	5.34*	0.51	0.52	0.81	User network
	0.56	6.71*	0.32			Density of relations
	0.80	6.89*	0.65			Support network
	0.98	7.60*	0.96			Promoter network

**Notes:** \*  $p < 0.05$ ; Goodness of fit  $\chi^2_{(Satorra-Bentler)} = 81.19$ ;  $n = 134$ ;  $p = 0.2147$ ; 72 g.l. NFI = 0.92; NNFI = 0.99; CFI = 0.99; IFI = 0.99 RMSEA = 0.03; 90% IC of RMSEA (0.000, 0.061)

**Table II.**  
Testing of the network effect



**Figure 2.** Results of the model proposed

**Notes:** \* $p < 0.05 \rightarrow$  ;  $p > 0.05 \dashrightarrow$

interpretation is that some municipalities might go for LA21 without giving citizen participation the necessary prominence, which is, in practice, exactly what is lacking in many experiences of implementing LA21.

**Conclusions**

In general terms, this study makes the existence of the network effect proposed by Frels *et al.* (2003) acceptable in social marketing contexts and demonstrates the relevance of its impact in processes for strong adoption (embrace) of good practices, such as LA21. Nonetheless, the research also reveals that external elements influence some network effect factors. Concretely, network effect gives the poorest explanation for the density of relations between municipalities factor. This result is expectable when considering that many of the municipalities, which are geographically close to one another, have a long experience of joint work. As a consequence, action by the higher levels of government only serves, in these cases, to foster and refocus relations that were already in place.

The existence of reference models within the municipality who make a commitment to LA21 and all that goes with it (in terms of planning work, citizen participation, three-dimensional objectives, teamwork with other institutions) is a crucial factor for explaining perceived value, satisfaction obtained, and loyalty towards processes. This investigation shows, however, that these reference models do not spring spontaneously into existence. A factor internal to the municipality, such as prior SD tradition/experience, is an important precondition for these leaders to emerge. But action from the marketer can also encourage the presence of these key individuals in councils, by generating a network effect. In the case of the Basque Country, Barrutia *et al.* (2007) and Echebarria *et al.* (2009) report a major effort by politicians and civil

servants from IHOBÉ to sell the target adopters the benefits of LA21 and reduce any fears associating with it. This effort impacts the existence of reference models within municipalities. It is the key individuals in the councils who defend the idea that establishing LA21 is worth the trouble (value) and get involved in efforts to implement it. The fact that network effect impacts directly and indirectly on value perception in the way it affects opinion leaders, indicates that any LA21 promotion policy should, from the beginning, integrate the municipalities and acquire structure while taking their opinions into account. Network effect impact involves convincing municipal leaders.

The research demonstrates that the existence of reference models also directly and positively affects the satisfaction municipalities perceive in relation to the establishment of LA21. Network effect similarly has a direct and positive impact on satisfaction. Elements of the network effect, such as support (complements to the focal tool) or platforms for joint municipal work, are important for explaining satisfaction. The network effect and a differentiating component inherent to LA21, citizen participation, provide an explanation for loyalty. This investigation reveals that the attitude of councils towards citizen participation influences their intentions of continuing with LA21. Lastly, and unsurprisingly, value has an effect on satisfaction and satisfaction contributes to generating loyalty. A recommendation that springs from this research, for the politicians in charge of spreading LA21, is the need to set off a network effect, but the results also demonstrate that the higher levels of government must work in a coordinated fashion and from and for the councils.

### Implications

This research extends social marketing literature by considering the network effect as a social marketing tool. Social marketing is mainly viewable in this research as a relationship-oriented government-to-government tool, and the marketer as a promoter of networks in which final users co-create value with other actors that contributed specialised competences. The study adopts an uncommon perspective of social marketing because it focuses on a permanent activation that integrates the target market (the municipalities) in the design of the complements necessary to achieve the aims pursued (embrace of LA21 by municipalities). Networks include various stakeholders and, as a consequence, this approach adopts an integrated upstream and downstream perspective.

The ultimate aim of the research is to indicate to those in charge of policy the possible paths to pursue in order to achieve a more generalised spread of SD strategies within the local sphere. We conclude that to get the embrace of LA21 by municipalities the persuasiveness of the communication campaigns can help, but other more permanent efforts are needed. Promoting a network effect needs long term upstream marketing efforts aimed at attracting the right partners. These partners contribute specialised competences and co-create value with the final users on a permanent basis. We believe that social marketers who use the network effect as a marketing tool are needed to achieve a strong adoption of good (and sometimes complex to the adopters) social practices. We focus on LA21. But this approach could be used to achieve a strong adoption of other good practices in a specific territory by public and private actors. The embrace, for instance, by educational institutions of good and complex management practices such as total quality systems, could be promoted. In this case the right

partners could be private companies with experience in implementation of these systems, provincial councils, quality certification bodies, and expert consultants. The network effect tool might also be used to achieve the embrace of good practices by private companies, such as management innovation systems. These systems could affect the competitiveness of the companies and regional progress. The right partners might prove to be big private companies with specialised competences in innovation, industrial clusters, patent offices, and sector associations.

### Limitations and future research

The research has a number of limitations. The results of our study are conditioned by its context. They refer to a single regional context in which many of the elements may be relatively homogenous. Nonetheless, we believe that our work has a sufficient degree of heterogeneity to offer relevant conclusions. State or regional support, for instance, might be considered to be similar for all municipalities. However, municipal managers hold that there are disparities because these governments might exert more energy in some territories than in others. As mentioned above, in the context of the Basque Country not all provincial governments have provided equal support for LA21. Whatever the case, future investigations are required in broader geographical contexts in order to either corroborate these results, or find anomalies in them. This research may be considered a first attempt at providing a measurement model that could be utilised in wider geographical areas. It must be pointed out that the study is cross sectional, covering only one point in time, and we cannot assess the evolution in time of municipalities' perceptions. Some variables that have not been considered in this research could be included in future investigations referring to other contexts. For instance, municipal political autonomy has been shown to be an explanatory factor of LA21 adoption. However, it has not been included in this research because we study a specific region in which all municipalities have the same autonomy. Likewise, civil society pressure has been considered a main driver of LA21 adoption in countries with a high SD tradition such as the Nordic countries. However, this factor has not proved important in countries with a scant SD tradition such as Spain. We focus on the network effect. But qualitative evidence shows that the traditional 4Ps have been used wisely in the case of the Basque Country. Future research could focus on studying the joint use of the network effect and other more traditional marketing tools. Municipal organisers in the municipalities are considered in this research as users. Their role as upstream and downstream marketers could constitute an interesting avenue of future research.

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### Further reading

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