



Department of Economics and Finance

Economics and Business

Chair of Entrepreneurship, Innovation & Technology

The industry of self-actualization

Exploiting the top of Maslow's pyramid

CANDIDATE:
Marco Celentani

SUPERVISOR:
Prof. Jose D'Alessandro

MATR. 209541

Academic year 2018/2019

*“What a man can be, he must be”
Abraham Maslow*

INDEX

Summary	4
Chapter 1: MASLOW'S HIERARCHY OF NEEDS	5
Paragraph 1.1: The model.....	5
Paragraph 1.2: Self-actualization and its components.....	7
Paragraph 1.3: Demographics and Maslow's hierarchy.....	10
Paragraph 1.4: Self-actualization and wealth.....	14
Chapter 2: WESTERN ECONOMY'S CONSUMERS TREND: CLIMBING UP THE LADDER ...	19
Paragraph 2.1: Economic well-being.....	19
Paragraph 2.2: Economic and cultural projections.....	27
Paragraph 2.3: Maslow's pyramid and its corresponding markets.....	29
Paragraph 2.4: The rise of the self-actualization industry.....	32
Chapter 3: SELF-ACTUALIZATION BUSINESS ANALYSIS	36
Paragraph 3.1: Manipulating extrinsic product features	36
Paragraph 3.2: Patagonia.....	38
Paragraph 3.3: The North Face.....	40
Paragraph 3.4: Red Bull.....	41
Paragraph 3.5: Self-Actualization as a VP, a blue ocean.....	44
Paragraph 3.6: The Self-actualization Business Model.....	47
Some conclusions	49
Acknowledgments	50
Bibliography	51

SUMMARY

In this paper I will conduct an analysis of consumer trends in today's Western economy, with respect to a famous model of motivational psychology: Maslow's hierarchy of needs. We will start by introducing Maslow's work and its implications in the business environment (1.1, 1.3). We will then focus on the final and most important step of Maslow's pyramid-shaped model, self-actualization, on which this thesis will be centered (1.2).

Through the evaluation of socio-economic data (2.1), and the review of the ideas of famous academics, most notably Harari (2.2), I will try to outline an emerging cultural trend that is rapidly changing the way companies in the Western economy approach their business: the growing importance of self-actualization (2.3).

We will then focus on analyzing the strategies adopted by some innovative businesses that managed to adapt to this trend and become leaders of a new-born market (3.1- 3.4), and draw a common business model incorporating the main characteristics of such innovative businesses (3.5, 3.6).

Finally, we will conclude our reasoning by formulating some hypothesis about the future developments of the cultural trend discussed and the impact that it will have on the Western business environment, and try to point to an opening window of great opportunities for a new generation of entrepreneurs.

CHAPTER 1 - MASLOW'S HIERARCHY OF NEEDS

1.1 The model

One of the most famous models of motivational psychology, frequently used in marketing and business planning all across the world, is Maslow's hierarchy of needs, or Maslow's pyramid.

First proposed by Abraham Maslow in his 1943 paper "A Theory of human Motivation," Maslow's hierarchy of needs is a theory of motivational psychology constituted by a five-tier model of human needs, often represented as hierarchical levels within a pyramid. The five stages of the hierarchy are, from bottom to top, physiological needs, safety needs, love/belonging needs, esteem needs and self-actualization (Fig. 1).

Maslow's general idea is that people will always try to meet their most basic needs before moving up to higher ones.

This model is based on two assumptions: first, that someone who suffers from a deficiency in one of the fundamental stages will not try to fulfill higher types of needs; second, that as soon as one stage of needs is secured, people will naturally seek to satisfy desires of the higher stage.

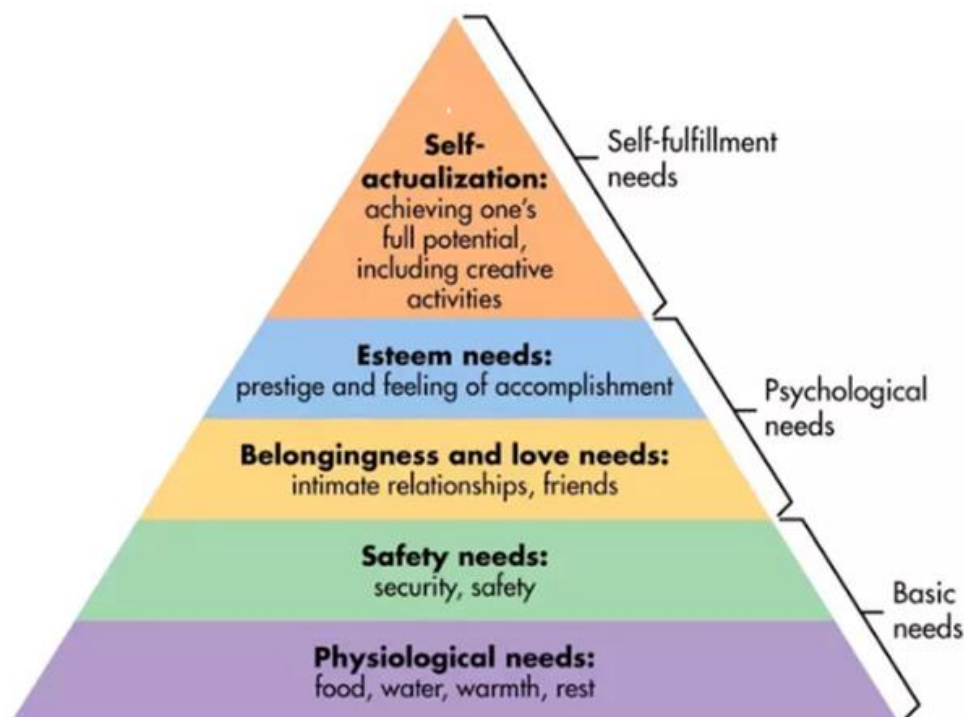


Figure 1: Maslow's pyramid

Source: (McLeod, S. A. Maslow's hierarchy of needs. 2018, May 21).

"It is quite true that man lives by bread alone — when there is no bread. But what happens to man's desires when there is plenty of bread and when his belly is chronically filled? At once other (and higher) needs emerge and these, rather than physiological hungers, dominate the organism. And when these in turn are satisfied, again new (and still higher) needs emerge and so on. This is what we mean by saying that the basic human needs are organized into a hierarchy of relative prepotency" (Maslow, 1943).

Maslow suggested the idea that individuals must satisfy lower level "deficit needs" before progressing on to meeting higher level "growth needs" (see paragraph 1.2).

When a need has been more or less satisfied, the individual's activities become directed towards fulfilling the next set of needs that haven't been satisfied yet. This implies that, for example, in order to be able to take care of his romantic life, a man must have his basic needs taken care of, and must feel secure to a certain extent about his survival in the foreseeable future. If that individual suffers some severe deficiency in one of the basic needs, romantic relationships will hold no value in his mind, and he won't be willing to invest any of his scarce resources to fulfill that need.

The hierarchy of needs (HON in short) model has been widely used over the years by business leaders in all fields as it provides a quick and simple understanding of the basic mechanics that lay behind people's motivation for action, particularly regarding the economic choices of each individual agent.

Its usefulness lies in the realization that humans invest time and resources in order to satisfy their needs. Hence establishing a hierarchy of needs means gaining valuable insights on the way people invest their resources, and why they do so.

Alongside its widespread use, the model has been repeatedly criticized by scholars, throughout the years, for being too simplistic and static, and for having limited cross-cultural applicability.

The latter critique naturally arises when considering Maslow's research methodology:

the samples used by Maslow in his research are unrepresentative of the average world population, as he focused mainly on Western countries' college populations and referred to famous academics and high achievers, making it hard to generalize his findings to a broader population (Mittleman, 1991).

In fact scholars such as Schuette & Cirliante (1998) hold that Maslow's hierarchy reflects the value system of the individualistic western society, and its structure and logic cannot be generalized to more collectivistic eastern cultures, where the ultimate fulfillment of the person is not found individually through self-actualization, but through social connection and positive contribution to the community (Rakowsky, 2008).

More recently, Tay and Diener (2011) have gathered substantial evidence showing that the ranking of needs described in Maslow's work cannot be generalized to all age groups, as the hierarchy of an individual's needs often

varies throughout the course of his life. For these reasons, our analysis, which will be grounded on Maslow's intuition, will focus on the business and innovation landscape of the western economies, for which Maslow's model maintains substantial validity (King-Hill, 2015; Prateek, 2012).

Regarding the first critique often posed against the HON, that of it being too static and simplistic, (Cianci and Gambrel 2003) not much can be said against it. The statement is most certainly true, as human's motivations for action are extremely complex, and cannot be explained by a simple 5-floor pyramid drawn on a board. However, the critique is misplaced: Maslow, in his later publications, in particular "Motivation and Personality (1987)" where he revisited and refined his model, showed to be well aware of the one-dimensionality of his model and the limitations that this poses on its plausibility. According to its creator, the model is to be interpreted flexibly: satisfaction of a needs is not a binary phenomenon, clarified Maslow, aware of the fact that some scholars coming across his model might derive "the false impression that a need must be satisfied 100 percent before the next need emerges" . Furthermore, with respect to the structure of the hierarchy, Maslow (1987) also noted that the ordering of needs in the hierarchy "*is not nearly as rigid*" as he may have hinted in his earlier work. He clarifies that the order of needs might vary due to external circumstances or individual differences. He notes that, for example, for some individuals the need for self esteem is stronger than the need for love, while for others, the need for self-actualization through religious experiences is so strong that it might lead them even to neglect basic needs in the pursuit of such experiences. Maslow (1987) also pointed out that most behavior is multi-motivated and noted that "*any behavior tends to be determined by several or all of the basic needs simultaneously rather than by only one of them*". The simplicity and vagueness of the model, however, do not by any means nullify its usefulness. If anything, they amplify it, making the model easily applicable to different subjects and for different purposes.

In conclusion, Maslow's Hierarchy of needs is not to be interpreted as a descriptive, all-inclusive model listing all drives behind human actions and their ranking. The model proves very useful when interpreted as a frame of reference which, if used flexibly and in an intelligent manner, can provide business leaders, as well as scholars of all kinds, with a solid basis on which to build more complex models or formulate some hypothesis about the causes that lay behind emerging market trends, which is what we will attempt to do later in this paper.

1.2 Self-actualization and its components

Our analysis will be centered on self- actualization, the final stage of Maslow's hierarchy. It is thus essential to spend a paragraph to articulate in more specific terms what exactly Abraham Maslow meant when he gave the name of "self-actualization needs" to the highest type of needs that a human can have.

We will also discuss a conceptual distinction made by Maslow: that between "deficiency needs" and "growth needs." This distinction underlines a qualitative difference between self-actualization needs and all other types of needs, and will constitute a fundamental building block of our further reasoning.

In Maslow's words,

"Self-actualization refers to the person's desire for self-fulfillment, namely, to the tendency for him to become actualized in what he is potentially." (Maslow, 1987).

Other psychologists, building on Maslow's work, have tried to give self-actualization different definitions, allowing for a more complete understanding of the concept.

According to (Couture et al., 2007), self-actualization is "the psychological process aimed at maximizing the use of a person's abilities and resources. This process may vary from one person to another" .

Although self-actualization refers to a single and very precise tendency of the human heart, it often takes a multiplicity of different forms across individuals. That is because each individual articulates this tendency in a way that is specific to his own life, and channels it through that activity where he feels his potential lies.

As Maslow famously said:

"a musician must make music, an artist must paint, a poet must write, if he is to be ultimately happy" (Maslow, 1943).

"The specific form that these needs will take will, of course, vary greatly from person to person. In one individual it may take the form of the desire to be an ideal mother, in another it may be expressed athletically, and in still another it may be expressed in painting pictures or in inventions" (Maslow, 1943).

To shed more light on the concept of "self-actualization" we must turn to Maslow's last book, *"The Farther Reaches of Human Nature"* (1971) where he focused his attention on the conditions that allow humans to self actualize and the forms that this process assumes across individuals.

Going into detail about these aspects is beyond the scope of this research. However, we can extrapolate from this book two useful sets of tools, allowing us to proceed with a more stable base: Maslow recognized that the concept of self-actualization, as described in his first works and as it appears in his original model was too broad, containing a multiplicity of different sub- needs inside of it.

For this reason, he subdivided the self-actualization stage into four sub categories:

- Cognitive needs - knowledge and understanding, curiosity, exploration and need for meaning.
- Aesthetic needs - appreciation and search for beauty, balance and form.

- Self-actualization needs - realizing personal potential, self-fulfillment, seeking personal growth and peak experiences.
- Transcendence needs - A person is motivated by values which transcend beyond the personal self (e.g., mystical experiences and certain experiences with nature, aesthetic experiences, sexual experiences, service to others, the pursuit of science, religious faith, etc.)

A revised model of the HON, modified to include these new sub-categories looks like this (Fig. 2):

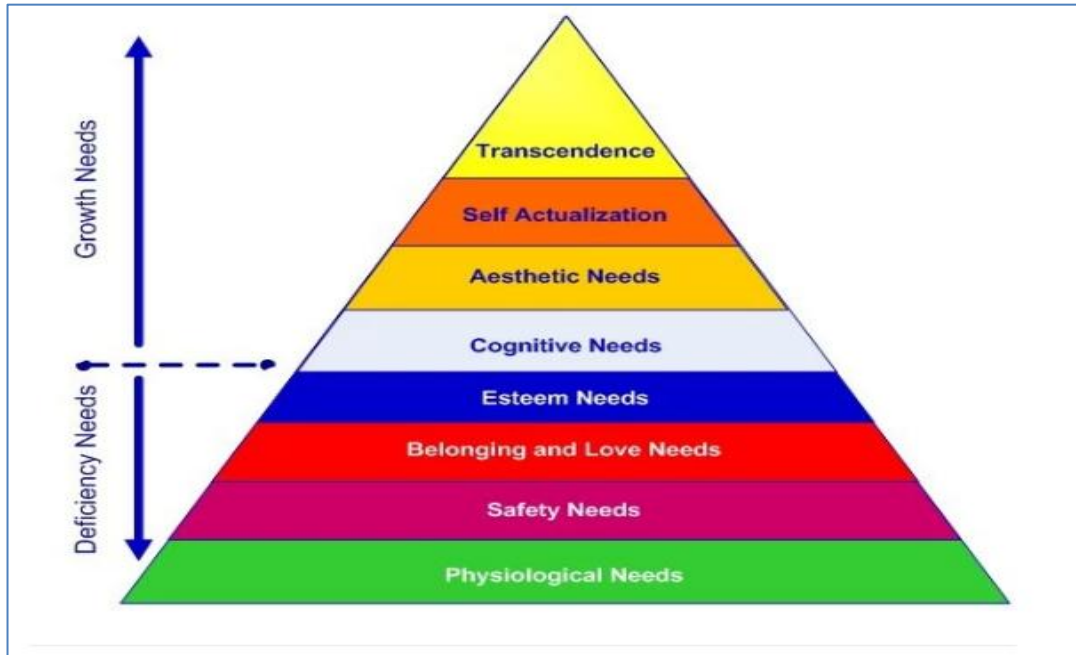


Figure 2: Revised model of Maslow’s pyramid

Source: (McLeod, S. A. Maslow's hierarchy of needs. 2018, May 21)

In the initial version, needs belonging to the new sub-categories were all included in the “self actualization stage”. In the latter version, however, self-actualization has remained a stage, but it now concerns a more narrow and well defined set of human needs.

