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Marketing via Shangbangs (Chinese business networks)

Marketing via
Shangbangs

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Abstract

Purpose – This study examines how informal business networks achieve marketing goals in socially uncertain contexts. Drawing from multiple historical sources, Shangbangs, a type of business network that thrived in pre-1949 China, are analyzed.

Design/methodology/approach – The Critical Historical Research Method (CHRM) undergirds a study of Shangbangs' historicity (i.e. their socio-historically embedded multiplicity, including organizational forms, activities and connotations).

Findings – As informal regional, professional, project-based, special-product-based or mixed marketing networks, Shangbangs relied on “flexible specialization” and coupled multiple business needs to market goods and services, business organizations, specific social values and, when necessary, to debrand business rivals.

Research limitations/implications – This analysis extends theories about marketing networks by probing their subtypes, diverse marketing activities, multipronged channels and relationship building with social entities (including underground societies, business associations and guilds) in response to pre-1949 China's market uncertainties. Substantiating an alternative approach to “flexible specialization” and marketing innovations within the pre-1949 Chinese economy shows how a parallel theoretical framework can complement western-based marketing theories.

Originality/value – This first comprehensive analysis of Shangbangs, an innovative historical Chinese marketing network outside the conventional market-corporate dichotomy, can inform theory building for marketing strategy-making and management conditioned by social contexts.

Keywords Pre-1949 Chinese business networks, Critical historical research method, Informal marketing organizations, Exponential organizations, Sharing economy

Paper type Conceptual paper

Summary statement of contribution

This study applies the Critical Historical Research Method (CHRM) to scrutinize a particular business network that thrived in pre-1949 (1840–1949) China, where relatively free markets and marketing practices existed (compared to 1949–1979 China). As informal region-based, profession-based, project-based, special-product-based or mixed marketing networks, Shangbangs relied on “flexible specialization” and coupled business and social needs between multiple stakeholders. They smoothed the marketing of goods, services, business organizations, specific social values and, when necessary, the debranding of business rivals.

Although mass marketing's scope and scale were mainly determined by modern companies (Chandler, 1990; Cochran, 2000; Jensen and Meckling, 1976; Williamson, 1973), other business structures, transactional networks, social organizations and commercial institutions also influenced that process. Shangbangs, a type of business network that thrived in pre-1949 China, comprise one such noncompany enterprise.



Despite a pervasive and profound influence on Chinese marketing (Guo, 1994; Tian and Tian, 1997), western marketing scholars continue to ignore Shangbangs – the informal regional, professional, project-based, special-product-based or mixed networks that extended marketing into a pre-1949 (1840–1949) China characterized by uncertainties like increasing foreign pressures, regional economic inequality, recurrent sociopolitical upheavals and nonlinear business (mis)behaviors (Spence, 2012; Yan, 2013). Perhaps, these scholars' inability to interpret "traces" mired in Chinese historical sources written in traditional Chinese and esoteric business jargon conduced such inattentiveness (Yan and Hyman, 2021). Alternatively, their focus on China as a global economic power has encouraged a contemporary rather than historical orientation.

In Chinese, *Shang* means business or negotiation, and *Bang* means mutual assistance and group (verb or noun). Hence, Shangbangs were historical Chinese business groups. Nevertheless, Shangbangs were not chambers of commerce, guilds, unions, cooperatives, companies or secret societies; instead, they used almost all these formal organizations' functions to protect or extend business and social interests. Merchants from the same region or industry generally initiated a Shangbang to integrate and empower their marketing efforts. Under-resourced peasants from poor mountainous or rural areas in Anhui, Fujian, Jiangxi, Shanxi, Shaanxi, Yunnan and Zhejiang formed small mutual-assistance groups to avoid extreme poverty and harassment by local officials, which often unexpectedly developed into nationwide Shangbangs (Li, 1993; Tian and Tian, 1997; Yang, 1979; Zhang *et al.*, 1985). Moreover, many people avoided social marginalization by joining successful Shangbangs.

Pre-1949 China's relatively free economy (compared to 1949–1979) was haunted by a weak central government, frequent wars, natural disasters, social instabilities, regional inequalities and economic turmoil (Huang, 2007; Spence, 2012). To mitigate government harassment and shocks from social changes, Chinese society traditionally formed academic, political, military, religious and business networks. Shangbangs, which have existed for millennia, mitigated the socioeconomic shocks threatening business survival and development (Tian and Tian, 1997).

