

Marketing strategies for social and complementary currencies (SCCs)

- A new SCC to be launched in Russafa and Gran Vía, Valencia (Spain) -

Yasuyuki Hirota (mig@olccjp.net)

Universitat de València (Spain)

Enric Montesa (emontesa@gmail.com)

Russafa Innova

Keywords: marketing strategies, mobile payment, local businesses, immigrants, Blue Ocean, local development

Introduction

Very few, if any, studies have been done so far in terms of the marketing of social and complementary currencies (SCCs) despite the existence of such practices. Antecedent researches on SCCs are rather depictive on a specific experience and not much work has been done yet on the comparison of different SCC models from a particular viewpoint. This paper is our first trial to fill out the academic lack on this field, with the aim to describe basic guidelines on the marketing of SCCs.

This investigation starts with defining different sorts of marketing, such as: marketing in general, relational marketing and social marketing, on top of dealing with the different stakeholders to be taken into account on coming up with marketing strategies of SCCs, SCCs' character as "Blue Ocean" and seeing their own designing process from the marketing viewpoint. Then the SWOT analysis is conducted to illustrate SCCs' strengths, weaknesses, opportunities and threats. Marketing strategies of five existing SCCs (Chiemgauer, SOL-Violette, WIRBank, Trocobuy and RES Catalunya) will be shown and examined. And last but not the least, the designing process of ORUÉ, to be launched in October 2013 at Russafa and Gran Vía, Valencia, Spain is studied from the viewpoint of marketing.

1. Marketing for SCCs

1.1. Introduction to the marketing: what is the value?

We would like to start this discussion by showing that the concept of marketing has changed quite significantly over years. The most accepted definition, given by the American Marketing Association (AMA), has changed from "*the performance of business activities that direct the flow of goods and services from producers to consumers*" (AMA, 1960) to "*the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large*" (ibid, 2007). The latest definition highlights the importance of "value",

urging each marketing entity to think about which “value” it can tell to its stakeholder. Table 1 shows how different elements can affect exchanges.

Table 1: endogenous and exogenous elements which affect exchanges¹

Endogenous elements	
Type	Example (“we’ll have a dinner at this restaurant...”)
Interpersoal attraction and/or attitudinal similarity	“Because the owner is a friend of mine” / “Because the owner and I belong to the same basketball team”
Prestige	“Because this is the only three-star one in my city”
Source expertise and/or esteem	“Because I really appreciate its cooks’ skills”
Relationship between price and product	“Because meals are quite good for such a reasonable price”
Exogenous elements	
Type	Example (“we’ll have a dinner at this restaurant...”)
Competitive offerings	“Because meals are better and cheaper than other restaurants”
Social, ethical norms and legal restriction	“Because only halal food is provided there” (In case some commensals are Muslim)
Family’s needs, Budget limit etc.	“Because it has some meals for children”
Enterprise’s goal and policy	“Because it is a social enterprise”

What can be understood from this analysis is that not only rational factors but also more subjective ones influence the selection. Although prices and quality play an important role, other features can change people’s decision. And the interpersonal relationship is something that can be nurtured by way of marketing strategies (see furthermore later at “relational marketing”).

¹ Source: Bagozzi (1974) and Hirota (2012).

Marketing is nowadays exercised not only by private-corporations but also by any individual and other entities (such as non-profits, NGOs, public sector and political parties) and it is not about promoting the sale of certain products / services but about the proposal of values which are not necessarily produced by the marketing agent. For instance, social marketing is used to change people's behaviour (for instance: to stop smoking) by suggesting the adoption of a new habit as something beneficial for them.

1.2. Diversity of stakeholders for the marketing of SCCS

Another important feature on the current definition is that the marketing is not only targeted for consumers any more. While consumers = customers continue to play a crucial role, the contemporary world asks each entity to pay attention to any other important social actors = stakeholders and to keep good relationship with all of them. An example of a corporation is given below.

- **For consumers / clients:** so new ones start buying the goods and/or services provided by the corporation and existing ones remain loyal. A corporation should go on providing high-quality goods and/or services at reasonable prices.
- **For stockholders / creditors:** so they are happy with the corporation's management. A corporation should churn out sufficient profit and make efforts to avoid suffering from huge losses (such as accidents and compensations).
- **For employees / suppliers:** so they can go on working well for the corporation. A corporation should make efforts to give them good working conditions (appropriate working hours, salaries and benefit packages, among others) and occasionally to give them training opportunities.
- **For NGOs / local community / government:** so they do not defame the corporation by accusing its harmful / illegal practices. A corporation should stick to the legal compliance and a good behaviour code (in terms of ecological preservation and social commitment) as well as social one (recently called as Corporation's Social Responsibility (CSR)).

It can be said, from this viewpoint, that SCCs have their own range of different stakeholders. Table 2 shows which sort of stakeholders join which types of complementary currencies.