This specification is useful to understand the different sub-types of self-actualization recognized by Maslow, which will be useful later in the text, when we will analyze how businesses supply to customers self-actualization.

In his last book, Maslow (1971) drew another significant distinction, dividing all the stages of the pyramid into two macro categories: "*growth needs*" and "*deficiency needs*".

As can be seen in the pyramid diagram above, growth needs are all the needs categories that were grouped under the name of "self-actualization" in the initial model, while deficiency needs are all the needs in the stages below, from esteem needs all the way down to physiological needs.

This macro-distinction is particularly important because it recognizes a fundamental difference that separates these two macro-groups of needs.

"Growth needs do not stem from a lack of something (as deficiency needs), but rather from a desire to grow as a person. An individual motivated by growth needs acts with the intention of improving his condition with a positive attitude towards that action, rather than acting to fill a gap which would be cause of discomfort." (Maslow, 1971).

We can say, reducing these concepts in very simple terms, that growth needs are EXTRA with respect to deficiency needs, which are perceived by the individual as necessary. Growth needs are not necessary for the individual by any means, but the pursuit of growth can bring satisfaction and happiness to the individual.

Humans work to minimize their deficiencies, and only once they have taken care of them, they can think about growth needs.

We can distill the result of this reasoning into a simple formula: the less deficiency, the more room for focusing on growth (McLeod, 2018).

Please note that, although the sub-categorization mentioned above is important for clarifying the nature and the components of self-actualization, in the next chapters, for simplicity, we will continue to refer to the initial 5-stage model of Maslow. We will then refer to "self-actualization" as the collection of all the sub-categories mentioned above.

1.3 Demographics and Maslow's hierarchy

This model, although the critics it received, is an excellent tool for marketers in any field looking for insight on the motivations behind consumers' decisions.

Using Maslow's hierarchy, we can vertically segment the market, dividing the population into different groups of customers, depending on which stage of the hierarchy they currently belong to.

Understanding at which floor certain people are standing on the pyramid, meaning, what needs have they fulfilled, and what they are still looking to accomplish, will tell marketers what products are certain groups people most willing to buy (higher demand).

We will try to describe, in general terms, the various groups of people standing on different stages of the pyramid, in order to segment the entire human population into five macro groups of customers. This segmentation is clearly too broad for entrepreneurs and managers to extrapolate specific guidelines on how to launch or market a product. However, it provides some basic but fundamental insight on the needs and wants of the different groups of customers, and it can be a solid base, or even a pre-requisite, for further and more specific segmentation.

a) The physiological stage

This stage is where we find those who live in extreme poverty, those who are ill, or those who find themselves in dangerous situations. These people's life is at risk, hence everything that does not contribute to survival in a strict sense is practically of no value to them.

These people mostly need (and buy):

- food
- clean water
- a shelter
- medicines.

b) The safety stage

At this stage, we find people who do not lack anything crucial for survival but still worry about whether they will be able to make it in the future. These people are in a momentarily safe situation, but a little problem could suddenly throw them into stage 1, and put their lives at risk. Hence what these people lack is security for themselves and their family.

Throughout history, most of the world population lived at this rung in Maslow's Hierarchy.

Only the very elite of society could say not to be worried about the uncertain future just one hundred years ago.

However nowadays, in first world countries, only those at the lower end of the wealth distribution live at this stage.

These people will mostly desire (and spend on):

- a stable source of income

- a house
- assurance
- healthcare for themselves and their families.

c) The love/belonging stage

Generally, at this stage we find middle-class people, who enjoy a decent standard of living, and now turn to others around them to find happiness through meaningful relationships. These people want to be part of a social circle where they belong and feel loved. They often feel lonely or unappreciated, and thus, are in constant search of new people with whom to establish friendships or romantic relationships, or in the pursuit of strengthening their existing bonds.

People at this stage want to, and will pay for:

- Join teams or groups of any kind, ranging from sports to religion to politics, in order to feel part of a community
- Sharing memories with family and friends to strengthen their bond
- Get to know new people that have something in common with them
- Feel loved and cared for
- Keep in touch with their social group (social networks).

d) The esteem stage

These are generally people in the upper-middle-class and higher. They are well educated, financially stable and have a satisfying social life. Yet their name is not widely recognized or respected, and the impact they have on the world is negligible. They live ordinary good lives, where everything seems to go well, but are not satisfied with not standing out from the crowd and for not having social recognition.

These people value, and will pay for or work towards:

- Improving their appearance
- A high status job, and important role in society

- Status symbol objects, such as cars, watches, etc.
- Attend to exclusive events.

e) The self-actualization stage

This is the final stage and is the one on which our analysis will be centered.

At The Self Actualization stage we find those who have more or less fulfilled all the needs in the previous stages, and are satisfied with their wealth, material possessions, social relationships and status. These people have stopped looking for satisfaction in things or in social dynamics and pursue personal growth and development.

Their only need is to give meaning to their life in the deepest sense, and they try to do so in a variety of ways.

People who have arrived at this stage will invest their time and resources to:

- Challenge their limits by undertaking hard challenges
- Be creative and innovative, expanding their view of the world
- Be loyal to their ideals
- Make the best out of their time
- Achieve their dreams and be an example to others
- Find a higher purpose.

Using this basic segmentation, entrepreneurs can estimate what certain groups of customers need and want the most.

For example, understanding that the average inhabitant of a certain district in, let's say, Cairo stands on the first or second stage of the pyramid means being aware of what he will be more willing to buy.

Opening a shop of Designer clothes, which might appeal to the esteem/social status needs, in that district would be a terrible idea. An entrepreneur that wants to open such a shop should look for places where the average citizen stands in the esteem stage of the pyramid. While, if someone wanted to open a shop in the poor Cairo district, it should be a convenience store, where very basic goods are sold for a low price.

Another significant application of this segmentation is, not surprisingly, for marketing. In fact, as Maslow himself admitted, different things (products) or activities (services) can satisfy different needs for people, depending on

the circumstances. By using Maslow's hierarchy, marketers can easily understand which needs are their customers more sensitive to, and market their product accordingly.

Water, for example, is possibly the most basic good of all, and clearly satisfies a physiological need. However, once a good is abundant, and its presence is taken for granted, marketers cannot rely on the utility aspect of that product to make it appealing. This is greatly explained by the concept of intrinsic and extrinsic product features, which we will explain in more detail in section 3.1.

If communicated in a certain way, a bottle of water can be perceived as a good satisfying a bundle of other needs, in addition to the physiological need of thirst, becoming a more attractive product.

To exemplify what we are stating, let's compare the marketing strategies adopted by two Italian bottled water firms which make a very similar product, but try to appeal to different needs: Lete and Vitasnella.

Lete's latest campaign claims that Lete water is a good choice for a pregnant woman, as it is good for the baby's health. The commercial is centered on family love and is very intimate. It clearly appeals to the "love/belonging needs."

Vitasnella's latest campaign, on the other hand, revolves around the slogan (translated) "improving one's self comes down to the choices you make." They, too, claim that their water is very healthy, but the ad shows different women working out and facing adversities with great courage, while intense music is playing in the background. This ad tries to appeal to the self-actualization needs.

So we have these two products which end up being perceived very differently and bought by different customer segments, but which are almost the same in the practical sense (in their *intrinsic features*, see sec. 3.1).

Vitasnella, which appeals to the self actualizers, charges a higher price for their product with respect to Lete, and to almost any other competitor.

This is because it appeals to the highest type of need, one which only people who are wealthy value, and are willing to pay a premium for.

1.4 Self-actualization and wealth

Although there is no perfect correlation between an individual's wealth and the stage of the hierarchy at which he stands, wealth is definitely one of the main determinants of his condition. Material wealth itself does not assure that an individual will have all his deficiency needs satisfied, but some level of it is undoubtedly a prerequisite for that.

Hence we can assert with a good degree of certainty that a rich person is more likely to pursue growth needs than a poor person.

The same thing can be said for health and other aspects of well being: to be able to focus on one's social status or personal growth, an individual must live in comfortable circumstances. Those who do not enjoy a certain level of comfort are less likely to value growth needs, and much more likely to spend the majority of their energy and resources trying to satisfy deficiency needs.

Does data support these hypotheses? Let's look at different countries' levels of spending on one of the most basic needs, food, calculated as a percentage of total spending.

This research conducted in 2015 by the Economic Research Service and the U.S. Department of Agriculture (Fig. 3) clearly illustrates our point:

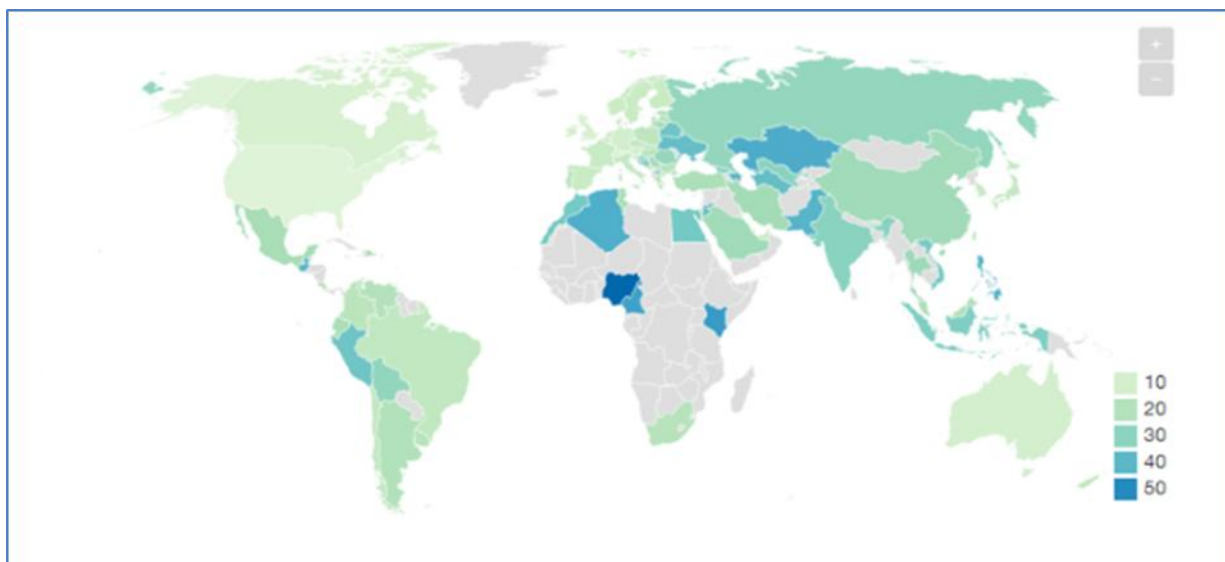


Figure 3: Percentage of consumer expenditure spent on food that was consumed at home
(by selected countries 2015)

Source: World Economic Forum (2019)

For the citizens of the richest countries on the planet, food(at home, which is typically the only type of food consumption that people do for physiological need) represents less than 10% of their total spending (Fig. 4).

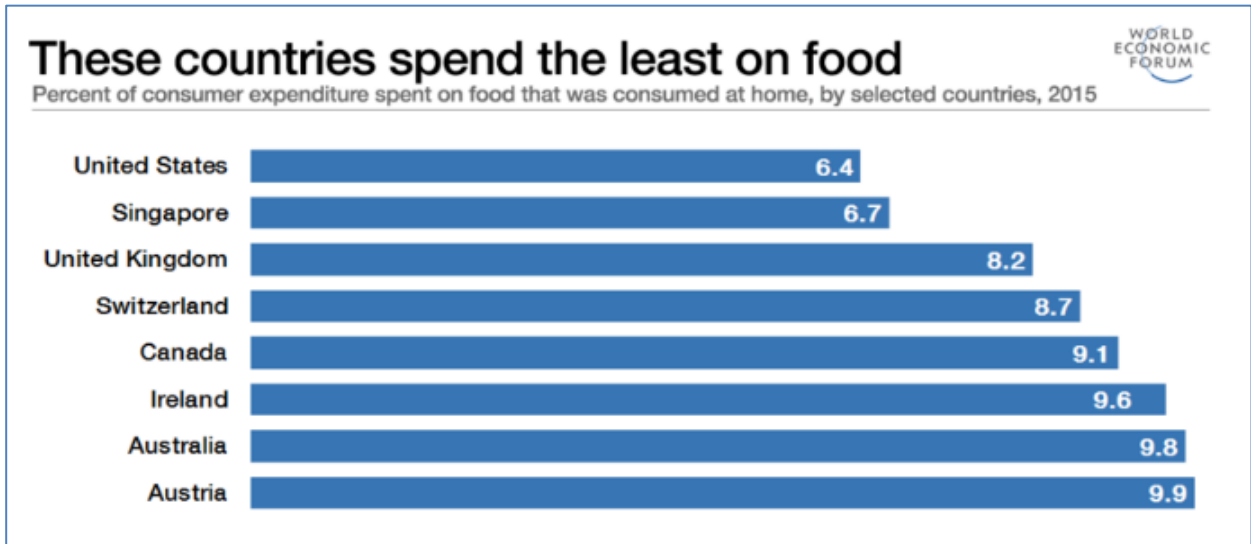


Figure 4: Percentage of consumer expenditure spent on food that was consumed at home (by selected countries 2015)

Source: World Economic Forum (2019)

At the same time the citizens of the less wealthy countries sacrifice almost one half of their total spending just on feeding themselves and their families (Fig. 5).