Embedded in the historical Chinese context highlighting social harmony and mutual assistance, a Shangbang often fostered participative management by encouraging its members (i.e. employees, owners and partners) to invest in it, motivating them to work hard because their economic well-being was tied to its performance. The investment was essential for a Shangbang to operate in remote and unpredictable markets because it encouraged members' sense of brotherhood [Inter-Mongolia Political Consultative Conference (IMPCC), 1984; Zhang *et al.*, 1985]. This business fraternity distinguished Shangbangs from most modern companies, as Shangbang members were deemed inalienable partners or cherished members of an "extended amicable family" rather than passive employees.

The boundary between Shangbangs and traditional companies could be vague. Shangbangs sometimes invested in companies that created commercial outposts or marketing outlets in cities, whereas city-based companies sometimes extended their marketing into China's hinterlands via Shangbangs [Guo, 1994; Shanghai Economic Research Institute (SHERI) at Shanghai Academy of Social Sciences, 1989; Wu, 1979; Xie, 1979]. In some cases, Shangbang leaders and company owners (managers) overlapped. Unlike traditional companies, Shangbangs adopted informal but flexible structures, often relying on respected senior members as their leaders. Shangbang leadership, which was inheritable, demanded bravery, wisdom, integrity and good relationships with diverse stakeholders (Li, 1993; Tian and Tian, 1997; Yang, 1979).

Shangbangs pursued economic interests and social reputation building by consolidating context-sensitive networks or hometown-based personal relationships (*Xiangqing*)

(Tian and Tian, 1997). They built multipronged channels and boosted internal marketing via flexible strategies that facilitated marketing in uncertainty-inundated contexts. Contemporary parallels to their flexible strategies and business innovations have research and managerial implications.

Shangbangs suggest several research questions for marketing historians. First, were companies the only marketing entities in pre-1949 China? If not, did noncorporate marketers perform differently? How did they perform within a turbulent social context? Second, multilevel historical data show that Shangbangs were an important marketing institution in pre-1949 China. What were these Shangbangs and their subtypes' contextualized meanings and interpretations? What were their primary marketing channels and foci? How were they financed? How did relationship-building between Shangbangs and other social groups facilitate marketing in pre-1949 China?

The subsequent analysis captures the embedded contexts, values, marketing measures, business relationships, channels and strategies associated with Shangbangs in pre-1949 China. Its main contributions are threefold. First, it extends marketing management theory by probing their subtypes, diverse marketing activities, multipronged channels and relationship building with social entities (including underground societies, business associations and guilds) in response to pre-1949 China's market uncertainties. Second, it shows that historical non-western-based marketing can complement and inform western-based marketing theories and practices. Whereas previous studies examined the technological and managerial innovations of businesses operating in *mass consumer markets*, this analysis substantiates alternative approaches to "flexible specialization" and marketing innovations in *fragmented consumer markets* embedded within a pre-1949 Chinese economy characterized by incessant social uncertainties and challenges (e.g. regional economic inequalities and concomitant sociopolitical changes) [Chandler, 1990; Laird, 2000; National Historical Literature Committee (NHLC), various issues; Spence, 2012; Yan, 2013; Zeitlin, 2009]. Third, it encourages modern marketers to implement solutions adapted from historical marketing strategies. Hence, this analysis informs context-sensitive theory building in marketing strategy-making and management.

The exposition proceeds as follows. First, the research methods and multilevel sources guiding scrutiny of Shangbangs in pre-1949 China are discussed. Second, various Shangbang subtypes and their multiple connotations are delineated. Third, Shangbangs' marketing domain (including regular and controversial products) and moral reputation, built by proposing socially preferred values, self-promotion and business rival debranding, are elaborated. Fourth, Shangbangs' reliance on multilevel channels – e.g. village-clan-based networks, *Shanghui* (chambers of commerce), *Hanghui* (professional – or hometown-based guilds), *Huiguan* (guild halls), grocery stores, ads agencies and *Heishehui* (illegal social groups) – is broached. Finally, multiple financial sources and "soft" relationship-building strategies for Shangbang marketing are showcased.

Critical historical research method and multilateral historical sources

Historical analysis has informed international business research (Jones and Khanna, 2006). A comprehensive (re)examination of historical materials can suggest modern marketing activity. Research on historic Chinese marketing may contribute to modern marketing thought and practice due to the sociohistorical continuity of underlying patterns, processes and influences.