Table 2: Stakeholders' involvement²

	Time Banks	CES / LETS	Chiemgauer / SOL-Violette	WIR	RES
Consumers	No	Yes	Yes	No	Yes
Volunteers / non-profits	Yes	Yes	Yes	No	No

² Source: Hirota (2012).

Local businesses / cooperatives	No	Few	Some	Many	Many
Public sector	Yes	No	Depends	No	No
Banks / Credit unions	No	No	Yes	Yes	No
Freelancers (prosumers)	No	Yes	Yes	Yes	Yes
Huge corporations	Yes	No	No	No	No
Tourists	?	Yes / No	Yes	No	No
Public transportation	No	No	Not yet	No	No

Obviously huge corporations are usually excluded from the use of SCCS except time banks which accept their donations, but virtually any other economic actor is related to this means of exchange at different degrees. Chiemgauer / SOL-Violette model includes the widest variety of stakeholders, followed by LETS, as these systems are both for consumers and for small businesses. Table 3 shows the potential “value” that SCCs can provide to these different players:

Table 3: The value of SCCs for different stakeholders³

Stakeholders	Value
Consumers	Increase in their purchasing power (SOL-Violette, Berkshare and Banco Palmas), donation to the social project they support (Chiemgauer), more social cohesion in the community, access to cheaper loans (Banco Palmas)
Volunteers	Remuneration in the form of time (Fureai Kippu and Time Banks)
Non-profits	Donation to their own project (Chiemgauer)
Local businesses / cooperatives	Advertisement for potential customers, increase in customer loyalty, stable turnover regardless of economic ups and downs. access to cheaper credits (Chiemgauer and commercial barterers)
Public sector	Potential increase of revenue thanks to larger local GDP, less public expenditure on social projects and for the unemployed

³ Source: Author’s own elaboration.

	thanks to the improved social capital and improved job market
Banks / credit unions	Improvement of their image thanks to their more commitments to the local community, increase of credits by broadening their products line-up
Freelancers	(They behave both as consumers and as local businesses, therefore both merits should be taken into account)
Tourists	Increase in their purchasing power, a new souvenir (in case of issuing bill notes)
Public transportation	Increase of users

It is crucial to be reminded of these different values for a variety of stakeholders, because each group has its own socioeconomic interests and SCCs should be designed to be able to live up to their expectations, on top of being marketed so as to underline such a value.

Another essential factor which determines each stakeholder's participation to the SCCs is the use. Table 4 shows how each stakeholder can use SCCs:

Table 4: Different use of SCCs by stakeholder⁴

	Pay	Accept	Change to \$, € etc.	Take loans
Consumers	Yes	No	No	Yes
Local businesses	Yes	Yes	Yes	Yes
Local business employees	Yes	Yes	No	Yes
Unemployees	Yes	Yes	No	Yes
Freelancers	Yes	Yes	Yes	Yes
Public sector	Yes	Yes	Yes	Yes
Public transportation	Yes	Yes	Yes	No
Tourists	Yes	No	No	No

Only local businesses, freelancers and the public sector (should they join SCCs) are entitled to the abovementioned four services. While virtually every stakeholder can pay and accept SCCs (except consumers and tourists who cannot accept SCCs simply because they are paid completely in official tender), only those in need of paying for their own suppliers are allowed to redeem it into the official tender. As for loans, most players have access to this service as far as they can spend the loan on paying for local suppliers.

It is worth mentioning that Tables 2 and 4 are far from being definitive: each player's participation as well as the use of SCCs is subject to the currency design and the policies adopted by the steering committee. It is safe to say, however, that both tables show

⁴ Source: Author's own elaboration.

different stakeholders' different grade of involvement, implying the indispensability of the customising process on elaborating the marketing process (see later).

1.3. Relationship marketing

Another concept should be introduced to understand furthermore the specific feature of marketing SCCs: relationship marketing. Defined as something *"to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises"* (Grönroos, 1994), attentions are paid not only to winning new customers but also to taking care of existing ones to retain them, and for this purpose both fulfilling promises and keeping customers' trust is essential (ibid.). Table 5 illustrates how the relationship marketing differs from the traditional transaction one:

Table 5: The Marketing Strategy Continuum: Some Implications⁵

Strategy Continuum	Transaction marketing	Relationship marketing
Time perspective	Short-time focus	Long-term focus
Dominating marketing function	Marketing mix	Interactive marketing (supported by marketing mix activities)
Price elasticity	Customers tend to be more sensitive to price	Customers tend to be less sensitive to price
Dominating quality dimension	Quality of output (technical quality dimension) is dominating	Quality of interactions (functional dimension) grows in importance and may become dominating
Measurement of satisfaction	Monitoring market share (indirect approach)	Managing the customer base (direct approach)
Customer information system	Ad hoc customer satisfaction surveys	Real-time customer feedback system
Interdependency between marketing, operations and personnel	Interface of no or limited importance	Interface of substantial strategic importance
The role of internal marketing	Internal marketing of no or limited importance to success	Internal marketing of substantial importance to success