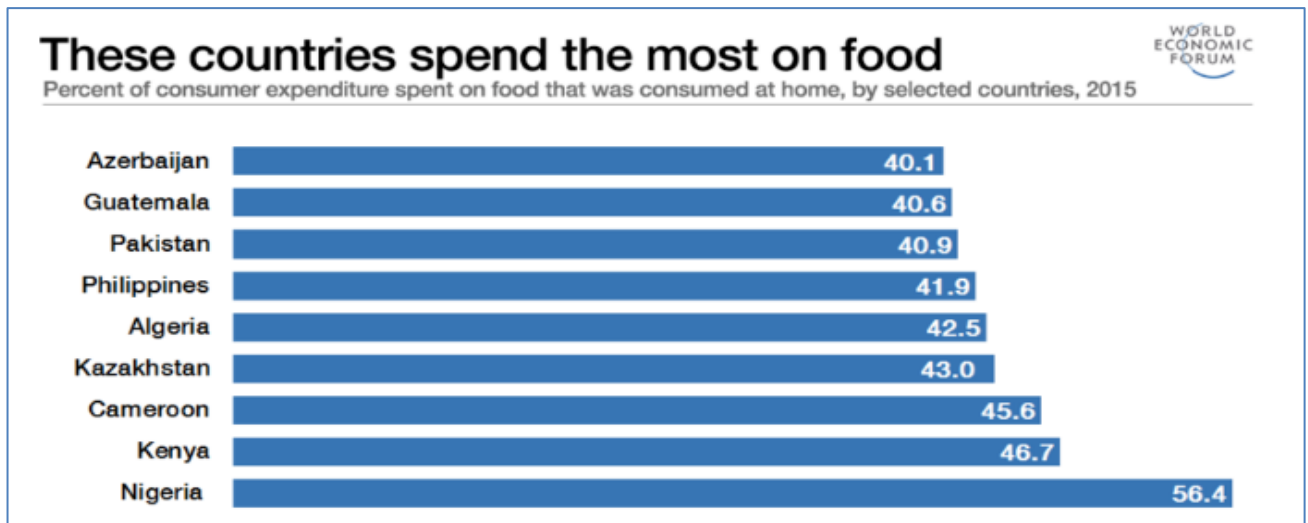


Figure 5: Percentage of consumer expenditure spent on food that was consumed at home (by selected countries 2015)

Source: World Economic Forum (2019)

If we consider that, in relative terms, food in rich countries is much more expensive than in developing countries, we find that this gap is even greater than it initially seems.

The same pattern can be observed among different population groups with different levels of wealth within the same country:

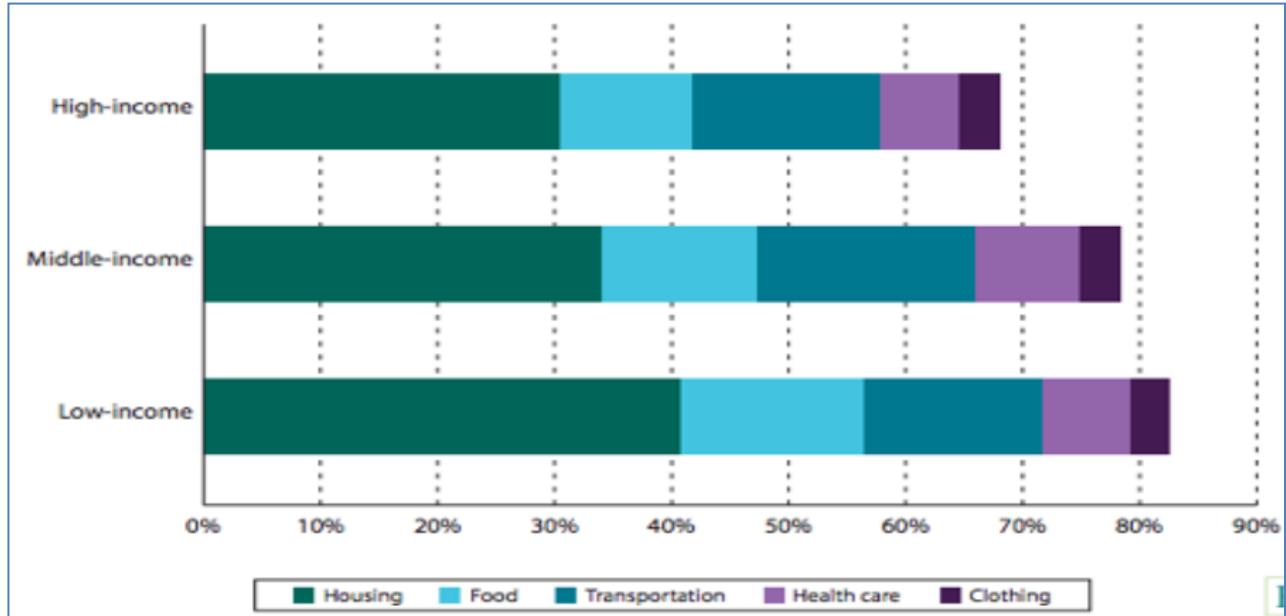


Figure 6: Share of Household Spending on Basic Needs, by Income

Source: Bourree Lam, 2016, *The Surging Cost of Basic Needs*.

This graph confirms that, as people get richer, the share of their income that they spend to satisfy basic needs decreases, leaving room for other types of consumption (the white parts of the bar graph), namely, consumption that satisfies growth needs.

This might seem a quite trivial finding: as the population gets richer, food constitutes a diminishing share of total consumption.

However, this finding implies a crucial notion: food consumption does not grow in the same proportion as wealth, implying that once a certain basic need is satisfied, consumers shift their consumption to other goods.

This confirms Maslow's intuition: after the need for food is satisfied, consumers move to the next need, and after that one is satisfied, they move to another one, and so on.

The ordering of these needs is represented approximately in Maslow's hierarchy.

We start with physiological needs and climb up the hierarchy until we encounter a set of needs that we are not able to satisfy: that is what the majority of our efforts will be directed towards.

These findings suggest that aggregate changes in average wealth and standards of living should be matched by a corresponding shift in the Hierarchy stage of the average consumer.

The same can be assumed to be true for other measures of living conditions, as we will discuss in the next paragraph.

CHAPTER 2 - WESTERN ECONOMY'S CONSUMERS TREND: CLIMBING UP THE LADDER

Now we will ask some very difficult and general questions, and try to find some compelling answers for them: what is the general economic trend with respect to Maslow's hierarchy? Is society climbing up or down the pyramid? At what stage is the majority of people standing?

To try to answer these questions we will examine time series graphs and statistics measuring some of the fundamental metrics that can be reasonably used as proxies for a high HON stage on average.

Note that it is impossible to scientifically prove that such measures are in fact good predictors of the HON stage, as the HON itself is an imaginary model and not an empirical and measurable reality. However, what we can do is make reasonable assumptions and build upon them, to try to formulate to some interesting hypothesis. If we go back to Maslow's model and consider the lowest categories of needs (physiological needs and security needs), it is very logical to assume that the following metrics listed above can be somewhat positively correlated with overcoming those stages. The metrics that we will use are: GDP per capita at PPP, share of the population above the poverty line, life expectancy, rate of literacy and standards of living, which takes into account all of the former.

The sample of these analyses will be mostly restricted to OECD countries, which can be said to represent the high end of the western world, for which Maslow's findings hold most solid for reasons previously discussed.

Furthermore, these countries have arguably been the bedrock of most business and technological innovation in the past decades, and are therefore a perfect subject for an analysis trying to highlight a new emerging market trend.

2.1 Economic well being

In order to analyze the change in average economic well being that has occurred in the past 30 years, we will take as a metric real GDP per capita with PPP.

As documented by the World Bank, between 1990 and 2018 the time series shows a strong positive trend, with an increase of about 50% just in the past 30 years (Fig. 7).

GDP per capita, PPP (constant 2011 international \$) - OECD members

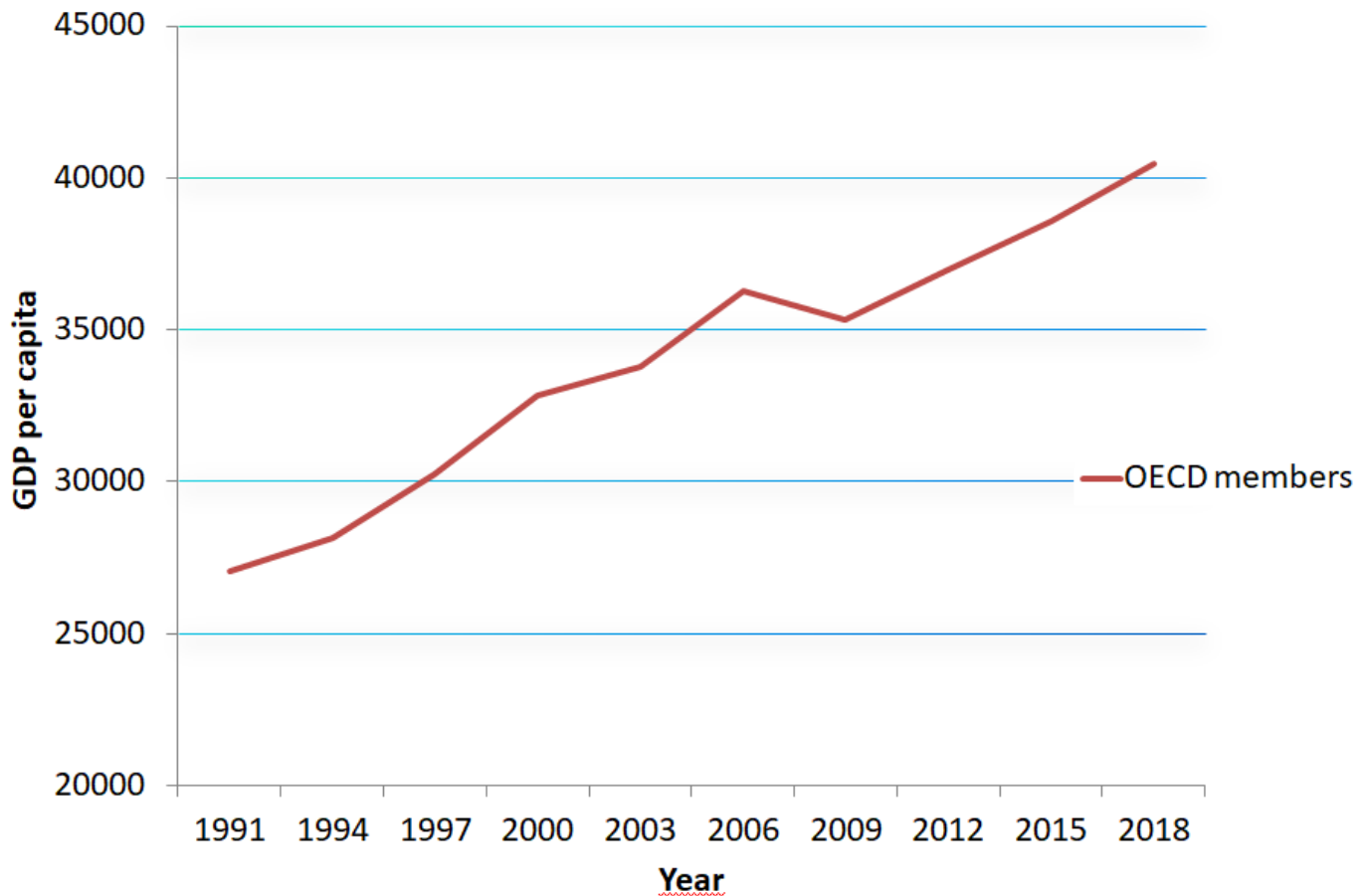


Figure 7: GDP per capita, PPP (constant 2011 international \$)

Source: The World Bank.

Furthermore, many economists, such as Martin Feldstein (2017) argue that GDP per capita PPP underestimates the increase in economic well-being. In fact, the improved working conditions, the reduction of average working hours and, more importantly, the increase in well-being caused by the existence of new products and technologies and the improvement of existing ones is not calculated in real GDP.

We can conclude that average economic well-being has drastically and steadily increased in the past decades, or even centuries.

In fact, if we broaden our perspective and consider larger time horizons, the findings are even more astounding. The official measurements of gross domestic product show that the annual income of the average American in the

year 2000 was five times higher than the annual income of the average American in 1890, and twelve times that of the average American in the middle of the nineteenth century. According to John V. C. Nye, Professor of Political Economy at the Mercatus Center (Nye V.C., 2008), “In the most successful countries, the average citizen now enjoys a material standard of living that would have made the greatest king of two hundred years ago turn green with envy”.

The increase in average wealth, although the gap between the richest and the poorest has increased, allowed for a rapid decline of poverty throughout the 19th and 20th century (Fig. 8).

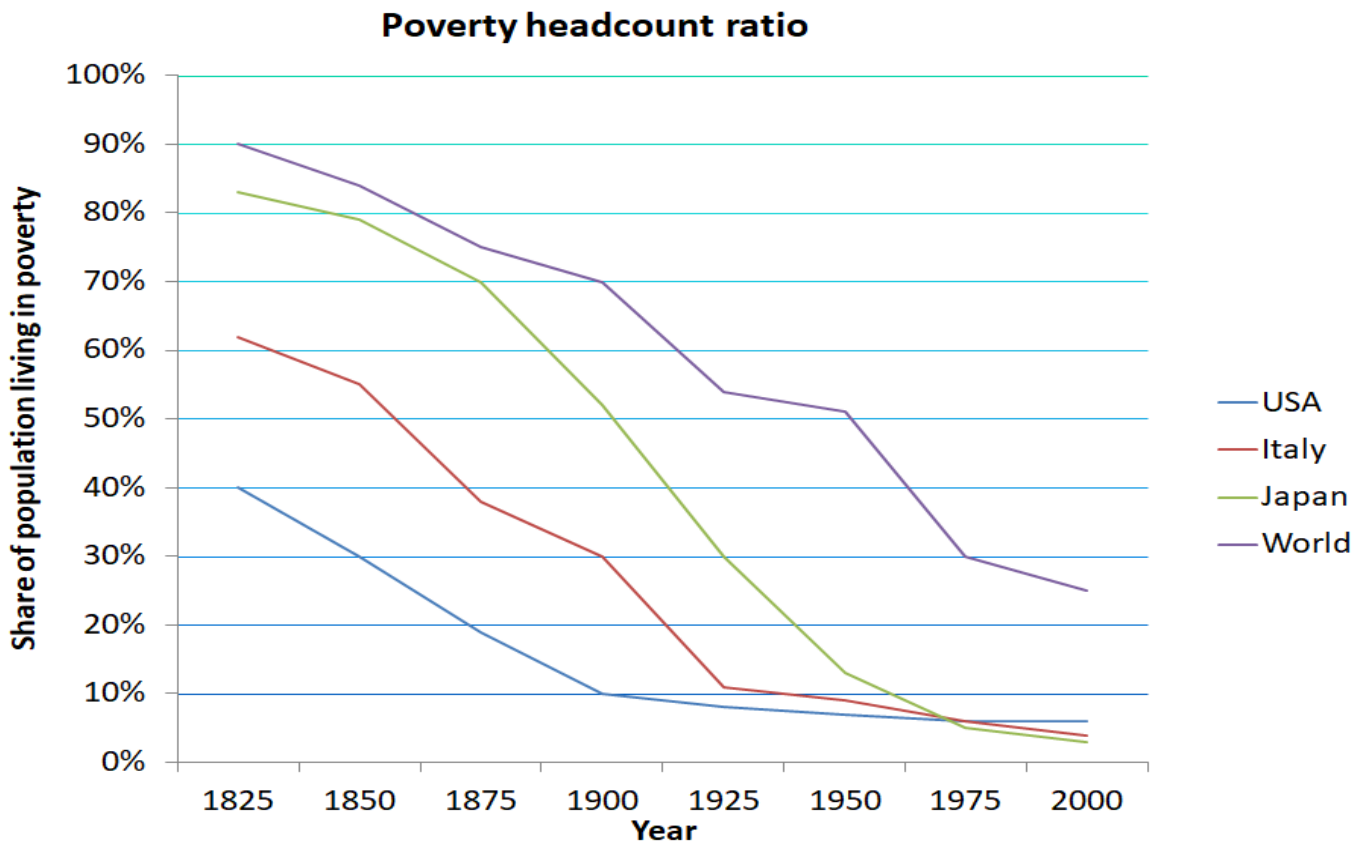


Figure 8: The reduction of extreme poverty in countries that are rich today, 1820-2000

Source: The World Bank.