Historical analyses can reveal longstanding marketing patterns by unveiling influential macro and social elements within intertemporal and sociohistorical contexts (Golder, 2000;

Hunt, 2011; Jones and Shaw, 2006; Yan and Hyman, 2018). Here, Shangbangs that thrived in pre-1949 China are scrutinized via the CHRM.

CHRM can improve marketing theory and practice by stressing the critical and contextualized interpretation (i.e. meaning defined by social context) of multilateral historical data for marketing objects, processes, meanings and underlying mechanisms (Qi, 2003, 2010; Yan and Hyman, 2018, 2021). To enhance validity, CHRM examines the accuracy, relevance and contextualized connotations of diverse historical data sources (Qi, 2003, 2010; Yan and Hyman, 2018, 2021). Rather than merely extracting literal meanings, it can reconcile differing accounts of the same historical events offered by multilayered descriptions of deep meanings, emergent patterns and context-sensitive cultural signs. Hence, CHRM rejects seeking a “regularity” or procrustean standard by advocating methodological pluralism to gauge contextualized historical activities. It also avoids *presentism* (i.e. using current standards to judge historical events) to explain historical marketing (Van Lent and Durepos, 2019; Yan and Hyman, 2018).

To ensure sufficient data validity, CHRM requires scrutinizing multiple relevant data sources (Yan and Hyman, 2018). Such analyses provide a comprehensive perspective on discrete historical information from diverse sources. To sustain their autonomy and avoid government regulations or harassment, Shangbangs generally bypassed Chinese Government business registration systems, implying sole reliance on government archives offers a blinkered view. Thus, querying Chinese multilateral historical sources – including corporate or noncorporate archives, local gazetteers, newspapers (e.g. *Shen Bao* and *Xinwen Bao*) and narrative historical materials such as personal memoirs and miscellaneous notes (often appeared in Chinese national and local *Literature and History Materials*) – boosted data triangulation (Yan and Hyman, 2021) (Please see the Primary Sources subsection that begins the References section). These sources were retrieved via libraries, archives or personal collections. We scrutinized these historical records to prevent intentionally or unintentionally induced errors (e.g. caused by writers succumbing to social desirability motivations that exaggerated or underrated historical reports). Secondary sources like research articles were also queried. “Documentation and interpretations by whom” were scrutinized to mitigate any biases from historical sources.

Shangbang subtypes and multiple connotations

Conventional western-based marketing entities include sole proprietorships, partnerships and companies with limited or unlimited liabilities. The historical data shows that Shangbangs parallel all three types. As joint-ventured business entities, Shangbangs often adopted managerial structures akin to modern companies – namely, choosing a chief leader via majority vote or recommendation by respected former leaders and assigning or electing team leaders to coordinate routine tasks like logistic coordination, accounting, marketing, business negotiation, security and transportation [Hongze Lake Fishery History Compiling Team (HLFHT), 1990; SHERI, 1989; Wu, 1979; Yang, 1979].

Western-based marketing theories assume corporate-centric analyses with companies as the foremost marketers. In contrast, Shangbangs as a marketing institution relied on extra-corporate organizational structures. Depending on their origins, goals and rationales, Shangbangs in pre-1949 China were loosely classifiable as region-based, profession-based, project-based, special-product-based or hybrid. These subtypes are nonmutually exclusive for several reasons. First, Shangbangs from the same region could focus on marketing a few *Tutechan* (local specialties) such as tea, special cuisines, *Tubu* (traditional Chinese cloth) and herbs (Ge and Ma, 1982; SHERI, 1989). Because similar generic goods often differed meaningfully by production location, Shangbangs could market local variants successfully.

For example, different Shangbangs marketed green teas produced near Anhui, Hubei, Jiangsu and Zhejiang that differed by taste, history and connotations. Second, competing Shangbangs often marketed the same products. For example, region-based Huizhou and Shanxi Shangbangs engaged in pawnbroking (Yan and Hyman, 2019). Before western-made cloth dominated Chinese markets, different cloth Shangbangs marketed the *Tubu* made in Gaoyang (a northern Chinese city) and Suzhou (a southern Chinese city) [Guo, 1994; Hebei Literature and History Materials Committee (HLHMC), 1987; SHERI, 1989]. Third, several small region-based (and some project-based) Shangbangs sometimes amalgamated temporarily to achieve a shared goal.