⁵ Source: Grönroos (1991)

Obviously SCCs are regarded as a tool to promote the relationship marketing. Consumers and business partners who understand the importance of long-term trades prefer relationship marketing and this aspect can be highlighted to attract those businesses in need of steady clients, as they are quite often tired of having to market constantly from the scratch. Loyal customers turn into good advisers for businesses which practice relationship marketing through direct and interactive actions, helping them get further new customers and maximise their turnover.

Grönroos (1996) points out three strategies as: 1) to redefine the business as a service business and the key competitive element as service competition, 2) to look at the organization from a process management perspective and not from a functionalistic perspective and 3) to establish partnerships and a network to be able to handle the whole service process. The first one stands for the fact that, even a business provides only goods (such as bread or vegetable) or services (such as catering service and bus trip), how it treats its customers accounts for not a small part of their evaluation on it. The second one implies the elaboration of its own value-added for its customers and the last one aims at coordinating a sound win-win relationship with all its stakeholders. For SCC experiences this is translated as the importance for the system to take into account each individual stakeholder's specificity and to provide them appropriate treatments.

1.4. Social Marketing of SCCs

Social marketing is defined as *“the design, implementation and control of programs calculated to influence the acceptability of social ideas and involving considerations of product planning, pricing, communication, distribution, and marketing research”* (Kotler and Zaltman, 1971) and is used to promote new behaviours (such as the use of condoms for HIV-free safe sex and the end of smoking) instead of the consumption of goods and services. Although the diversity of SCCs makes it quite complicated to come up with a simple and all-around social marketing strategy, it is important to notice that the campaign to involve more people to use SCCs should be regarded as a series of activities to bring about changes in people's social behaviour. Table 6 shows different stages of behaviour change (Kotler, 1989).

Table 6: Types of change in the social behaviour⁶

	Short-term	Long-term
Quick adoption	Compliance: because it is required to comply	Identification: because (s)he wants to imitate what his /her idol does.
Slow adoption	Acknowledgment: because (s)he wants to be acknowledged by taking this behaviour	Internalisation: because (s)he is truly convinced of the idea

⁶ Source: Kotler and Roberto (1989), with some explanations by the author.

The compliance (by law, decree, social norms, horse sense etc.) is a quite imperative, though effective, method to trigger such a change, but it will disappear as soon as such a legal or social enforcement loses its effects. The identification is also effective, but it is related rather with the person's desire to be similar to his / her idol than his / her conviction on such behaviour. The acknowledgment is another way to promote such an action, but calls for the society in general which should recognise it. The deepest and therefore the best one is the internalisation in which (s)he incorporates such behaviour into his / her values.

These four types can be understood in the context of adopting SCCs as follows: the compliance stands for a hypothetical situation in which people start using SCCs because a law, a decree etc. obliges them to accept it, but it is little, if any, likely that such a legal compulsion should take place. The identification poses another potential circumstance in which TV stars, famous singers and/or other celebrities make a campaign to spend in SCC, but sophisticated strategies would be needed to make it happen. The acknowledgment, on the other hand, is relatively easy by asking some businesses, museums etc. to offer discounts in SCC. The internalisation, however, can be seen as the most effective one because (s)he has cleared all his / her scepticism on SCCs and trusts its utility.

Hirota (2012) argues that this internalisation process can take place at two different phases: *a priori* and *a posteriori*. The *a priori* internalisation depicts a picture in which a new user begins by being completely convinced of SCCs and then starts using it while the *a posteriori* internalisation means another story in which users are still sceptical about SCCs when they start using it and their own experiences persuade them of this aspect. It is a typical error of SCC founders to resort to *a priori* internalisation, because they tend to naïvely assume that the mere fact that they were convinced ideologically prior to the first use of SCC is an universal rule and is therefore applicable to anybody else. A certain degree of humbleness would be necessary for them so they should give up the fancy story that the *a priori* internalisation can happen to everybody, trying to look for other solutions, especially from more pragmatic and less ideological viewpoints, learning a bit about the marketing strategies and studying which sorts of "values" SCCs can really provide for potential users (consumers, local businesses, freelancers, the unemployed et al).

A key factor in this regard is to create the chance for potential users to experience these values and to let them be witnesses of such advantages. As a social practice SCCs are still new to the public in general and most people, due to the lack of their own experience, have nothing at all in mind to refer to on judging whether it will be helpful or harmful to their life, therefore preparing users' testimonials will be fundamental on involving new members.