Given that the absolute poverty is defined as living with less than \$1,25/day , from this graph we can see how sharply the percentage of population living in poverty has declined in Some of the most developed countries as well as the world. Just two centuries ago the greatest majority of the world population was living in extreme poverty by today’s standards, while now, in the most developed countries, that percentage is around 2%, while in

the entire world is just above 20% (Ortiz-Ospina, 2017).

The reduction in material poverty goes in parallel with the reduction of immaterial poverty, expressed by the illiteracy rate (or literacy rate as it's reciprocal) (Roser & Ortiz-Ospina, 2018).

According to the Organization for the Economic Cooperation and Development (OECD), almost all OECD countries have seen a rise in the education levels of their citizens over the past decade, and in some countries the increase has been spectacular (Fig. 9)

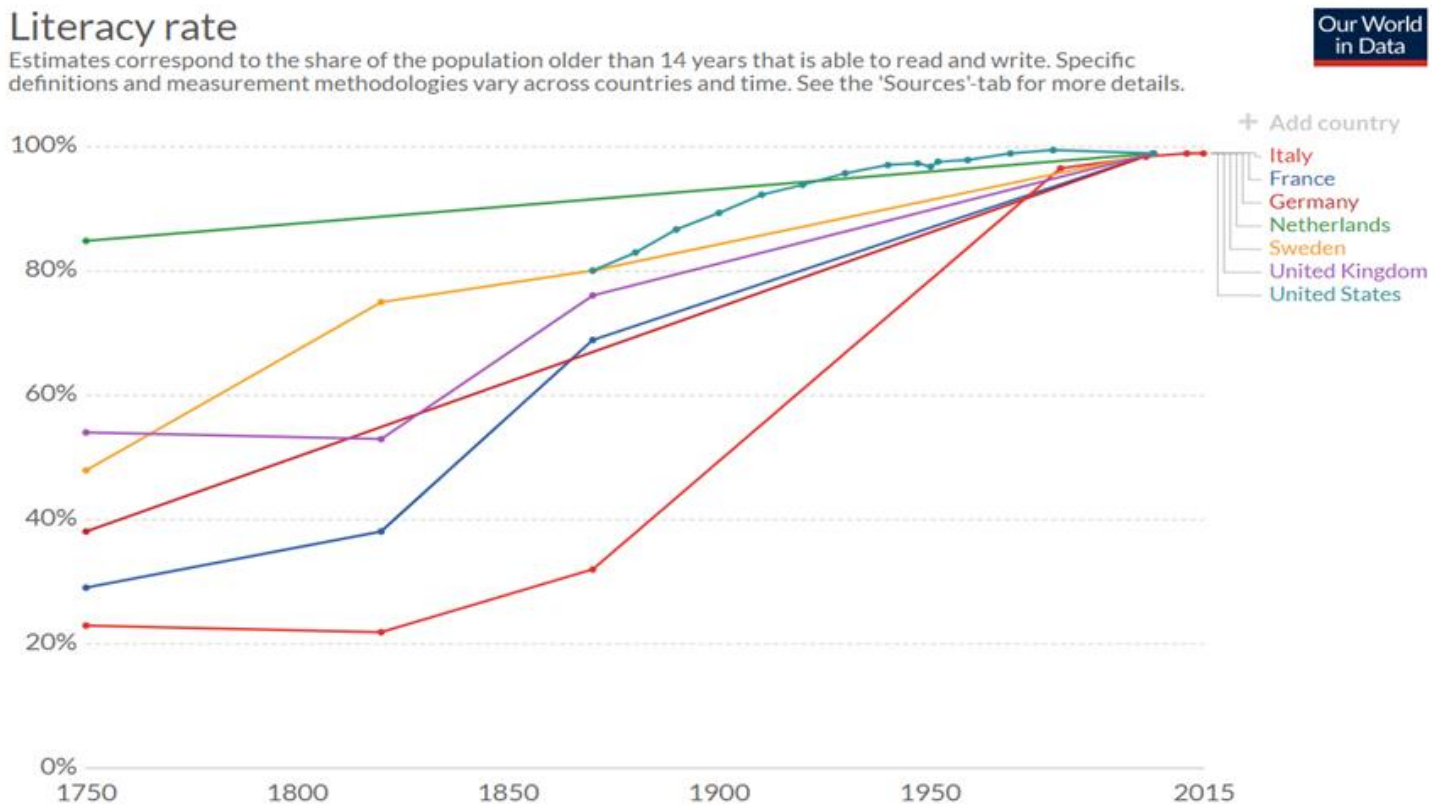


Figure 9: Literacy rate in OECD countries

Source: OECD.org

Not only illiteracy is decreasing, but education levels are reaching unprecedented peaks, with record breaking statistics on University enrollment rates (Roser & Ortiz-Ospina, 2017) (fig. 10).

Gross enrollment ratio in tertiary education

Total enrollment in tertiary education, regardless of age, expressed as a percentage of the total population of the five-year age group following on from secondary school leaving.

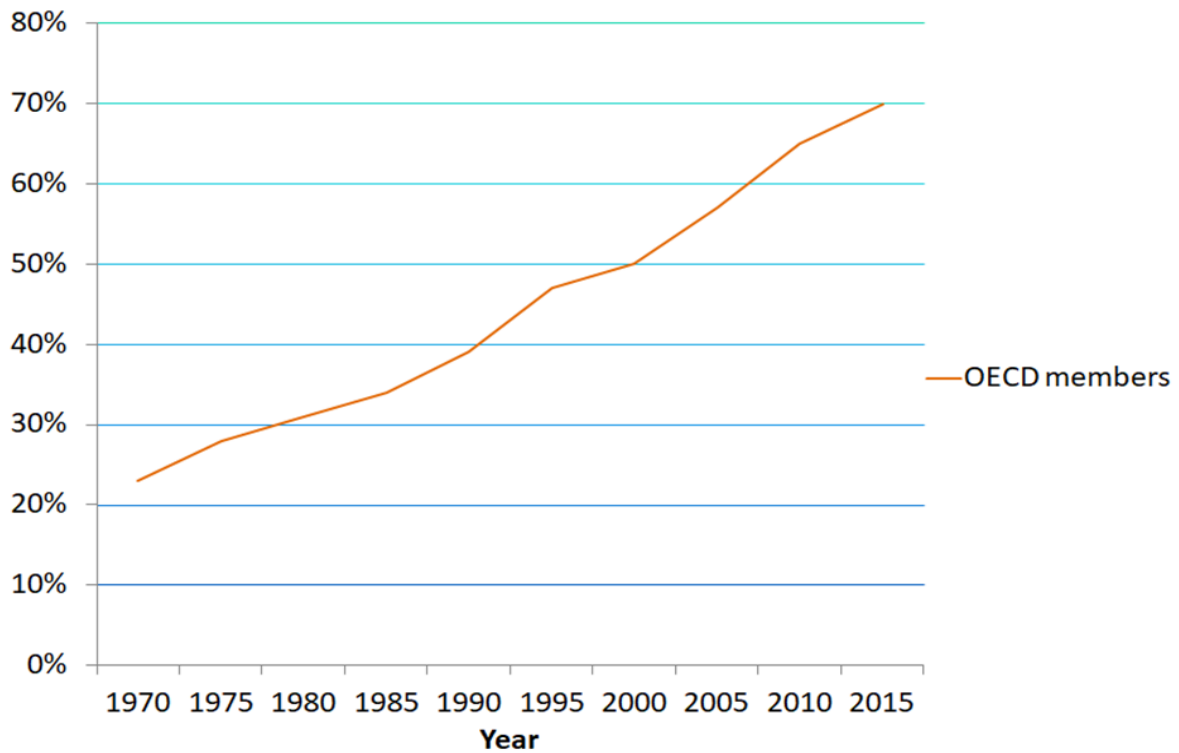


Figure 10: Gross enrollment ratio in tertiary education

Source: The World Bank

Higher education levels result in faster improvements in all academic fields, which, especially thanks to the efforts in the fields of science and technology, often result in longer average life expectancy (fig. 11, 12).

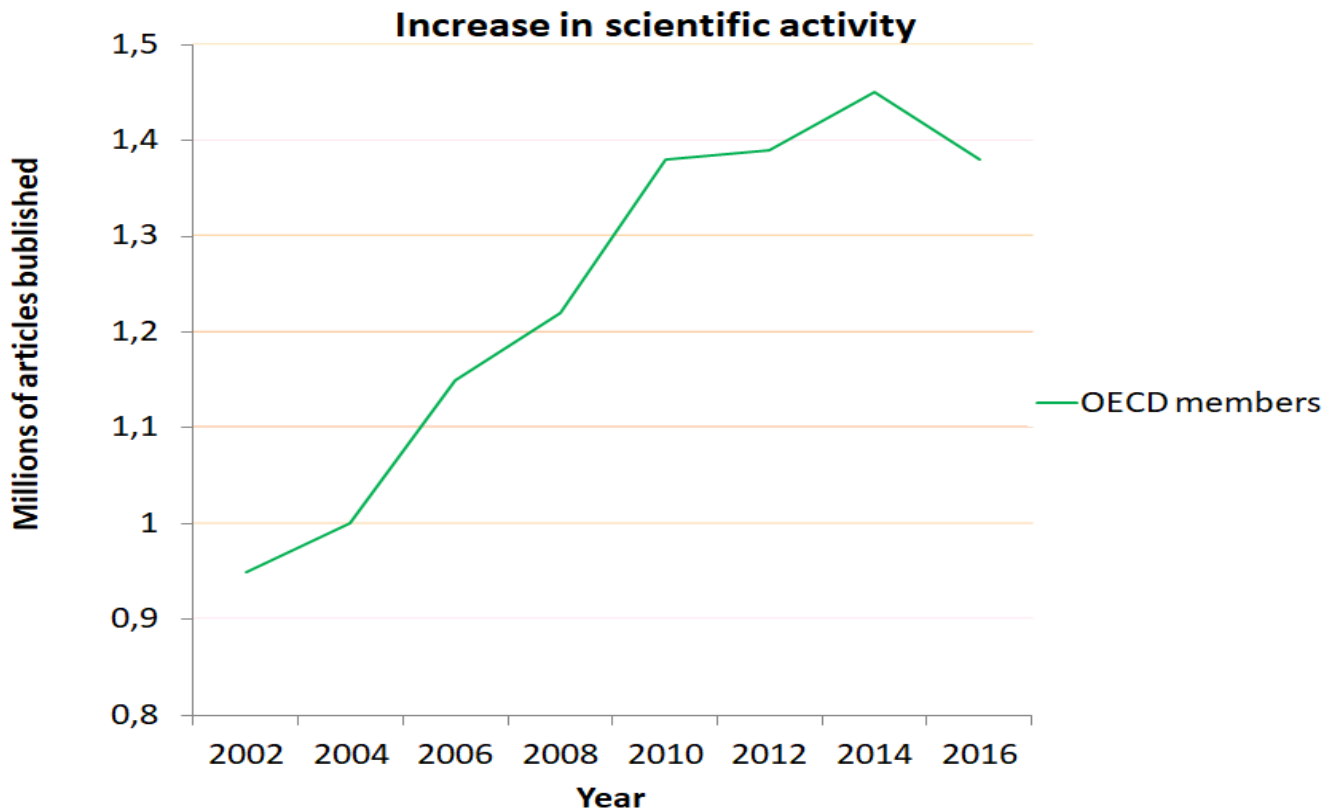


Figure 11: Number of yearly scientific and technical articles (millions)

Source: The World Bank

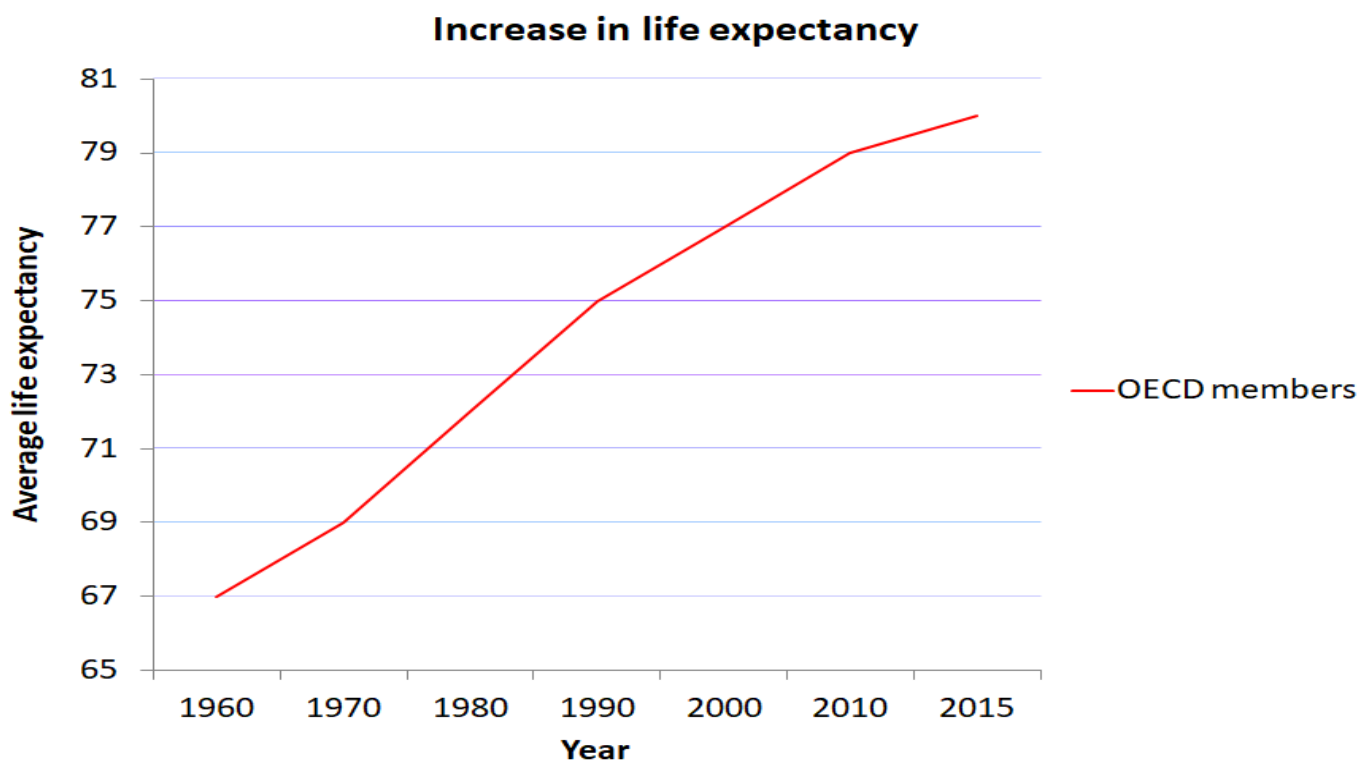


Figure 12: Life expectancy at birth, total (years)

Source: The World Bank

According to OECD’s official reports, “OECD countries have made remarkable progress in increasing life expectancies at birth. In 2015, the OECD-19 average life expectancy for a new-born girl stood at 82.8 years, just over 12 years longer than the OECD-19 average for a girl born in 1960 (70.7 years). Similarly, in 2015 the OECD-19 average life expectancy for a new-born boy stood at 77.2, also about 12 years longer than the OECD-19 average life expectancy for a boy born in 1960 (65.4 years)” (OECD family Database, 2019).