Region-based Shangbangs

CHRM assumes social contexts affect business activities. The weak central government and regional economic inequality that characterized pre-1949 China induced diverse Shangbang formation and business foci (Spence, 2012; Yan, 2013). Moreover, regional proximity deeply influenced social trust building among social members in pre-1949 China. These specificities affected Shangbangs' organizational structure and business scope. Region-based Shangbangs included geographically proximate people who shared dialects, norms, experiences and values within hometown-based personal networks (*Xiangqing*) (Tian and Tian, 1997). At the national or provincial level, the most famous Shangbangs originated from Anhui (*Huibang*), Shanxi (*Jinbang*), Sichuan (*Chuanbang*), Guangdong (*Yuebang*), Shandong (*Lubang*), Yunnan and Jiangxi (*Xibang*) (Guo, 1994; SHERI, 1989; Wang, 2001; Wu, 1979; Xie, 1979). At the county or local level, *Fengbang* (Ningbo-based), *Wenbang* (Wenzhou-based), *Lanxibang* (from Lanxi in Zhejiang), *Chaoshanbang* (from Chaozhou and Shantou in Guangdong), *Tianjinbang*, *Jizhoubang* and *Luotingbang* (formed by merchants, respectively, in Tianjin, Jizhou and Luoting county in Hebei) engaged in grocery, herbs, cloth, jewelry and ironware marketing (local gazetteers, various issues; Fu, 1991; Ge and Wang, 1990; Guo, 1991; HLHMC, 1987; Li, 2001; Qiu and Wang, 2001; Wu, 1991; Zhang, 1996; Zhang, 2001).

Profession-based Shangbangs

Profession-based Shangbangs, often formed by people with similar business interests and geographic identity, focused on marketing products such as tea, tung oil, opium, lumber, lacquer, black and white fungus, herbs or long-range transportation service. Successfully marketing these generally "know-how intensive" products required special skills, experience and local networks. *Chuanbang* (vessel-based) and *Mabang* (horse – or mule-based) Shangbangs delivered products between rural and mountainous areas and metropolises, an often dangerous journey (Feng, 1996; Gu and Yang, 1993; Guo, 1994; Mei, 1996; Rong, 1996; Rong and Xiong, 1996; Wang, 1993; Xie, 1979; Yang, 1979; Zhao, 1993). Chefs with similar cooking styles self-identified and promoted regional cuisines from Huicai (Huizhou-styled), Yuecai (Canton-styled), Lucai (Shandong-styled), Huaiyangcai (Yangzhou-styled) and Chuancai (Sichuan-styled) (local gazetteers, various issues; Liu, 1990; Qiu, 2002; Wu, 1984). *Jinbang* and *Huibang* operated pawnbroking businesses and *Qian Zhuang* (traditional Chinese banks) [Chen, 1997; Li, 2007 [1795]; Shanghai History and Literature Museum and Advising Council of the Shanghai Government (SHLMACSG), various issues; Sun, 1999; Wu, 1984; Yan and Hyman, 2019; Zhang, 1989; Zhang *et al.*, 1985].

Marketing theorists should interpret profession-based Shangbangs, sometimes entailing several professions, with their historical context. For example, *Fengbang* tailors dominated the making and marketing of western-style suits in metropolises, whereas *Fengbang* investors partly controlled Yangtze River steamboating and banking industry in many

southern cities (Lu, 2004; Zhang and Wu, 1998). Similarly, *Yangzhoubang* (Yangzhou – or central-Jiangsu-based business groups) controlled bathhouses and Chickasaw marketing (Finnane, 1994; Li, 2007 [1795]).

Experienced members undertook core managerial roles and new members were responsible for lesser tasks (Guo, 1994; HLFHCT, 1990; IMPCC, 1984). To retain monopolistic control, Shangbangs sometimes created barriers to market entry (e.g. the “business codes” instituted by *Jinbang* and *Huibang* pawnbrokers) (Xu, 1998; Yan and Hyman, 2019). Similarly, profession-based Shangbangs trying to dominate grocery businesses or opium smuggling created special accounting rules and encrypted codes to stymie competitors, protect trade secrets and avoid tax audits (Qu, 1991, 1999; Wu, 1979; Yang, 1979). An internal referral system requiring recommendations by at least two well-reputed senior Shangbang members deterred outsiders from joining. Adopting esoteric dialects like *Huizhouhua* and *Chaoshanhua* further impeded outsiders’ efforts to pry information from *Huibang* or *Chaoshanbang* (Huang, 2007; Wu, 1984; Zhang *et al.*, 1985).