1.5. SCCs as a means for "Blue Ocean"

Another important viewpoint is "Blue Ocean", a concept defined by Kim and Mauborgne (2005) as competition-free new markets. Existing ones, illustrated as "Red Ocean", are usually full of rivals where cutthroat and bleeding competitions are the norm while Blue Oceans can provide high profits without such a harsh race. The key factor to reach this field is to churn out new values, on top of lowering costs, and to study the strategic square to compare if your product is creating a new market.

SCCs belong to “Blue Ocean” because they create new markets, such as:

- **An exclusive market for local businesses:** as multinational / national corporations are ousted, SCCs stimulates local businesses by attracting those who are aware of their own communities
- **A new and competitive credit market:** unlike the conventional banking which needs some reserve in official currency, some SCCs can be created without any monetary reserve, lowering significantly the financial cost for loantakers (ex.: WIRBank, Trocobuy and Chiemgauer)
- **Anticyclical effect:** conventional banks tend to give less credit during the economic recession while credits in barter systems increase (Stodder, 2000). Although this also implies that loans in SCCs shrink during the economic boom, it can be interpreted as something located out of the Red Ocean.

1.6. The designing process of SCCs from the viewpoint of marketing

Another key element in relation to marketing is to study the very designing stage as part of the marketing strategy. Promoters tend to incorporate as many features as possible into the new SCCs while future users do not necessarily agree with them. It is therefore fundamental that conversations should be repeatedly done in order to help promoters found out what is perceived as “value” by local businesses and consumers after explaining what is thought to be beneficial for them. For instance, advantages and disadvantages of demurrage, (non-)convertibility and digital/analogue currency, among other factors, should be plainly and thoroughly made clear to these stakeholders so that they should have the basic idea on what such concepts stand for and to help them figure out whether adding such features is helpful or not on achieving their own goals.

2. SWOT Analysis on SCCs

SCCs are just one of the exchange and financial systems and therefore compete with other ones, especially official tender and conventional banks. Here the SWOT (Strength, Weakness, Opportunity and Threat) analysis, developed by Albert Humphrey en el Stanford Research Institute (currently SRI International), California, is used to detect internal and external advantages and disadvantages of complementary currency systems which can be classified into the following four categories. Table 7 shows the SWOT of SCCs.

Table 7: The SWOT of SCCs⁷

	Advantage	Disadvantage
Internal	<p>Strength</p> <ul style="list-style-type: none"> - More autonomous money creation which does not need 	<p>Weakness</p> <ul style="list-style-type: none"> - Restricted acceptance (actually, this weakness can turn into the strength of

⁷ Source: Hirota (2012)

	<p>the commercial bank (LETS)</p> <ul style="list-style-type: none"> - Increase of money supply and more liquidity in the community - Increase of jobs - Less financial costs thanks to the cheaper loans (ex.: Chiemgauer and Banco WIR) or to the no needs to ask for loans (ex.: LETS) - Income generation for those excluded from the formal economy (ex.: Barter Clubs in Argentina) - Customer loyalty and strengthening of social cohesion between members - Strengthening of the social bond in the communities where complementary currencies are used - Replacement of imported goods with local ones - Evaluation of underestimated activities within the framework of the conventional economy - Barriers against ecologically harmful activities - Supports for small businesses - Improvement of its members' image (ex.: local businesses which join Chiemgauer or SOL-Violette) - Anticyclical effects (more liquidity during the economic recession and less liquidity during the boom) 	<p>"customer loyalty" too)</p> <ul style="list-style-type: none"> - Little understanding on complementary currencies among the public in general - Hardship in nurture the sense of community - Lack of Access to imported goods (actually this weakness can turn into the strength of "Replacement of imported goods with local ones" - Lack of marketing strategies - Commission that local businesses should pay
--	--	--

External	<p style="text-align: center;">Opportunity</p> <ul style="list-style-type: none"> - Lack of official tender, especially in those countries in crisis - Collaboration with other financial entities (Chiemgauer, SOL-Violette and Bristol Pound have established such a relationship with local financial entities) - Hardship in getting access to credit in official tender - Mistrust on the conventional economy by the public in general - Supports from the public sector (SOL-Project, Bristol Pound, community banks in Brazil and CC experiences in Venezuela) 	<p style="text-align: center;">Threat</p> <ul style="list-style-type: none"> - Official tender with universal acceptance - Alternative banking experiences which provide similar services but in official tender - Suppression by the public sector (in some countries)

Some strengths and opportunities are more attractive than others in winning new members. For instance, cheaper loans and the replacement of imported goods with locally-produced ones are alluring especially to local businesses in need of microcredits while job creation is particularly appealing to the local government.

