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THE BUDDHIST THEORY OF IMPERMANENCE AND MARKETING

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Abstract

The Buddhist theory of impermanence bears a high level of relevance to the many cyclical theories in marketing and economics. This article attempts to connect these two areas, both of which have general and wide-ranging implications, and explain the utility of the concept of impermanence to business managers.

Key words: Marketing Management, Impermanence, Buddhist Philosophy, Cyclical Theory.

The Buddhist Theory of Impermanence and Marketing

The application of Buddhist logic in the development of marketing theory and practice is new. So far little, if anything, has been written on applying Buddhist logic in marketing. The lack of attempts to link Buddhism and business marketing is largely due to the common but over-simplistic notion that Buddhist ideologies are nihilistic and advocate that nothing is worthwhile, directly contradicting the profit-driven perspective of marketing managers seeking to maximize a firm's wealth. However, contrary to this commonly held belief of an apparent and irreconcilable contradiction between Buddhism and marketing, we consider that Buddhism in fact provides a unique opportunity to develop new ideas for marketing management, innovations as they are coming frequently from the resolution of conflicts. Indeed, the more diametrically opposite the two sides of a conflict, the more innovative the outcome would be should the conflict be resolved successfully. This paper is a pioneering attempt to utilize Buddhist principles in marketing, and it does so by characterizing the possible use of a fundamental doctrine in Buddhism – the theory of instantaneous being – in the study of marketing theory.

The doctrine of impermanence, or the Buddhist theory of instantaneous being, is one of the fundamental principles of Buddhism, and bears a deep connection with many management theories that involve life cycles. This article examines the meaning and implications of impermanence, the connection between impermanence theory and life-cycle-based theories in business and the implications that this connection has to business managers using recent examples from marketing issues worldwide to illustrate the point.

According to the Buddhist theory of instantaneous being, all entities in the physical world can be construed as energies, in a way analogous to Einstein's mass-energy equation¹. The logical consequence of this representation of reality is that ultimately reality is instantaneous because the energy of a body changes all the time. By taking a moving body as an example, Buddhist logicians argue that since the body's energy changes in every consecutive instance of its motion, at every instance the body becomes a different thing. This is in stark contrast with the Sankhya² system of philoso-

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¹ Buddhist logicians maintain that if something cannot cause an effect, it does not exist. Since energy is the capacity to cause an effect, or the ability to do work, it is logical that they treat entities as repositories of energy.

² The Samkhya is the earliest of the six traditional schools of Indian philosophy, the other five being Yoga, Nyaya, Vaisesika, Purva Mimamsa and Uttara Mimamsa.

phy, which holds that the world we see is a continuous motion/change of an eternal, all-pervading matter called purusha.

Buddhist philosophers believe that there are two worlds – the sensible world, and the imagined world. The sensible world as explained by Stcherbatsky (1962) consists of momentary flashes of energies that impact upon our sense organs to produce sensory perceptions that disappear as soon as they appear¹. The imagined world is an illusion. The senses supply us with materially and temporally incomplete views of reality and our intellect constructs these fragments into an imagined world (Stcherbatsky, 1962). The imagined world is a cinema, moments following one another like frames following one another evoking the illusion of stability and duration as our mind fills in the gaps². Therefore, stability and permanence of empirical objects is constructed by our imagination. The ultimate reality consists only of the entirety of energies existing in the universe, some of which flash into our senses, and all of which exist for just a ksana, or an infinitesimally small interval of time³. The only thing in the universe that is not a thought construction is the mathematical point instant, and everything else is interpretation and makeup of the mind.