Steady improvement, decade after decade, of the metrics above described, as well as others, resulted in a tremendous increase in the average standard of living in OECD countries. Increasing wealth causes an increase in education levels, which brings technological innovation, allowing for further increases in wealth, life expectancy and so on.

According to researcher Herman De Jong, professor at the University of Groningen, “The process of modernization resulted in a 16-fold increase in the standard of living of the average world citizen in less than 10 generations. Per person we enjoy 16 times more goods, services, and housing. In the same period world

population increased from less than one billion to more than six billions” (De Jong, 2015).

To conclude our analysis we will show a time series showing the change in the Historical Index of Human Development (HIHD) over the past 130 years and more (fig. 13). The HIHD is defined by De Jong as “a summary measure of achievement in the key dimensions of human development: a long and healthy life, being knowledgeable and having a decent standard of living”. A high HIHD is probably the best possible predictor of a high hierarchy stage, as it incorporates all the relevant aspects that we discussed.

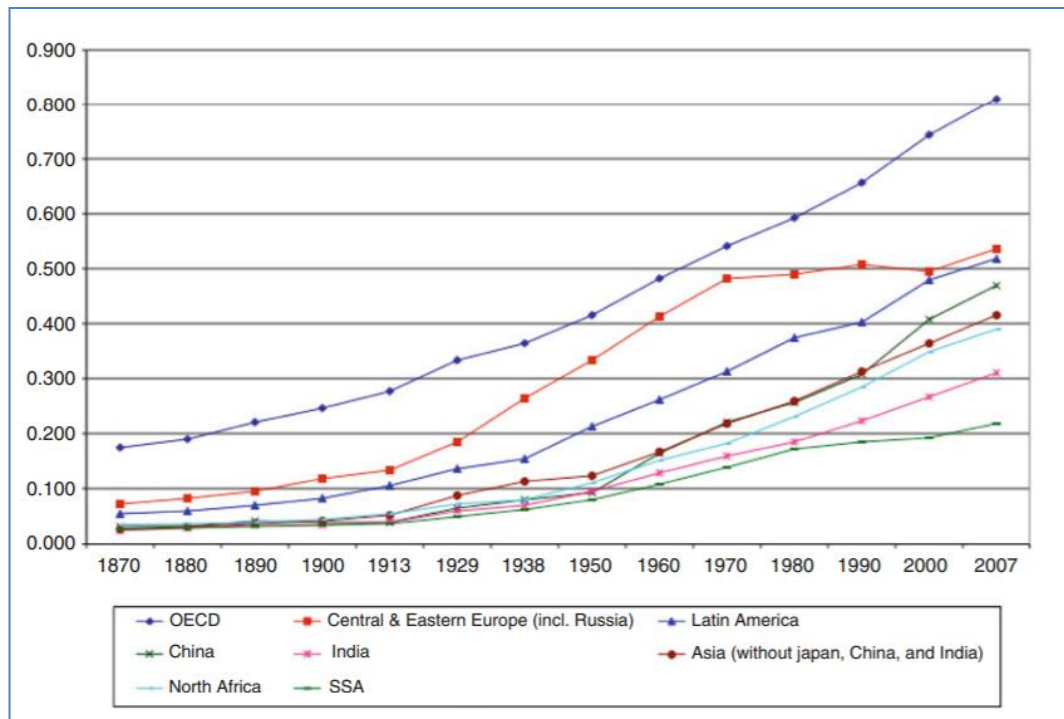


Figure 13: Human Development Index (HIHD) – historical series

Source: Rug.nl. (2019)

We conclude this chapter by stating that, as the HIHD index perfectly summarizes, western society and humanity, In general, have been progressing at a fast and steady pace for the past decades and centuries.

This creates the possibility for millions and millions of people to climb up the stages of the HON and be able to focus on higher and higher needs. However there is just so much that macroeconomic factors can do. The degree to which a wealthy individual decides to pursue self-actualization, or gets stuck on love needs or, most commonly, esteem and status needs, depends on the personal circumstances and to the person’s will.

However, establishing that an increasing number of people is gaining the possibility to pursue self-actualization, a stage that was previously impossible to reach, implies that, on average, an increasing number of people will do so. The increasing demand for self-actualization will be fueled, in addition to the change in macroeconomic and social factors just listed, by the resulting cultural change that western society is undergoing. This trend will be the subject of study in the next paragraph.

2.2 Economic and cultural projections

Apart from the imminent environmental crisis, which poses a serious threat to the growth and development of human society, but which must be ignored in order to illustrate our points effectively, the majority of academics agree that there are no real signs that the economic and technological growth illustrated in the previous paragraph will slow down in the foreseeable future.

Many academics, most notably Yuval Noah Harari, even sustain that economic growth must exponentially increase, and that humankind is much closer to obtaining “godlike technological powers” than most people think (Harari 2014).

The latest technological findings, Harari says, clearly show that all the perils of life, such as war, disease, and even death, are just “technical problems”. As we become more proficient at solving these problems, we will enjoy longer lives (as it is already happening), in which we will be able to learn more and more efficiently, and contribution with increasing magnitude to further technological development.

This spiral, which perpetuates itself with increasing speed, is already in motion, and, Harari predicts, will bring human kind to achieve powers that not so long ago we would have considered godlike. The problem is that this will happen much faster than we expect, and our individual consciousness and collective socio-economic structures will most likely not be ready, and will risk collapsing under this increasing pressure.

As Harari put it,

“Modernity is a surprisingly simple deal. The entire contract can be summarized in a single phrase: humans agree to give up meaning in exchange for power...The modern deal offers us an enormous temptation, coupled with a colossal threat: Omnipotence is in front of us, almost within our reach,” Harari says, *“but below us yawns the abyss of complete nothingness.”*

“Modern culture is the most powerful in history, and it is ceaselessly researching, inventing, discovering and

growing. At the same time, it is plagued by more existential angst than any previous culture.”

This refers to the slow decay of society’s traditional structures of individual and collective meaning (Peterson,1999), such as religions, political groups and ideologies. Such decay, according to Harari, is an inherent feature of modernity and is caused by the continuous rise of the objectivistic-rationalistic world view, which, as technology progressively sinks into every corner of our life, gains popularity and strength among the people.

Although some of these collective structures of meaning appear on the surface to be still standing, Harari claims that they’re losing their power day after day, as the socio-economic system continues to develop.

Harari holds that each religion or ideology belongs, and best serves, the socio-economic landscape in which it is born. In the same way that Ancient pagan rites of hunter-gatherer tribes were not fit for the forthcoming agricultural societies, Christianity and the like are not fit for the people of the “post-modern world”, as they speak about a world that we are leaving farther and farther behind with each new technological step we take forward.

“ God is dead – it's just taking a while to get rid of the body.” (Harari, 2014).

The “death of god” has left a hole that grows larger by the day, a hole that can only be filled by each individual’s effort in the pursuit of a higher meaning. Such pursuit is taking an increasing variety of shapes, as people realize with increasing consciousness that it is an individual and very personal journey.

Why is this relevant to the rise of the self-actualization industry? Because self-actualization itself is the art of actively pursuing the highest values in order to give life a meaning. An increasing amount of people will be looking for ways to self-actualize, and will be ready to spend money on the products and services that help them in that pursuit. The ways in which many different businesses are able to profit by selling the idea of Self-actualization to their customers will be discussed in more detail in chapter. 3.

One might reasonably ask “why should people turn to self-actualization in order to find happiness and purpose? In a society filled with economic prosperity and high living standards, shouldn’t people just be happier thanks to the higher levels of economic prosperity?” The answer is: not necessarily.

In a famous study, Harvard researchers Donnelly and Norton found that wealth contributes to happiness up to a certain point, after which, it provides no more marginal happiness. This happens at the level of wealth where people are able to provide for themselves and their families all their basic needs, education and experiences that they need. After that point, additional consumption does not provide more happiness (Donnell & Norton, 2018).

However, the two researchers came across another interesting finding in their research: people who gained their money are happier on average than those who didn't. This implies that it is the process and the pursuit of wealth and objectives that brings happiness to people, rather than the mere object being pursued.

Donnelly and Norton suggest that, in order to ensure a more satisfying life for themselves and their heirs, rich people should give some of their money away. At a first glance, this might seem nonsense. However if we consider the topics just discussed, we can see why many people decided to follow this path.

Famous examples include Andrew Carnegie, who donated almost all of his fortune away, in order to ensure to his heirs a life filled with purpose, and most recently Bill Gates and Warren Buffet, who founded "The Giving Pledge", a fund encouraging the most wealthy to donate for philanthropic causes.

"Our research suggests that this strategy has benefits not only for the recipients of that charity, but for the wealthy and their heirs as well," write Donnelly and Norton (Donnell & Norton, 2018).

In a society enjoying an always greater prosperity, people will arrive to the point where additional consumption brings no happiness with much more ease, and will either invest the extra money in the pursuit of self-actualization, or get stuck in the consumption loop of the esteem stage, where many millionaires and billionaires waste their savings on luxury items that bring a fleeting and bitter satisfaction. Such claims are also backed up by researchers from Purdue University (Jebb et al, 2018), which hold that any amount of income exceeding a certain level (around 105.000 in the U.S.) spent to pursue additional material possessions or social status might ironically have a negative effect on happiness.

In conclusion, self-actualization is both the inevitable result of the progressive increase in the standard of living, and the cure to the existential angst which is part of the "*the modern deal*" as Harari explains it. These are the causes that lay behind the impressive increase in demand for self-actualization goods and services seen in recent years, and of the further increase that I predict will come.

Now let's turn to see what exactly this demand for self-actualization looks like, and how is the market responding with the supply of such values.

2.3 Maslow's pyramid and it's corresponding markets.

Before modernity, trade was centered almost exclusively around goods and services satisfying basic needs and security needs, the most urgent human priorities. These goods are food, water, shelter, weapons, and so on. Only the very elite of ancient societies could afford to spend money on things satisfying less urgent needs, such as art,

decorations, shows, perfumes, luxury items, etc. As technology progressed, slowly at first, but progressively gaining speed, basic survival became a less demanding task for the people, who started to spend small portions of their resources to satisfy higher needs.

For the past couple of centuries, the markets for commodities satisfying love & belonging needs and esteem needs grew larger and larger, becoming two additional pillars of the economic system. The largest booms of the past decades have in fact been: on one side luxury items such as top level cars, jewelry, hotels, yachts and so on, which provide tangible representations of high status for the increasing number of super-rich. On the other side, social media have taken the world by storm, allowing youngsters initially, but later people of every age to be always connected to their social group, and to create and manage a virtual avatar of themselves to manipulate their own social status. These platforms satisfy the perfect combination of love/belonging needs and esteem needs in a way that is unmatched, and this is the reason for their incredible success.

Needs belonging to these two categories started being used with increasing frequency in the marketing strategies of many differentiated products. Such strategy, which we will talk about extensively in chapter 3, aims at creating in customer's minds the perception that a certain product, which intrinsically satisfies a certain set of needs, will extrinsically satisfy other types of needs, to which the customer is more responsive to.

A very good example of such trend is the marketing strategies of "Mulino Bianco", where the focus is brought to the importance of a loving, healthy family life. In this way Mulino Bianco's products end up being perceived as goods satisfying love/belonging needs, even though they do not intrinsically do so.

The markets offering goods and services satisfying the needs just mentioned have become "Red Oceans," a term coined by W. Chan Kim & Renée Mauborgnen to indicate "*a market where competition is savage and businesses are created and die each day*" (Chan Kim & Mauborgnen, 2015). We will expand on Kim & Mauborgnen's work in paragraph 3.1

The growth of the love/belonging and esteem industries is confirmed by the fact that, that according to the U.S. Department of Labor, the percentage of family income spent on food by American consumers has dropped steadily for the past one hundred years. Consequently, the percentage of family income devoted to other types of consumption has increased. Such increase, however, was mostly limited to industries satisfying love/belonging needs and esteem needs (Pedraza F., 2013) (fig. 14).

In fact, although the economy continued to grow, bringing up average wealth, until very recently the market for self-actualization was almost non-existent. According to Grid Arendal, as cited by Rakowski (Rakowski N, 2008), in 2005 only about 2% of the western population could be considered self-actualizers.

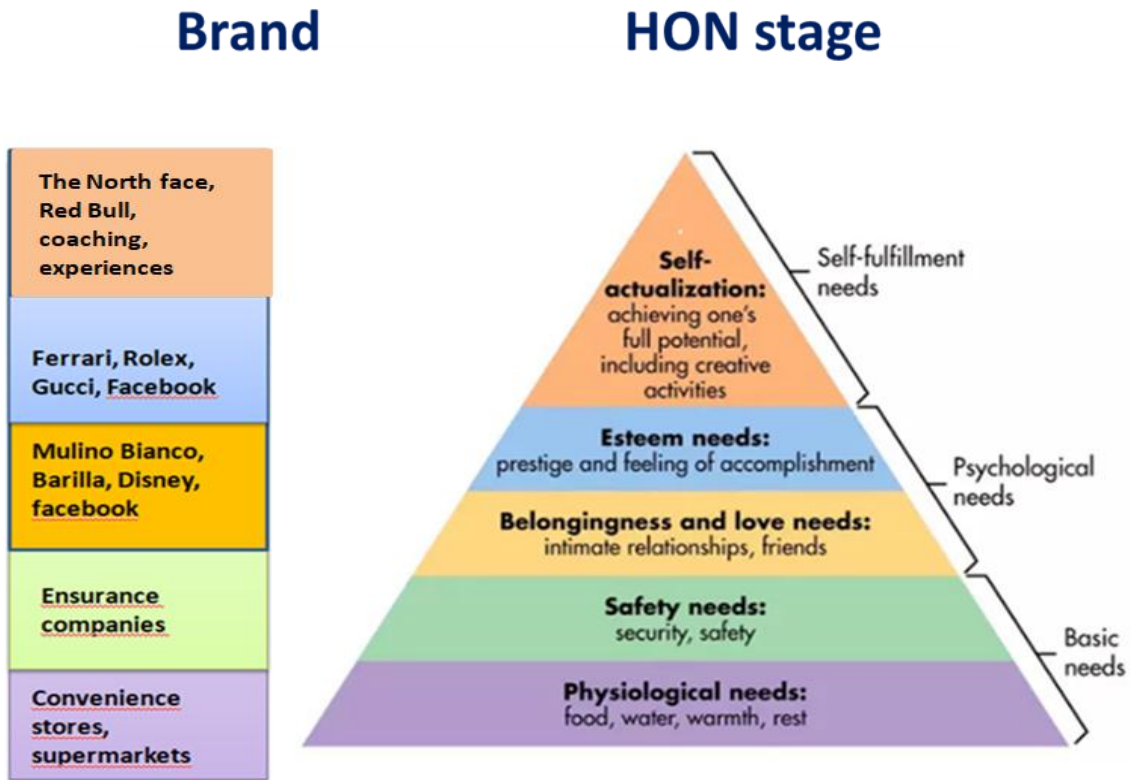


Figure 14: The stages of Maslow's pyramid, and some companies satisfying the corresponding needs.