3. Analysis of some marketing practices

3.1. Chiemgauer (Upper Bavaria, Germany)

Chiemgauer⁸, a regional currency which has been operational since January 2003, has made clear a range of advantages for different stakeholder. It is an euro-backed and euro-redeemable currency issued by the non-profit Chiemgauer e.V. and is only accepted among its members as equivalent to the official tender. Member businesses can either spend all Chiemgauers at other local businesses or opt to reimburse euro after paying 5% of commission, and 2% stays with the non-profit Chiemgauer to cover its administrative costs while the remaining 3% is donated to a social or environmental project appointed by consumers who change euro into this regional currency. As this is a demurrage-based

⁸ <http://www.chiemgauer.info/> (in German)

currency, it is required to buy and paste stamps of 2% of face value (20 cents for a 10 Chiemgauer bill, for instance) every three months, obliging bearers of this currency to spend it as soon as possible to avoid this cost. This implies another income source for Chiemgauer administration, enabling it to provide a microcredit service with “Zins-Bonus”⁹ (“Interest Bonus” in English), i.e. to reimburse the interest cost (except VAT) for those loantakers who achieve to repay all their debts without delay. Below are advantages for using this SCC which vary from stakeholder to stakeholder:

- **Consumers:** Choose the project you want to support and get the Chiemgauer card. On paying in Chiemgauer at local businesses, 3% of your payment will go to the project.
- **Local businesses:** Join Chiemgauer to get your business advertised at our catalogue and get new customers. We invite you to meetings where you’ll see new consumers, non-profits and other small businesses in the community. Also, we will reimburse the interest you pay for our microcredit services if you repay all your debt without delay.
- **Non-profits:** Join Chiemgauer and get financial supports for your projects.
- **City halls:** Help us to stimulate the local economy by different means (conceptual support, participation into Chiemgauer to get resources for local projects and also to pay tax in this SCC, among others).

3.2. SOL-Violette (Toulouse, France)¹⁰

SOL-Violette is another experience which has elaborated its own marketing strategy for local businesses. Similarly to Chiemgauer, it is an euro-backed and euro-redeemable currency issued and administered by the non-profit CLAS to promote socially and/or environmentally sound products. Consumers change euro into SOL with 5% of discount (20 € for 21 SOLs) and spend it at member businesses, and member businesses spend it among themselves or redeem € with 5% of commission (21 SOLs for 20 €), although this increase of purchasing power, however, is not announced at all at the brochure for consumers (*solistes*) which only explains how SOL is used without stressing the discount. Although five columns (founders, *solistes*, local businesses, financial sector and non-profits) join the management, but marketing activities underscoring advantages are done only for local businesses. Its brochure tells ten key points about this SCC and, although most of them do not deal directly with merits for local businesses, the following three features can be pointed out:

- **Your responsible and ethical practices are acknowledged**
- **It improve your image**
- **Loyalise your customers who belong to a solidarity player network**

⁹ http://www.regios.eu/wp-content/uploads/Infoblatt_Zinsbonus.pdf (in German)

¹⁰ <http://www.sol-violette.fr/> (in French)

3.3. WIRBank (Switzerland)¹¹

WIRBank's promotional video starts with its self-definition as "*partner for small and medium-sized enterprises*," shows its slogan "*It is the (interest) rate which plays the music*" and offers WIR as a clearing credit circle to "*promote small and medium-sized enterprises*." Then it invites small businesses to increase "*their customers*", "*their turnover*" and "*their profit*" by leveraging this means of exchange.

3.4. Trocobuy (Spain)¹²

Trocobuy (formerly Trocobank) is Spain's first commercial barter started in March 2012 with more than 1,500 businesses exchanging and more than 10 million euro turnover as of June 2013. In its promotional video¹³ it is defined as "*alternative to help you get access to the finance and keep your economic activity*" and "*an alternative credit system out of the banking circuit, based on the solidarity among entrepreneurs*." On joining the system, small businesses get the credit which can be repaid "*in exchange for (their) goods or services with those businesses (operating) within the system*." And the credit amount increases as they go on making trades, which is summed up at the phrases "*the more you sell, the more you can buy by way of Trocobank(sic)*" and "*you will still get more money if you invite a friend or you enjoy the offers of 2x1 or 3x2 that are done for you*."

3.5. RES Catalunya (Girona, Spain)¹⁴

Its promotional videos¹⁵ show this B2B and B2C SCC as a tool for small and medium-sized businesses can "*stop the fall of turnover*" and "*defend against multinationals*" as it serves to "*win more customers and loyalise the current ones*" and as a consequence "*will increase the turnover by some 5%*." On top of that, individuals will also have their own advantages as "*by charging 100 € you'll have 110 (RES)*"

3.6. Comparison between different marketing strategies

Chiemgauer is the most outstanding example of SCC from the marketing viewpoint, as it has already prepared different messages for different stakeholders (consumers, local

¹¹ <http://www.wir.ch/> (in German, French and Italian)

¹² <http://www.trocobuy.com/> (in Spanish)