Take the risk of online credit card transaction fraud as an example. According to Celent Communications, stolen credit card transactions account for 0.25% of all online transactions compared to 0.09% for offline⁴. The risk of online credit card transaction fraud has frightened many consumers away from online shopping though, according to the Federal Trade Commission, the maximum liability under federal law for unauthorized use of credit card is \$50⁵. Besides, most card issuers will refund some or all of the charges that the customer has received for things they did not buy. These refunds to the customers are often at the expense of the online retailers. It was estimated by Gartner Inc. that U.S. online retailers lose about \$500 million to fraud and lost sales in the 2002 holiday season, despite efforts to curb Internet fraud. The research firm said that the rate of fraud has remained constant at 1%⁶. Therefore, the risk of online transactions is actually more salient on the retailers' side. The perceived risky world of online transaction is indeed just the imagined world in the mind of consumers.

To the Buddhist logician, existence means efficiency or the ability to cause a change or be changed. Consequently, what is changeless is unable to do work and therefore does not exist. Hence, whatsoever is permanent and does not change does not exist. Thus, to follow through backwards, it may be logically inferred that the only existence is that of change, or impermanence in nature.

The theory of instantaneous being is similar to the philosophy of the ancient Greek philosopher Heraclitus who believes that there is no stability in the external world and that existence is nothing but a flow of external becoming (Kahn 1979). Heraclitus maintains that reality is constant evolution and change, and the only permanent feature is the constant annihilation of the past and the becoming of the present. Thus, there is an amazing similarity in Heraclitus's school of thinking and that of the Buddhist doctrine of impermanence.

Many business marketing and economic theories embody the concept of impermanence. Taking the product life cycle theory (Armstrong & Kotler, 2000, p276-271) as an example, each and every product may be considered to pass through the following stages each of which is impermanent: birth, growth, maturity and death, just as human beings do. The product 'development' stage that begins with the idea generation of a new product is just like the conception of a new being. The 'introduction' stage with slow sales growth and heavy expenses is no different from the birth of a

¹ Annihilation is also the very nature of point instants. Annihilation of a point instant arises simultaneously with its production. In essence, existence and non-existence are different names given to the same thing (Stcherbatsky, 1962).

² These examples are given by Stcherbatsky (1962). The realistic school of the Vaisheshikas, on the contrary, believes that motion is a reality.

³ The ultimate reality in each ksana may be compared to the timeframes that are infinitesimally small in differential calculus. According to Bergson, M.H. (see translation by Pogson (1971)), the world of the mathematician is an instantaneous world.

⁴ This information was from the newspaper Hong Kong Economic Journal, on 15, May, 2002

⁵ This information was from the website: <http://www.ftc.gov/bcp/conline/pubs/credit/atmcard.htm>

⁶ This information was from the Wall Street Journal, on 12, Dec., 2002

baby. The 'growth' stage with rapid market acceptance and increasing profit is just like the growth of a child or youth. The 'maturity' stage in which the sales and profits reach the peak, but sale growth begins to slow down, is analogous to the maturity of a middle-aged man. Finally, the 'decline' stage in which sales fall off and profits drop parallels the aging toward death of an old man. These stages encompass the periods from a product's initial debut, to its increasing exposure and market share, to its gaining product maturity and finally to its eventual decline and exit from the market to make way for newer products.

Impermanence is also exemplified in the BCG Growth-Share Matrix management concept. The BCG Growth-Share Matrix is generally used to determine whether a firm is allocating its resources towards its various strategic business units (SBUs) (Armstrong & Kotler, 2000, p. 42) in a healthy and profitable manner. Managers can use the BCG Matrix to classify a firm's SBUs into four categories – question marks, stars, cash cows and dogs, depending on the growth rate and market share of each SBU. The state of any product within the matrix is impermanent and subject to change depending on the market environment. A 'question mark', which is a low-share business unit in a high-growth market may, if it succeeds in growing into a market leader, become a 'star' that enjoys high market share. With a sustained market share, this 'star' would eventually become a 'cash cow' with low-growth but high-share, and reap large amounts of cash for the company. Then, due to changes in consumer tastes, advances in technology and competitors' strategies, these 'cash cows' may one day become 'dogs,' , becoming a low-growth and low-share business unit, declining in profitability until it is removed from the market altogether. This highlights the fact the position of any strategic business unit within the BCG Matrix is impermanent.