Going into further detail about the sub-categories of self-actualization, we can draw the following correspondence.

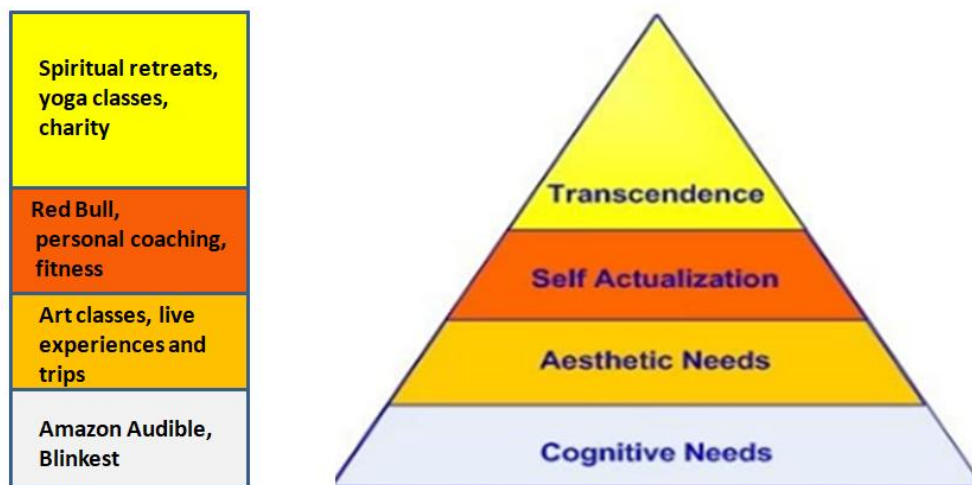


Fig 15: The sub-categories of self-actualization and some corresponding business types

2.4 The rise of the self-actualization industry

Then something started happening. Around 2008-2010 customers' demand for self-actualization started to increase. There are probably, in addition to the causes described sections 2.1 and 2.2, many other factors that played into the emerging market trend of self-actualization. Such trend has quickly gained momentum, and has turned into a cultural phenomenon, which started in the U.S. and is now spreading in the rest of the western world. Consumers, especially the youngest groups such as millennials and generation X and Z, started adopting, with increasing frequency, behaviors and personality traits that, according to Maslow's "*The farther reaches of Human Nature*" lead to self-actualization.

These behaviors are:

- Growth Choices
- Self- Honesty
- Judgment
- Self-development
- Pursuit of Peak Experiences
- Lack of Ego Defenses

These are, according to Maslow, all part of the value system of the "self-actualizing individual".

The growing diffusion of behaviors of this kind can easily be noted by looking at the staggering growth of many industries which rely on consumers adopting this line of conduct to prosper:

Experience industry

According to the U.S. Department of Commerce, from 1987 to today, the share of US spending on events and live experiences, relative to total U.S. spending, has increased by 70% (fig. 15).

Millennials, which are the generation aged between 30 and 40 today, declare that in 78% of cases would rather spend money on experiences than on material goods, while, according to Forbes, 74% of all Americans prefer

experiences over products.

This preference is indicative of psychological traits attributed by Maslow to the “self-actualizer”.

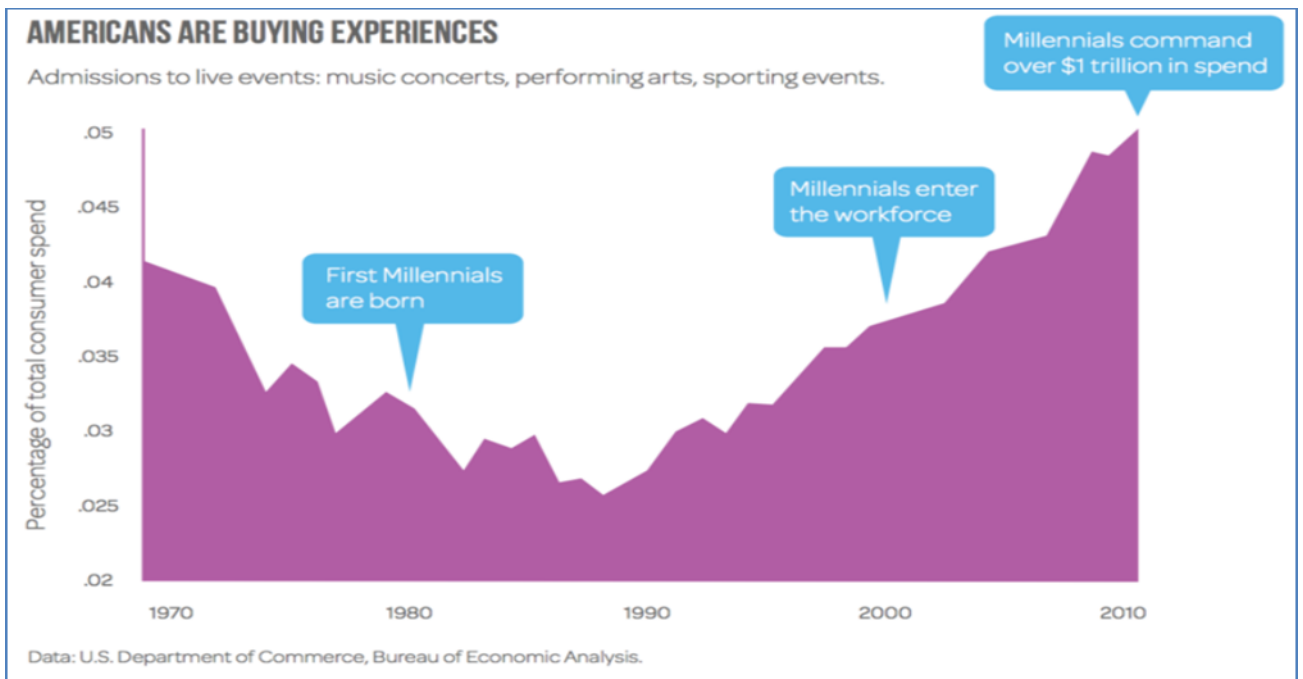


Figure 16: The booming of the experience economy

Source: weforum.org (2019)

Self-improvement industry

The self-improvement industry is a conglomerate of smaller components, joined together by a common aspect: all the products, or much more frequently, the video/audio content or the service offered has the precise goal of helping the customer to walk toward his ideal self. According to John LaRosa, president of Market Research LLC, the U.S. self-improvement market, which was worth \$9.1 billion in 2012, grew to \$9.9 billion in 2016 and is now booming. Such market is forecast grow at an average yearly rate of 5.6% from 2016 to 2022, when the market should be worth \$13.2 billion (<https://blog.marketresearch.com/whats-next-for-the-9-9-billion-personal-development-industry>).

Personal coaching industry

A subcategory of the self-improvement industry is the personal coaching industry, which is based on the services offered by masters of self-development and motivational speakers, who privately instruct clients about the best techniques and practices to adopt in order to improve themselves. According to the latest ICF and Price Waterhouse Coopers global coaching study, it is the 2nd fastest-growing industry worldwide. The survey found that the U.S. coaching market was worth \$955 million in 2015. The “average” U.S. coach makes \$62,000/year.

Fitness Industry

According to the IHRSA (via Forbes), the American fitness industry, which is worth approximately \$30 billion, has been growing by 3-4% annually for the past decade. Furthermore, the rate at which it is growing seems to be accelerating (<https://www.forbes.com/sites/benmidgley/2018/09/26/the-six-reasons-the-fitness-industry-is-booming/#424239f0506d>).

Yoga Industry

Yoga is one of the activities that is most characteristic of the self-actualizing individual, in particular for women, as it combines physical well-being and spiritual growth, two fundamental pillars of self-actualization.

According to a report from the Yoga Journal (in 2017), 20.4 million people were yoga practitioners in the US, up from 15.8 million in 2008. The yoga market is growing fast, and in 2016 its worth was \$30bn in the US and \$80bn globally. Its growth is certainly linked to the growth of the other markets mentioned in this paragraph, such as healthy foods and ethical consumption, as these trends reinforce each other by spreading the same set of values.

Healthy Food

The food industry is perhaps the field in which the cultural shift that we are describing is most visible. Not too long ago fizzy drinks, chips and candy bars were the most popular items sold, but now it has changed: consumers want foods that taste good but that are healthy at the same time. Food packages are now full of labels claiming that the product is “sugar free” or “with no added...” or other health benefits. This clearly indicates a shift in consumer preference, which can be verified by some statistics. The global market for healthy foods is now worth around \$1 trillion, with more than 30% of all food companies investing in the production of healthy foods. In a

2015 online Global Health & Wellness Survey by Nielsen (Nielsen 2015), 88% of respondents said that they were willing to pay a premium for healthier foods, with Millennials showing the highest willingness to pay extra for the health benefits.

According to Food Navigator, 81% of Americans purchase at least occasionally organic food. A Grand View Research, inc. study shows that the organic food market segment has grown by 15% from 2014 up until now, and is expected to keep growing (<http://orgprints.org/28077/7/28077.pdf>; <https://upfluence.com/influencer-marketing/influencer-marketing-healthy-food-industry>).

Such shift in consumer preferences must be partly attributed to the diffusion of more accurate scientific knowledge about health and nutrition, but it is an undeniable sign showing the spreading of a culture which tend to value momentary pleasure less than future well being and health. Such feature is typical of the self-actualizing individual, which, according to Maslow, is much more prone to forgo fleeting pleasures, such as consuming tasty unhealthy foods, in favor of “growth choices” .

Ethical consumer

A study by social scientist George Brooker demonstrated that individuals high in the psychological traits associated with self-actualization are much more likely to make their consumption choices based on ethical factors, in addition to the quality and price of the products being considered. The number of consumers behaving in such a way is increasing rapidly, changing the way businesses behave in all industries.

Consumers are now more concerned with the ethical, social and environmental repercussions of their consumption choices, of the way the businesses they finance behave with respect to social or environmental issues. Companies who make decisions considered negatively by consumers are now more and more in danger, while those adopting a corporate policy considered ethically correct prosper. (Brooker G., 1976).

Unsurprisingly, the ethical market is booming, arriving at a net worth of £83.33bn, with an average household spending £1,238 on ethical goods in 2017.

The increasing preference for ethical products by consumers is most apparent in the food and clothing industries. From 2015 to 2017, the number of people opting for a vegetarian diet has risen 52% and those choosing a vegan diet by 153%, while In 2016 alone, the market for second-hand clothes, which of course are the most environmentally friendly choice, grew by 22.5%.

CHAPTER 3 - SELF-ACTUALIZATION BUSINESS ANALYSIS

Now that we have established the existence of a rising cultural trend toward self-actualization, and we have explored some of the reasons why this came to be, let's examine the strategies used by some innovative companies to take advantage of this trend and establish themselves as leaders in their respective industry. The companies whose strategies we will examine do not fall in the traditional self-actualization market, as their products do not intrinsically satisfy self-actualization needs. However, they use the concept of self-actualization to differentiate themselves from industry competition and to allow their brand to become iconic.

Although it would have been easier to analyze some of the businesses whose products are intrinsically related to self-actualization and who are spreading and growing thanks to this economic trend, such as personal coaching schools or healthy food brands, the case studies I have chosen are in my opinion more meaningful. In fact, their strategies show the growing attractiveness of the self-actualizing values, which can, and probably will, as my research leads me to predict, be applied by brands operating in every industry to attract more and higher quality customers. Furthermore, the fame enjoyed by these widely known companies will make the analysis much more relatable and understandable.

The companies we will examine are Patagonia, The North Face and Red Bull.

3.1 Manipulating extrinsic product features

These companies saw in advance what was coming, and were able to structure their business models properly to capture as much value as possible from the rising demand for self-actualization. These companies are able to obtain abnormal profit margins compared to their industry competitors and prosper, while others who rely on more traditional strategies struggle. But how exactly were they able to beat their respective industry competition by incorporating the concept of self-actualization in their business models and making it so relevant?

In short, they did so by wisely manipulating extrinsic. The distinction between intrinsic and extrinsic product features is a pillar of strategic market planning at Coca Cola, and is worth clarifying.

According to Oude Ophius and Van Trijp (1995), intrinsic product attributes are related to the physical aspects of a product, while extrinsic attributes are associated by customers to the said product thanks to communication, packaging, context etc.

Recalling chapter 2, we can now note that the increasing value of extrinsic features in customer's minds is a by-product of the growing economic prosperity of our time. In less wealthy societies, intrinsic product features were

the only aspect being considered when making consumption choices, as it is in them that lies the fundamental utility of the product.

Going back to the Vitasnella water example we made in section 1.3, we can say that the intrinsic features of the product satisfies a physiological need (thirst), while the extrinsic product features meet self-actualization needs. Nowadays, intrinsic features are a given for most products, and brands must compete on “extrinsics”.

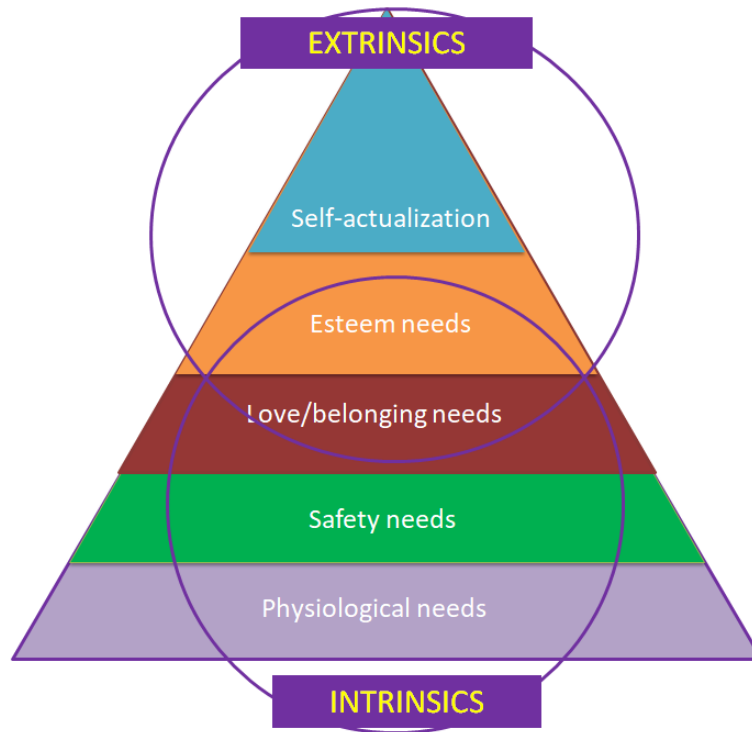


Figure 17: Maslow’s Hierarchy of Needs and intrinsic vs extrinsic product features

Manipulating the extrinsic attributes perceived by customers is a fundamental step for a company that aims at increasing their brand’s popularity and appreciation. However, in order for extrinsics to be effective, they must be stably grounded in intrinsic features, or else the intention of the company behind their communication strategy will seem artificial and opportunistic.