¹³ Available at: http://www.dailymotion.com/video/xamdh7_wir-bank-basel-gesamtschweizerische_shortfilms#.UbHLcJy0q54 (in German)

http://www.dailymotion.com/video/xcnles_banque-wir-basel-c-est-le-taux-qui_shortfilms#.UbHK3Jy0q54 (in French)

http://www.dailymotion.com/video/xcnld7_banca-wir-basel-la-banca-svizzera-d_shortfilms#.UbHKQJy0q54 (in Italian)

¹⁴ <http://www.res.cat/> (in Catalan)

¹⁵ For local businesses: <https://www.youtube.com/watch?v=JN071jiWnSc> (in Catalan)

For consumers: <https://www.youtube.com/watch?v=otwjRj9Hn30> (in Catalan)

businesses, non-profits and the public sector). To a lesser degree, RES Catalunya has its own marketing messages for small businesses and another one for individual consumers. Other SCCs send messages offering values only to small businesses (SOL-Violette, RedeBarter, WIRBank and Trocoby), focusing its efforts to winning business members.

All five systems share their common advantage of providing their members with a mutual-help-based market (“blue ocean” market). Two advantages exist for consumers: partial donation of their expenditure in social and/or environmental project (Chiemgauer) and discount (SOL-Violette and RES Catalunya). On top of that, cheaper microcredit for small businesses is available for Chiemgauer and abovementioned three commercial barterers (WIRBank, Trocoby and RES Catalunya) and non-profits benefit from donations (Chiemgauer).

4. The designing process for the SCC ORUÉ at Russafa, Valencia

4.1. Introduction

Russafa used to be one of three villages located out of Valencia City’s Walls and they were annexed as neighbourhoods in 1865 when the Gothic Walls from the 14th century were demolished.

The Russafa neighbourhood is going through completely what experts call as gentrification process, in other words a substantial change of its social physiognomy, triggered by the closeness from the city centre and the Central Park Project, a railway and urban operation which will transform Valencia in the near future due to the subterranean construction of the railway station, the creation of a 230,000 m² park, new public facilities and the integration of neighbourhoods which are now split by the railway.

It is a neighbourhood in the centre as it is only 300 metres away from Valencia’s City Hall Square to the nearest buildings at Russafa, next to the city’s railway station, a building of monumental character and modernist style which opened in 1917.

During the last 20 years, the neighbourhood has lived important demographic changes, since both its historic residents as its social structure have been renewed by the arrival of the youth and of people from different countries with an entrepreneurship spirit and a great creative capacity, placing Russafa as a trendy neighbourhood where new activities related to the arts, to the fashion and the design have sprouted. In its streets you can see many bookstores, cafés, barbers, tea shops, multicultural businesses, as well as galleries managed by artists themselves and others which try to integrate the art into the daily life.

According to the latest statistics, 24,616 people live in this neighbourhood. A fifth of them are over 65 years (20.8%) and another fifth is under 25 years (20.8%). Three fifth of the residents are between 25 and 64 years old (58.2%), shaping a pyramidal population structure in which the active population is the largest, showing bigger percentage than the national average. Table 8 shows details in this respect:

Table 8: Population distribution at Russafa neighbourhood by age group

Age group	Males	Females	Total	(%)
0 to 24 years	2,624	2,491	5,115	20.8%
25 to 49 years	5,071	5,052	10,123	41.1%
50 to 64 years	1,949	2,297	4,246	17.1%

65 years and over	1,800	3,332	5,132	20.8%
Total	11.444	13,172	24,616	100.0%

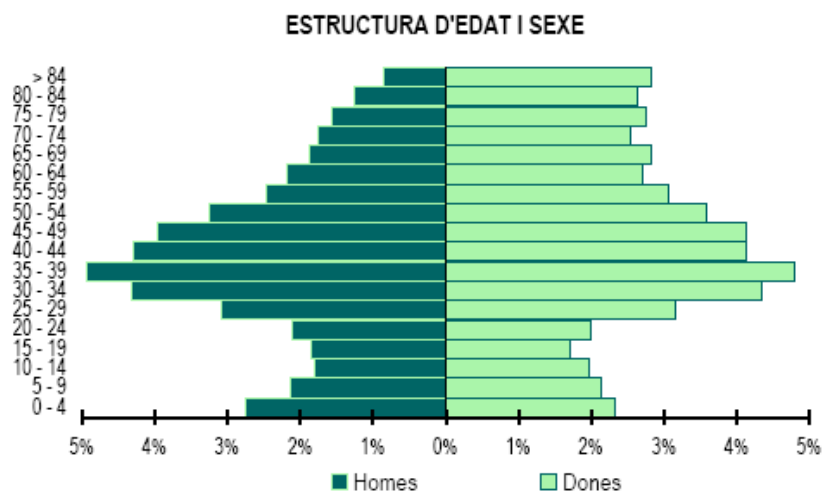
4.2. The economic crisis and its social impact

Just like anywhere in Valencia, Russafa neighbourhood is suffering harshly from the financial crisis and the austerity policies forced by the Troika. According to the *Asociación de Vecinos* (Neighbours' Association) at Russafa and Gran Vía neighbourhoods, there are almost 2,000 people over 80 years old who live in extreme poverty. Well-informed sources say that organisations working for social spheres (Cáritas, Red Cross and three parishes in the neighbourhood¹⁶) fill up the needs of rampant poverty, affecting all age groups.