Examples of Impermanence in Business

To acutely illustrate the concept of impermanence as it applies to marketing management in practice, two examples will be given. The first addresses the disastrous consequences of management's failure to recognize the impermanence in the business environment resulting in the collapse of their business. In the second example, we look at how a company can manage to keep its business buoyant by adhering to an impermanence mindset and avoid taking anything in its market for granted.

Example 1: Property Speculation in Hong Kong

From 1984 to 1997 when Hong Kong was under British administration, housing was seriously in short supply, which together with the pegging of the Hong Kong dollar against the US currency at HK\$7.8 in 1984, led to community-wide speculation of property prices. Property prices skyrocketed from HK\$600 per square foot in 1984 to HK\$12,000 per square foot in 1997, representing an average profit growth rate of around 26% per annum. A lot of business managers have come to believe that property prices would continue its rising trend permanently, and was very eager to fuel the speculation to ripe a quick profit. Many of them neglected their core business altogether and concentrate entirely on property speculation, because they knew that no matter how hard they work and how much time they spend on their main business, they would never be able to achieve a comparable profit growth rate.

The world famous property bubble burst eventually soon after the handover of Hong Kong to China in 1997 when Mr. Tung Chi Wa, the governing Chief Executive, announced his grand ambition to provide home ownership to 70% of the households by drastically increasing the supply. An intention to build 85,000 housing units in three years was announced without prior consultation. From 1997 to mid-2003, property has lost nearly 70% of its values, and many analysts still projected a further 10% decline in the coming year. Clearly, companies whose managers have failed to recognize the impermanence of the property market have now been permanently eliminated from the marketplace.

Example 2: Pfizer Pharmaceuticals

In recognition of the impermanence in the business environment, Pfizer, the largest pharmaceuticals company in the world, maintains its position by continual and simultaneous investments in

multiple areas of pharmaceuticals research and product development to constantly churn out one new drug after another. Hence, while the cholesterol lowering drug Lipitor established itself as the world's most widely prescribed and highest revenue-yielding medication, Pfizer introduced the anti-impotence drug Viagra which was legendary both in its media coverage and its sales growth rate. As revenues from both Lipitor (28% growth in 2000-1) and Viagra (13% growth in 2000-1) start to plateau, the novel analgesic Celebrex came to the rescue with a 115% growth rate in revenue in 2000-1. This pattern of constant innovation and business development arising from Pfizer's deeply rooted belief in impermanence in the business environment is one of the essential factors responsible for the company's continual success in the industry.

Conclusions

Impermanence theory is of particular significance to marketing managers, as they must understand that the apparent success of a strategic business unit or the entire company is the result of being at the right place at the right time. Thus, despite the success of a company's portfolio today, future success is not guaranteed. Consequently, managers need to possess a sense of danger, and to continually monitor the market environment for any trends that should prompt changes in the firm's business strategy.

The doctrine of impermanence may also be helpful to companies facing downturns in the market. As success is impermanent, difficult times and unfavorable market conditions likewise are impermanent. Managers are therefore well advised to look at stressful situations with less despair than is commonplace. This would not only serve the managers' own physical and psychological health well, but would also enable them to keep their minds open for market opportunities that may lead their companies out of their difficult positions.

Peters (1988) points out that business cycles are getting shorter and shorter, and stated, "No company is safe. IBM is declared dead in 1979, the best of the best in 1982, and dead again in 1986." (p. 7). To survive and prosper, managers must always bear in mind the impermanent nature of a successful business and its environment, which they must deal with by emphasizing a new set of working principles that include: striving to be the best in quality and service, enhanced responsiveness and flexibility in its operations, continuous and rapid new product development and innovation, diversification and new market exploration. To conclude, as stressed again and again by Peters (1988), "Excellent firms don't believe in excellence – only in constant improvement and constant change. That is, excellent firms of tomorrow will cherish impermanence – and thrive on chaos." (p. 8).

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