The three companies we will analyze, each in their own respect, have done, in the past decade, a great job at utilizing their communication and their resources to paint in customer’s minds a picture of their brand that goes far beyond the products, elevating it to a symbol for the pursuit of higher values. However, the key to their success is that such an emphasis on extrinsic features was never at the expense of the intrinsic aspects of their

products, which must be the basis for any advanced communication strategy. Let's see the different ways in which these companies managed to achieve such a goal.

3.2 Patagonia

"We're in business to save our home planet" is what Patagonia's website clarifies, as soon as you enter the homepage.

Patagonia is a sportswear clothing brand founded by a group of American rock climbers in the 1970s. It is specialized in producing and selling technical high quality clothing for mountain sports, such as climbing, hiking, skiing and so on, and equipment for excursionists willing to adventure into the wild. The intrinsic features of their products are: a minimalistic but highly functional design and a good quality of the cloth's materials for medium-high prices. However, producing and selling clothes is nothing but a small part of what they do.

Patagonia is perhaps the best prototype of the self-actualizing firm, as its core values and ideas permeate every corner of the business. They are known as *"the activist company"*, as the company's commitment to overcoming the environmental crisis is unparalleled. Patagonia is continuously looking for ways to innovate the production chain in order to minimize their negative environmental impact, while they strive to increase their positive impact. Since 1985, in fact, Patagonia has donated 1% of each year sales to the preservation of the environment.

These are the result they achieved up until 2017, according to their website:

- *"89 million dollars donated for environmental work since we started our tithing program in 1985"*
- *954 number of environmental groups that received a grant this year*
- *156,401 dollars given to nonprofits through our Employee Charity Match program*
- *75 million dollars invested in environmentally and socially minded companies through Tin Shed Ventures®, our venture capital fund."*

What might at first seem surprising, but then reveals itself to be perfectly logical, is that donating 1% of each year's sales away actually increased Patagonia's profits, rather than decreasing it. Thanks to their donation policy, in fact, Patagonia managed to become the go-to clothing brand of environmental conscious people, who are willing to pay a premium to buy high quality clothes that reflect their values and make them feel like they are doing something good. This is what the self-actualization business is all about: selling customers things that are in line with their values and that move them closer to their ideal self (fig. 17).

Patagonia's communication strategy is also the blueprint for the new marketing approach of the self-actualizing firm.



Figure 18: Patagonia advertising.

Source: The Drum (2019)

Patagonia wants their core values to be known, as it is on them that the whole business model rests. Their focus is on creating an excellent company reputation, that will allow them to gain the favors of the growing crowd of ethical consumers, which we talked about in paragraph 2.4

Never has Patagonia advertised one of their products, or encouraged consumers to buy, as traditional marketing approaches might suggest. Quite the opposite in fact (fig. 18).



Figure 19: Patagonia advertising 2017.

Source: The Drum (2019)

In this famous advertising campaign, Patagonia encourages consumers to be conscious about their decisions and the impact they have on the environment, and promotes a minimalistic approach to life where individuals only buy what they need and what their true self wants. And of course, what products would your true self want, if not those of the “Activist Company”?

3.3 The North Face

The North Face is another sportswear clothing brand, much like Patagonia, but with a very different feel to it.

They too are specialized in mountain and exploration sportswear and gear, and like Patagonia, they produce very high quality products and sell them for very high prices. However, the way in which they are able to capture customers’ attention and sell them overpriced sports gear is different from Patagonia’s, although the underlying logic is the same.

According to their website (<https://www.thenorthface.it/>), “*The North Face® fundamental mission remains unchanged since 1966: Provide the best gear for our athletes and the modern day explorer, support the preservation of the outdoors, and inspire a global movement of exploration*”.

Here too, the company’s strength lies in the truthfulness with which they live up to their values. Following Patagonia’s footsteps, The North Face (TNF in short) is committed to donating to non-profit agencies working to preserve the environment and work to spread knowledge and raise awareness about the current crisis.

However, what allowed TNF to stand out from all other sportswear brands, and become arguably the most recognized and iconic of them all, is the incredible effort they put into fostering the explorer's community.

“The North Face was built on a love for the outdoors and the desire to enable all types of exploration, from your backyard to the Himalayas. Over the last 50 years we've lived by our “true north,” the belief that exploration has the power to change us, to challenge us and to help us see the world from new perspectives”.

The North Face finances and sponsors almost any professional expedition, from the Arctic, to the Himalaya, to the Gobi Desert. In 2010 TNF established “TNF explore fund” through which they have donated millions of dollars to support professional explorers teams, national parks and nonprofits working to protect wildlife and the environment. In such a way, TNF can claim to be the primary enabler for some of the most important achievements in human's exploration history.



Figure 20: The North Face advertising

Source: The North Face

Also it is almost impossible to go to a top-level mountain-related extreme sports event, be it alpine skiing, snowboarding, rock climbing, skydiving, etc. and not see The North Face's flag waving in the air. TNF gear is used by the majority of pro athletes in such fields, thanks to their quality (intrinsic features) but also to TNF active involvement in the explorer's community (extrinsic features). Some of them are even brand ambassadors, receiving by TNF clothes and gear for free just to wear it at events.

This is, of course, all the advertisement they need. TNF, in fact, much like Patagonia, never advertises products. They rely on word of mouth created through the spreading of their overall brand appreciation.

This strategy is further supported by their journal, which continuously reports the latest achievements of modern explorers, and their blog, in which customers all over the globe share with each other stories, information, advice and feelings about their adventures. In this way TNF managed to create an enormous network of like-minded individuals, who share values and passions, and who are all joined under TNF's name. Such a community allows the company to continuously sell products over time without having to spend money on customer acquisition like many more intrinsic-oriented businesses.

Thanks to these strategies, TNF has become a truly iconic brand, and is seen by millions of amateur and pro explorers and sport-lovers as a symbol reminding them of their true North: the love for nature and the drive to explore it. (fig. 19).

3.4 Red Bull

Another brand that applies strategies very much like those used by The North Face is Red Bull. However, the latter takes everything to the extreme.

Red Bull is an energy drinks brand, selling just four different products which are just variations of the original one: the Red Bull soft drink.

After a long process of finding the right market for their energy drink and adjusting the formula, founders Dietrich Mateschitz and Chaleo Yoovidhya settled for a solution: their drink will be giving wings to anyone brave enough to wear them. The brand slowly built its reputation and became the leader of a market that was non-existent before Red Bull arrived, that of energy drinks, holding now a 43% worldwide market share.

In the fiscal year 2018, Red Bull sold worldwide 6.8 billion cans of their drink, just around one per living human. How were they able to conquer such a large market share? Is it because of the great intrinsic qualities of their product? Not so much. Once again, the success factor of the Red Bull brand is the amazing universe of extrinsic qualities that they were able to create around their logo.

Just as Patagonia and TNF, Red Bull doesn't advertise the product per se and its intrinsic features. They always advertise the brand, and they do so in the most effective and innovative way possible.

Red Bull started by offering free drinks at trendy parties and sport events, and soon became a top choice for those wanting an extra boost of energy when needed. By acquiring the right people as loyal customers, just like TNF, Red Bull quickly spread through word of mouth among social groups.

Red Bull soon started sponsoring extreme sports events, concerts and festivals, and its logo became a synonym of fun, adrenaline and next level experiences. These are the extrinsic qualities perceived by customers when thinking

of the Red Bull drink. However, they work so well because they are grounded in its intrinsic qualities: the energy-boosting effect that the drink has. In this way, the story Red Bull built for its brand is credible and entertaining, and keeps on surprising audiences worldwide.

Red Bull created a media channel where they show short clips and full-length movies of all the extreme achievements that people “with wings” were able to accomplish, all thanks to their skills, courage, and to Red Bull’s sponsorship. This channel keeps on producing ground braking videos, and is a big part of Red Bull’s success.

Maybe the most notable example among the many is the “Stratos jump” mission, in which athlete Felix Baumgartner was brought up to 36.000 meters off the ground, into the stratosphere, on a space shuttle showing the Red Bull logo. He then jumped off the shuttle and established a new world record, becoming the first man ever to reach mach 1.25 and overcome the speed of sound during a free fall (at the end of which he safely landed with a parachute).

The video (<https://www.youtube.com/watch?v=dOoHArAzdug>) has reached almost 5 million views on Youtube, and, has consecrated Red Bull as one of the most iconic and extreme brands in the world, showing that it can really give “wiings” to people, like their famous commercial claims (fig. 20).



Figure 21: The moment of the Stratos jump

Source: Red Bull youtube

Another notable mention is the movie “The Art of Flight” which was financed by Red Bull, costing them \$2 million. It might seem an oversized investment just to market a soft drink, but numbers show that it pays off. Red Bull can now count on millions of loyal customers, to which Red Bull represents a tool helping them fulfill their greatest ambitions. We now see why Red Bull is not a company selling energy drinks, but one selling self-actualization.

3.5 Self-Actualization as a VP, a blue ocean

Patagonia, The North Face and Red Bull are just some of the leaders of a pack of companies that is taking over the market by changing the rules of the game.

While traditional firms competing against each other over the basic dimensions of industry competition struggle, these innovative brands are able to outperform them by setting themselves aside from the pack and changing the dimensions across which brands compete.

Note in fact, that Patagonia, TNF and Red Bull would probably not beat competitors, if the game was played by the traditional competition parameters, price and quality. In fact, with respect to Patagonia and North Face, there exist many brands offering substitute products of similar quality at much lower prices, such as Forclaz and Quechua. With respect to Red Bull, although the intrinsic quality of the product is hard to establish objectively, the drink offers an energy-boosting effect similar to its competitors, and has a taste that is arguably worse than many of those. In addition, it's the most expansive energy drink on the market. However it dominates that market.

The strategy used by these firms is known as “Blue Ocean Strategy”, after the classic book by W. Chan & Renèe Mauborgne (2015). We have already referred to their work back in paragraph 2.3, when we defined the industries offering love/belonging needs and esteem needs as “red oceans” Now let's dive into these concept in greater detail.

In their book, the two authors coined the terms 'red ocean' and 'blue ocean' to describe the market universe.

According to the book's official website:

“Red oceans are all the industries in existence today – the known market space. In red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known.

Here, companies try to outperform their rivals to grab a greater share of existing demand. As the market space gets crowded, profits and growth are reduced. Products become commodities, leading to cutthroat or ‘bloody’ competition. Hence the term red oceans



Blue oceans, in contrast, denote all the industries not in existence today – the unknown market space, untainted by competition. In blue oceans, demand is created rather than fought over. There is ample opportunity for growth that is both profitable and rapid.

In blue oceans, competition is irrelevant because the rules of the game are waiting to be set. A blue ocean is an analogy to describe the wider, deeper potential to be found in unexplored market space. A blue ocean is vast, deep, and powerful in terms of profitable growth.”

It is now clear that what our innovative firms did is find a new blue ocean. They shifted the focus of their businesses from selling goods and services at convenient prices to offering self-actualization itself.

In this way, they were able to create a new demand curve and with it a new industry, of which they are the solitary leaders. In fact, an industry is not only defined by the products being offered, but also by the dimensions across which firms compete. This is possible because what customers perceive is not the product itself, but the function it serves to them.

A fizzy drink that refreshes customers and one which makes them feel like they have wings aren't really competing one against the other. The two products, although they are very similar in practice, serve two very different functions.

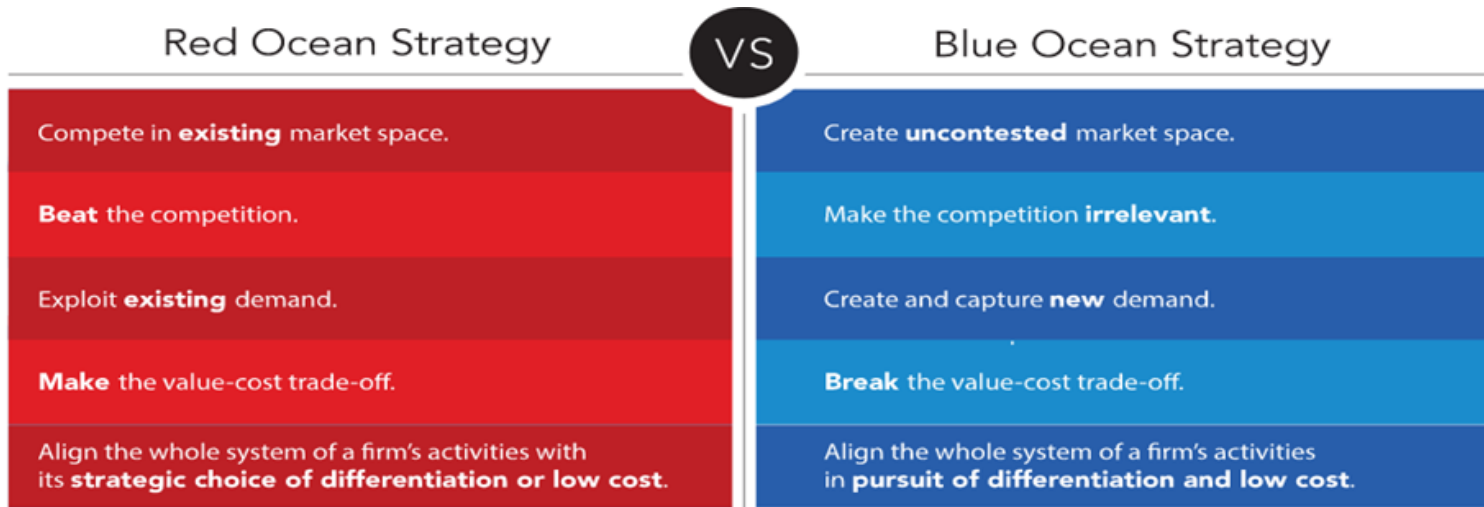


Figure 22: Features of Red and Blue Ocean Strategies

Source: Blue Ocean Strategy

W.Chan & Renèe Mauborgne, in BOS, created a framework with which to define the specifics of the blue ocean strategy adopted by a company. We can use this framework to underline the common pillars of the strategies adopted by the innovative Self-actualizing companies:

CREATE *a new value curve based on the feeling of realizing your human potential*

ELIMINATE *reliance on invasive marketing and impulsive one-time buying*

INCREASE *prices and sense of prestige/specialty, focus on customer loyalty and retention*

REDUCE *emphasis on convenience against competitors and on price features.*

By applying such changes to their business model, the innovative companies previously mentioned changed the rules of the game, and started playing on their own terms. They created a new way to do business and to

communicate a brand, and customer are loving it. Many more firms are starting to adopt similar business models in order to adapt to this shift in market conditions and be able to reap some of the benefits for themselves.