The decrease in family income and the rise of living cost has depleted the population's purchasing power considerably, affecting restaurants, bars, local businesses and professionals. This situation does not happen only in this neighbourhood, but residents there are very aware of this picture.

This is the panorama which explains the reason for a SCC initiative in this neighbourhood.

Graphic 1: Populational pyramid at Russafa Neighbourhood



4.3. Russafa Innova: ORUÉ's promoter

Russafa Innova is the brand name for the *Asociación de Emprendedores e Innovadores Sociales de Valencia* (Valencia's Social Entrepreneurs and Innovators Association), whose headquarter is located at one of the most traditional streets at Russafa. It was founded in February 2011 by entrepreneurs and professionals of the neighbourhood and has been distinguished from its foundation by supporting and promoting innovative initiatives to dinamise the local economy and increasing the social cohesion in the neighbourhood. Its

¹⁶ San Valero, San Francisco de Borja and San Bartolomé

Board of Directors started to study the potential of a SCC in the same year it was founded. Other civic associations of the neighbourhoods have realised workshops to diffuse timebanks and SCCs. On top of that, a weekly market is held on Sundays where handicrafts are exchanged (honey, cheese, bread etc.).

In November 2012 the picture was ripe enough to promote a SCC and all over eight months different working groups have shaped the currency which has been finally presented to the public on 12th June 2013.

4.4. The five challenges

Russafa Innova identified from its beginning the five challenges to be resolved in order to achieve a sustainable SCC. The methodology came from the Five Step Guide, proposed by Lietaer and Hallsmith (2006).

The five challenges have been as follows:

- 1) To warrant the currency to be, above all, a commons (***Social feasibility***)
- 2) That local businesses and users should have no problems at all with financial system supervisors nor with fiscal officers (***Legal feasibility***)
- 3) To be easy to use without excluding anybody (***Technological feasibility***)
- 4) That its expenditure should be covered with contributions from the currency's users without depending on aids nor subsidies (***Economic feasibility***)
- 5) To dispose of necessary resources for its launch and to cover the needs of the first months thereafter (***Financial feasibility***)

Eight months of systematic work has been conducted with the participation of neighbours, businesses owners, bar and restaurants, civic associations and the Escuela de Artesanos (Craftsmen's School).

4.5. Goal and type of the currency

The ORUÉ was born as neighbours' communitarian initiative which from its beginning has counted with the supports from the Businessowners' Association, Bar and Restaurant Association and Neighbours' Association. The currency's goals have been as follows:

- Support for the social initiatives
- Support for the cultural initiatives
- Support for the environmental initiatives
- Support for the local economy

Transactions to be supported in the SCC are basically as follows:

- N2C: (non-profits and collectives to volunteers)
- C2C: Individuals to individuals
- B2C and B2C: Businesses with customers

4.6. Mechanism of Russafa's SCC

More than 20 detailed interviews and six ones for focus group have been helpful to discard the idea of a demurrage-based, convertible and billnote-based currency. Russafa's SCC has no demurrage, is not convertible and is electronic.

Many points were taken into account in the currency's design, with some relevant ones such as:

- Business' refusal to be obliged to keep two cashes (euro and ORUÉ) and the penalty on converting into euro
- Refusal to the currency's expiration and any process of demurrage (gradual loss of value)
- The reluctance both by businesses and users to buy SCC
- Compliance with financial and fiscal legislations
- Real-time transactions by way of efficient and economic devices

4.7. SCC's issue and its cost recovery framework

Russafa's SCC can be obtained in the following four ways:

- Signup for the system
- Bonuses and discounts to be offered from member businesses and professionals
- Participation in environmental and socio-cultural civil activities
- Donations in microfinance campaigns inspired in the teaming, participatory budgets and civil participation methodologies

The SCC's economic sustainability is based on the payment of an annual fee by each user (10 € per year).

4.8. Technological aspects of Russafa's SCC

Russafa Innova has chosen the business Área Activa as a technological partner, a startup which offers a technological platform in ASP model with the following three modules:

- Marketplace to promote member businesses and diffuse available offers in ORUÉ
- Online Social Bank without any sort of expenditure
- Mobile payment system by way of contactless cards

4.9. Timeline

Russafa's SCC will be launched in October 2013, to correspond to beginning of the school year 2013 – 2014 when an initial critical mass of users (500) and local businesses (50) will be attained.