Project-based Shangbangs

Some “special” projects were historically viable in pre-1949 China. Project-based Shangbangs, generally formed by people from different regions, pursued *ad hoc* business projects. For example, Hongze Lake’s fishery Shangbang – formed by people from Anhui, Jiangsu and Shandong provinces – harvested, processed and marketed fish and shellfish every April to October (HLFHCT, 1990). Similarly, cattle networks in Northern China often formed summertime groups that visited Russia or Mongolia to exchange tea (especially brick tea or *Zhuancha*), herbs, clothes, silks, boots and utensils for furs, horses, fleece and sheep (IMPCC, 1984). In southern China, lumber networks distributed logs on credit during the summer and fall and collected their money during the winter (Rong, 1996).

Cooperative efforts among small region-based Shangbangs helped project-based ones to thrive. Transportation-focused Shangbangs in coastal areas organized *Shachuan* (flat littoral vessels freighted between Shanghai and Northern Chinese Coastal areas) or *Weichuan* (littoral vessels operated between Tianjin and other Chinese coastal areas) to deliver goods like rice, seafood and cloth to inland markets (Guo, 1994). In a social reciprocity context, successful *Shachuan* or *Weichuan* Shangbangs relied on the mutual financial, technical and logistic support of several region-based coastal Shangbangs. Similarly, with assistance from many local networks, Shangbangs used camel or horse caravans to distribute groceries in Chinese–Mongolian–Russian areas (IMPCC, 1984). They generally branded themselves as fast, safe, dependable, cost-efficient, cooperative and readily accessible (Guo, 1994; Zhu, 1984).

The historical records show that when recurring nationalistic movements in pre-1949 China subsided, project-based Shangbangs helped British and American Tobacco and Asiatic Oil market their products to remote areas [Shanghai Academy of Social Sciences (SASS), 1983; Shanghai Economic Research Institute (SHERI) at Shanghai Academy of Social Sciences, 1960; Wu, 1979; Xie, 1979]. They helped the Russians, Americans, French, British, Japanese and Germans procure tea (e.g. green, black, jasmine or Pu-Erh tea), tung oil, raw hides, hogs’ hair, sesame, silk, tobacco leaves and other agricultural products from rural China [Institute of Chinese Modern History Studies (ICMHS), *Chinese Literature and History Materials* and local gazetteers, various issues; Institute of Economics Chinese Academy of Social Sciences (IECASS), 2013, 2020; IMPCC, 1984; Li, 1993; Rong and Xiong, 1996; Yang, 1979; Zeng and Cao, 2009; Zhao, 1993].

Special-products-based Shangbangs

Due to pre-1949 China's substantial regional differences, a mass-marketing-based lens cannot fully render Shangbangs and their activities. Instead, a non-Western based "flexible specialization" model (Pedersen *et al.*, 1994), which stresses small-scaled business entities and nonlinear business strategy making, can better capture Shangbangs' flexible marketing efforts. Special-products-based Shangbangs marketed *Tutechan* (local specialties) and know-how-intensive goods that required special knowledge, experience and skills to identify product quality, set reasonable selling prices (and markups), secure reliable distributional channels and retain loyal customers. Under traditional and often-melded Chinese pharmacology and mythology, Shangbangs marketed herbs unique to a region or the nominally same but differently acting herbs grown in different regions. For example, Shangbangs based in Bozhou (Anhui province) and Anguo (Hebei province) dominated the southern and northern herb markets, respectively; in contrast, Jilin Shangbang specialized in ginseng and *lurong* (reindeer ears) that Chinese elites craved (Guo, 1994). Shangbangs from Hunan's mountainous areas swarmed into Changsha, the provincial capital, to market goods like bamboo fans, tofu, rice liquor and tea (Zeng and Cao, 2009). The Subei (mid-northern Jiangsu) Shangbang dominated the Chickasaw or *Zaotang* (public bathhouses) business in Shanghai (Lu, 2004).

Mixed Shangbangs

Overlapping professional – and regional-based aspects shaped mixed Shangbangs. Reflecting path dependence, their members generally originated from the same region and conducted the same business. Demarcating these groups' business boundaries mitigated inter-Shangbang conflicts and encouraged inter-Shangbang cooperation. For example, Huizhou Shangbang (*Huishang*) marketed tea, culinary services (Huizhou-styled), pawnbroking, traditional stationery (Chinese ink, brush and Xuan paper) and lumber, whereas Shanxi Shangbang (*Jinshang*), a major financial services competitor, performed services provided by traditional Chinese banks and pawnshops (Hu, 1982; Huizhou local gazetteers; Luzhou (Shanxi) local gazetteers; Li, D. (2007) [1795]; Guo, 1994; Zhang *et al.*, 1985).