Now let's move on and conclude our analysis by defining in specific terms what are the common aspects of the BM of the "self-actualizing firm".

3.6 The Self-actualization Business Model

The businesses just analyzed, as we have stated already, have many similarities in the way they operate.

Utilizing the "Business Model Canvas", a tool frequently used by business leaders to represent and communicate the structure of their firm, we will synthesize the business model of the self-actualization firm.

This will represent the archetypal structure adopted by many firms which are starting to grow and spread thanks to the cultural movement towards self-actualization.

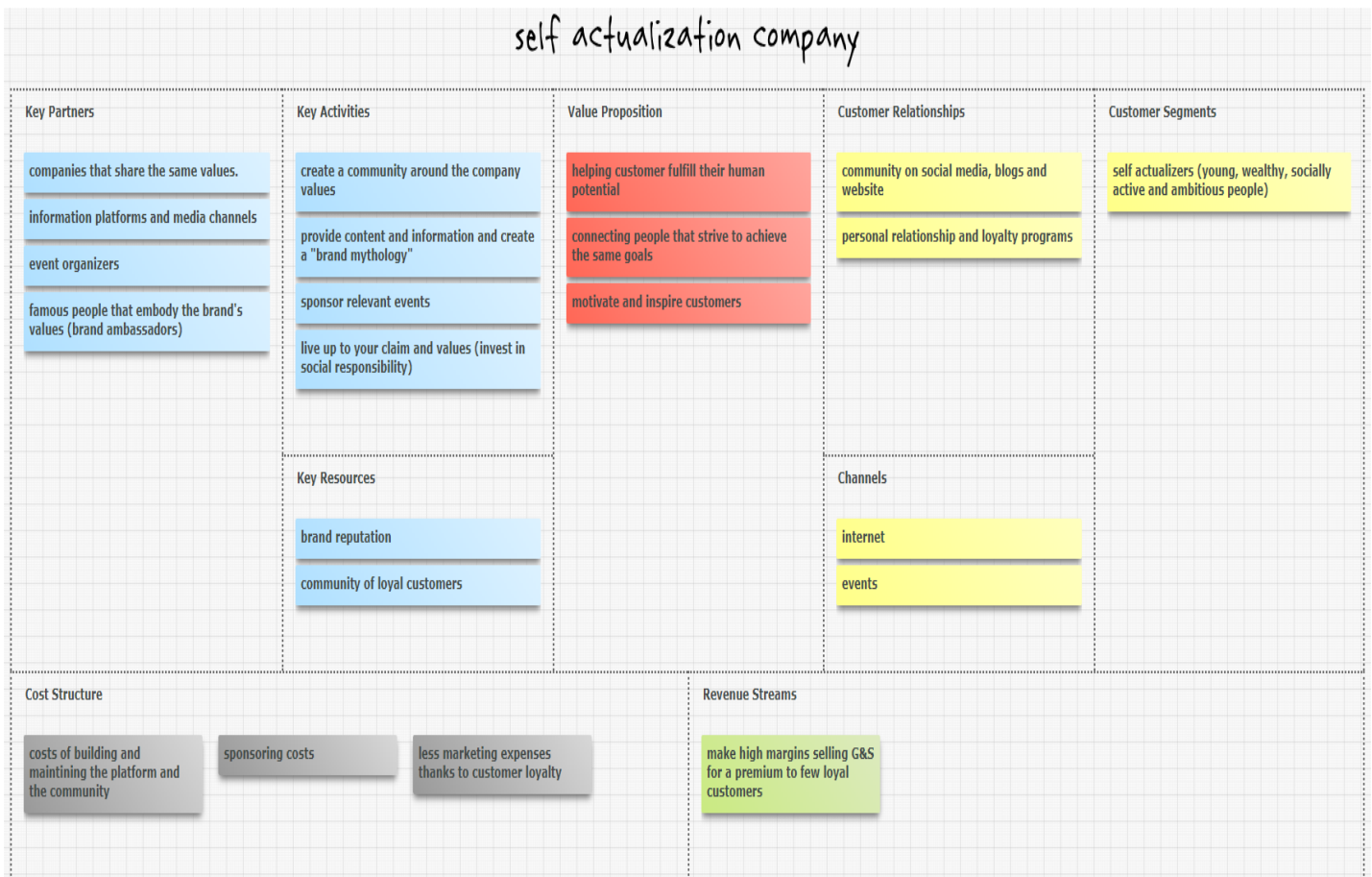


Figure 23: Self-actualizing firm's business model

This innovative business model has been the key to the success of many companies in recent years, and it's quickly being adopted by the most reactive competitors of those firms.

A business model of this kind works so well because it ensures firms the following benefits:

- Highly differentiates the firm's brand from competitors, granting to the firm some market power. This, in turn, allows the firm to sell g&s at prices well above marginal cost, because customers who see their values reflected in the company's culture will be happy to pay a premium to sustain such business, also thanks to the fact that such companies often gain the favors of the richest segments of the market, who can afford to do so. This allows companies to save a lot on production costs as they can cover all fixed costs even by selling small volumes. If instead they decide to expand, this strategy allows them to make record-breaking profits, such as the ones enjoyed by Apple in the past decade.
- Brings the customers on the side of the company. No more just buying products for convenience purposes, customers become emotionally attached to self-actualizing companies, and do what they can to help their beloved company. This includes buying more than necessary just to economically sustain the company and recommending the company's products to friends and family, thereby creating a strong word-of-mouth effect.
- Grants high retention rates to company, which allow the firm to save a lot of money on advertising. In fact, unlike regular companies, self-act companies don't need to spend on advertising each new product they launch, to remind old customers and acquire new one-time customers. They have a community of loyal customers who will be informed and will evaluate buying new products launched by the company. Furthermore, loyal customers advertize the company's products to their social group, allowing the company to acquire new customers for free.

All such benefits can be enjoyed by companies, granted that they set very high ethical, social and ideological standards for themselves, and do all they can to live up to their claim in an incisive and visible manner.

Companies that are able to achieve such goals will be considered by their customers as a companion and a guide, helping and guiding them in the difficult pursuit of living a meaningful life, that pursuit which Abraham Maslow named "self-actualization".

CONCLUSIONS

On the basis of the logic extensively explained in this paper, there is a well-informed case to be made in favor of an incoming rise in the cultural relevance of self-actualization needs. There are a multitude of factors that could lead the future business environment in Western countries to differ substantially from the one outlined in this paper. However, a future scenario such as the one depicted in this paper is, for those trying to anticipate future trends, very much worth considering .

The major source of uncertainty about the rise of self-actualization as a market-dominating need, is that it rests on the pre-supposition that the economy will continue to grow and average economic well-being will keep on improving.

The aggravating environmental crisis or the possible geo-political turmoils and commercial wars pose an enormous threat to the future growth of our economic system, and thus to the further rise of the self-actualization culture.

However, I would predict that, as long as the Western economy keeps on prospering and technology keeps on improving, an increasing number of people will turn to self-actualization as means to a happy life. In response to this growing need, the market will provide new and better ways to help customers self-actualize.

Furthermore, an increasing number of companies will adopt a business model similar to the one drawn above, to incorporate self-actualization in their business and gain a spot in the heart of customers.

Ethical conduct and eco-sustainable habits will become an increasingly important requirement for any large company hoping to compete in the international market, and the same will happen on a smaller scale, with consumers focusing less and less on intrinsic product attributes, and more on extrinsic ones.

In conclusion, I believe that this trend will create a large number of new opportunities for entrepreneurs willing to bet on a prosperous future, provided that they act quickly, before the market absorbs all profit opportunities.

Therefore, I would personally encourage any new entrepreneur to carefully consider the ideas discussed in this paper, as in them might lie the fortune of future generations.

ACKNOWLEDGMENTS

Giunto al termine di questo percorso in LUISS, mi guardando indietro e sento il bisogno di ringraziare alcune persone a cui devo molto di ciò che ho raggiunto e che in futuro raggiungerò.

Ringrazio innanzitutto il Professor D'Alessandro, per esser stato un'ispirazione ed un punto di riferimento durante quest'ultimo anno accademico, per avermi lungamente ascoltato e consigliato, e per avermi incoraggiato a pensare in grande.

Ringrazio mia madre e mio padre, per l'amore, l'attenzione e la pazienza con cui mi seguono e mi supportano ad ogni passo del mio cammino.

Ringrazio i miei amici e colleghi di facoltà, per avermi fatto uscire di casa e dirigermi verso Viale Romania ogni giorno con un sorriso.

Ed infine ringrazio Elisa, che ha reso questi tre anni di Università i più belli della mia vita.

Grazie.

BIBLIOGRAPHY

- Bourree Lam, 2016. The Surging Cost of Basic Needs. <https://www.theatlantic.com/business/archive/2016/06/household-basic-spending/485330/>.
- Brooker G. The Self-Actualizing Socially Conscious Consumer *Journal of Consumer Research*. vol. 3 september 1976. <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.1018.2263&rep=rep1&type=pdf>.
- Chan Kim W. & Mauborgnen R. *Blue Ocean Strategy, Expanded Edition: How to Create Uncontested Market Space and Make the Competition Irrelevant*. 2015. Harvard Business School Publishing Corporation.
- Cianci R. & Gambrel P. Maslow's hierarchy of needs: Does it apply in a collectivist culture. *Journal of Applied Management and Entrepreneurship*. 2003, 8(2):143–161.
- Couture M., Desrosiers J., Leclerc G. Self-actualization and poststroke rehabilitation. *International Journal of Rehabilitation Research*. 2007, 30(2): 111-117.
- De Jong H. Living Standards in a Modernizing World – A Long-Run Perspective on Material Wellbeing and Human Development. W. Glatzer et al. (eds.), *Global Handbook of Quality of Life, International Handbooks of Quality-of-Life*, DOI 10.1007/978-94-017-9178-6_3, # Springer Science+Business Media Dordrecht 2015.
- Donnelly G & Norton M. The Amount and Source of Millionaires' Wealth (Moderately) Predict Their Happiness. (The happiness of millionaires). 2018. *Personality and Social Psychology Bulletin*. http://www.hbs.edu/faculty/Publication%20Files/donnelly%20zheng%20haisley%20norton_26bec744-c924-4a28-8439-5a74abe9c8da.pdf
- ERS and Euromonitor International <https://www.weforum.org/agenda/2016/12/this-map-shows-how-much-each-country-spends-on-food/>.
- Feldestein M. Underestimating the Real Growth of GDP, Personal Income, and Productivity. *Journal of Economic Perspectives—Volume 31, Number 2—Spring 2017—Pages 145–164*.
- Harari Yuval Noah. *Sapiens: A Brief History of Humankind*. 2014. Harvill Secker ed. ISBN 9780099590088.
- King-Hill S. Critical analysis of Maslow's hierarchy of need. *The STeP Journal*, Copyright © University of Cumbria, 2015: 2(4), pp.54-57. Vol 2 (4) pages 54-57. <http://eprints.worc.ac.uk/4061/3/King-Hill%2520Final%2520HON-1.pdf>.
- Jebb A. T. et al. Happiness, income satiation and turning points around the world. *Nature Human Behaviour*. 2018, volume 2, pages33–38.
- Neville M. *Psychology of Marketing: Using Maslow's Hierarchy of Needs*. 2017. <https://kopywritingcourse.com/marketing-psychology/>.
- McLeod, S. A. Maslow's hierarchy of needs. 2018, May 21. <https://www.simplypsychology.org/maslow.html>.

- Maslow AH. A Theory of Human Motivation. *Psychological Review*. 1943, 50 (4): 370 –396.
- Maslow, A. H. *Motivation and Personality*. 1987. New York, NY, US: Harper & Row Publishers. (3rd ed.).
- Maslow, A. H. *The Farther Reaches of Human Nature*. 1993. Penguin / Arkana; (1st ed.).
- Mittelman W. Maslow's Study of Self-Actualization: A Reinterpretation. *Journal of Humanistic Psychology*. 1991, 31(1): 114-135.
- Nielsen. We are what we eat. Healthy eating trends around the world. <https://www.nielsen.com/wp-content/uploads/sites/3/2019/04/january-2015-global-health-and-wellness-report.pdf>
- Nye J.V.C. Standards of Living and Modern Economic Growth. 2008. <https://www.econlib.org/library/Enc/StandardsOfLivingandModernEconomicGrowth.html>.
- OECD Family Database. 2019 https://www.oecd.org/els/family/CO_1_2_Life_expectancy_at_birth.pdf
- Ortiz-Ospina E. Extreme poverty in rich countries: what we know and what we don't know. 2017. <https://ourworldindata.org/extreme-poverty-in-rich-countries-what-we-know-and-what-we-dont-know>.
- Oude Ophius P.A.M and H. C. M. Van Trijp. Perceived quality: A market driven and consumer oriented approach. *Food Quality and Preference*. 1995:6 (3): 177-183.
- Pedraza F. Why Self-Actualization Is the Next Big Market. *HuffPost*. 2013. https://www.huffpost.com/entry/why-selfactualization-is_b_3247465?guce_referrer_
- Prateek D. Abraham Maslow's Need hierarchy theory and its criticism. 2012. <https://www.indiastudychannel.com/resources/150515-Abraham-Maslow-s-Need-hierarchy-theory-and-its-criticism.aspx>.
- Rakowski N. Maslow's hierarchy of needs model - the difference of the Chinese and the Western pyramid on the example of purchasing luxurious products. 2008, Munich, GRIN Verlag.
- Roser M. & Ortiz-Ospina E. Literacy. 2018. <https://ourworldindata.org/literacy>.
- Roser M. & Ortiz-Ospina E. Tertiary Education. 2017. <https://ourworldindata.org/tertiary-education>
- Schuetter H. & Cirlante H. *Consumer behavior in Asia*. 1998, Macmillan Press, London. P. 93.
- Tay L, & Diener E. Needs and subjective well-being around the world. *Journal of Personality and Social Psychology*. 2011, 101 (2):354-356.
- Yoga Journal 2017 (<https://www.theguardian.com/commentisfree/2017/jun/29/the-census-shows-theres-a-gap-in-the-spirituality-market-is-yoga-filling-it>;https://www.huffpost.com/entry/why-selfactualization-is_b_3247465?guce_referrer_us=aHR0cHM6Ly93d3cuZ29vZ2xiLml0Lw&guce_referrer_cs=MVrfPUC_XJ6WnO9wOdqtEg&guccounter=2).