The SCC's horizon is to achieve the number of 2,000 users and 200 businesses in the next 15 months.

4.10. Financial feasibility

A huge effort was required to involve businesses and users. The hurdles are both psychological and economic. To get over both limitations conversations have been done with financial entities and special conditions are being negotiated to acquire the mobile devices to be used by local businesses which join this neighbourhoods' SCC.

4.11. Analysis of the marketing strategy in Russafa

As marketing is a bidirectional process to explore which values can be provided to stakeholders, eight months of designing process has been crucial from this point as well. Below is a summary of what stakeholders stated:

- Demurrage: neither consumers nor local businesses saw it as an advantage for this SCC
- Refusal both by consumers and by local businesses to bind SCC with euro
- Real-time transaction: favoured the introduction of an electronic currency

The demurrage sounded little attractive to stakeholders perhaps because of ORUE's geographical extension which is too small to cover local business' needs to pay for their suppliers. A solution would be to have ORUÉ backed with euro, but their refusal to euro made them prefer a non-convertible currency. And their desire to clear transactions on the spot resulted in the implementation of an electronic currency.

Conclusions

The current definition of marketing is quite linked with the bilateral exchange of values, therefore it is important to find out what is regarded as "value" by different stakeholders, whose judgment on this matter is influenced not only by rational and objective data but also by interpersonal and subjective criteria whereby the relational marketing skill can play an important role on getting new users. Different stakeholders (corporations, consumers, stockholders, employees, NGOs etc.) for SCCs have different values and tend to join only a limited variety of SCCs. Relational marketing, used rather to retain existing customers than winning new ones, is relevant for SCCs whose goal is to establish a mutual-help-based economic relationship while social marketing is leveraged to change people's social behaviour with different degrees (compliance, identification, acknowledgment and internalisation) and it is useful to study both the a priori and a posteriori internalisation approaches. SCCs are regarded as "Blue Ocean" where a new market free from cutthroat competitions is provided for its users. And another key factor is to deal with its own designing process as a marketing strategy. SCCs have their own strengths, weaknesses, opportunities and threats to be taken into account.

From the marketing viewpoint, Chiemgauer is the best experience as it has clearly defined its values for consumers, local businesses, non-profits and city halls, but other systems have already their own ones for consumers (discount) and businesses (access to cheaper loans). ORUÉ, a SCC to be launched in October 2013 at Russafa. Valencia, Spain, has been chosen to be demurrage-free and non-convertible currency with electronic device supports as a result of dialogues between promoters and future users, as marketing is not the imposition of somebody's values onto others but a bidirectional process to reflect everybody's value into the currency design.

References

- Bagozzi, R. P. (1974), Marketing as an Organized Behavioral System of Exchange in: *Journal of Marketing* Vol. 38, No. 4, American Marketing Association.
- Grönroos, C. (1991), The Marketing Strategy Continuum: A Marketing Concept for the 1990s in: *Management Decision*, Vol. 29 No. 1, 1991, pp. 7-13.
- Grönroos, C. (1994), From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing in: *Management Decision*, Vol. 32 Iss: 2 p. 4 – 20
- Grönroos, C. (1996), Relationship marketing: strategic and tactical implications in: *Management Decision*, Vol. 34 Iss: 3 pp. 5 - 14
- Hirota, Y. (2012), *Monedas sociales y complementarias (MSCs): Experiencias, su papel en la economía social, estrategias, marketing y políticas públicas*, <http://www.slideshare.net/mig76/monedas-sociales-y-complementarias-ms-cs-experiencias-su-papel-en-la-economia-social-estrategias-marketing-y-politicas-pblicas>
- Kim, W. C. y Mauborgne, R. (2005), *Blue Ocean Strategy – How to Create Uncontested Market Space and Make the Competition Irrelevant*, Harvard Business School Press, Boston.
- Kotler, P. y Zaltman, G. (1971), “Social Marketing: an Approach to Planned Social Change” in: *Journal of Marketing* Vol. 35, No. 3, American Marketing Association
- Kotler, P. y Roberto, E. (1989), *Social Marketing – Strategies for Changing Public Behavior*, Collier Macmillan Publishers, Londres.
- Lietaer, B. and Hallsmith, G. (2006), *Community Currency Guide*, <http://cemusstudent.se/wp-content/uploads/2012/11/Community-Currency-Guide.pdf>
- Stodder, J. (2000), *RECIPROCAL EXCHANGE NETWORKS: IMPLICATIONS FOR MACROECONOMIC STABILITY*, http://www.complementarycurrency.org/ccLibrary/materials/reciprocal_exchange_networks.pdf