Ethnicity and religion shaped mixed Shangbangs. For example, competing with Shanxi – or Inter-Mongolia-based cattle Shangbangs, *Huizu* (Chinese Muslims) in northwestern and northern China often organized cattle Shangbang that exchanged sheep, horses and camels from Xinjiang or Russia for cash (silver ingots or coins before the early 1930s), food and industrial products from China's inland areas (IMPCC, 1984; Lai, 1988). Relying on the Islamic *Qingzhen* ("pure and authentic") culinary arts, *Huizu* Shangbang partly dominated a few northern Chinese cities' mutton and breakfast businesses [IMPCC, 1984; Liu, 1990; National Historical Literature Committee (NHLC), 2006].

Multilateral Shangbang marketing

CHRM demands a deep excavation of historical details that condition marketing (Yan and Hyman, 2018). Relying on various (sometimes Chinese-specific) business platforms and virtuoso techniques, Shangbangs marketed many goods, services, social values and business organizations while debranding business rivals in a context haunted by incessant civil wars, regional inequality, social class conflicts and natural disasters (Spence, 2012; Yan, 2013). As informal, flexible and well-structured networks, Shangbangs could function as virtuoso agents representing diverse business interests.

Marketing goods and services

Shangbangs marketed goods and services through multiple, traditional and centuries-long channels. Often functioning as foglemen, Shangbang representatives visited remote areas (characterized by uncertainties like swindling, distrusting and robbing “outsiders”) to purchase raw materials or local specialties (*Tutechan*, which in pre-1949 China was often deemed local area cultural symbols) and market groceries to local people (Feng, 1996; Guo, 1994; IMPCC, 1984; Mei, 1996; Sun and Sun, 1996; Yang, 1979). They would identify and satisfy customers’ needs. Some Shangbangs’ familiarity with local contexts allowed them to facilitate other Shangbangs’ or companies’ local market entry.

Despite avoiding government registration, Shangbangs smoothed their business activities by cooperating with business-related entities like department stores, banks, traditional financial institutions (*Qianzhuang* and *Piaohao*), insurance companies, transportation companies and government agencies (e.g. customs, tax service bureaus, and police stations) [Shanghai Archives (SA) and Social Sciences Association in Zhongshan (SSAZ), 2010; Shanghai Department Store Company (SDSC), Economy Study Institute of Shanghai Academy of Social Science (ESISASS), and Shanghai Municipal Administration of Industry and Commerce (SMAIC), 1988; The Second Historical Archives of China (SHAC), 1994; Wu, 1979; Zhan, 1991]. In coastal metropolises, including Tianjin, Suzhou, Shanghai and Guangzhou, *Yuebang* (Guangdong originated), *Fengbang* (Ningbo originated) and *Dongtingbang* (originated from Suzhou) members staffed the first modern Chinese compradors (i.e. initially, a Portuguese term meaning “business middleman” who served as “low-status intermediary businessmen buying goods for foreign businessmen”; later, comprador status extended to people offering information or selling products to foreign companies) (Yan, 1986a, 1986b; Zhang and Wu, 1998).

CHRM suggests that formal political institutions (or their absence) define marketing behaviors (Yan and Hyman, 2018). Pre-1949 China lacked effective government regulations of business (mis)behaviors; hence, Shangbangs performed specific marketing activities. To pursue higher returns from customers across social strata, Shangbangs sometimes created shadow economies by making and selling controversial, contraband or smuggled products like opium, tobacco leaves, cigarettes, weapons, alcoholic beverages, prostitution and gambling (Gu and Yang, 1993; Wu, 1979; Xie, 1979). Relying on secret channels, *Dayanbang* (opium networks) delivered opium from Yunnan, Sichuan and Guizhou to other Chinese areas (Wu, 1979; Xie, 1979). After receiving special taxes (*Tesui*), local governments occasionally legalized opium or gambling dens to boost the local economy and secure employment. Shangbangs from the Yunnan, Sichuan, Guizhou, Shaanxi and Henan provinces often controlled such dens (Wu, 1979; Xie, 1979). Shangbangs marketing these products self-demarcated their “turfs” (i.e. each Shangbang was responsible for assigned products in specific markets). Although severe punishment failures often reflected face-saving gestures, undermining encroachers’ social reputations and thus reducing their future sales was generally a sufficient deterrent.

Branding Shangbangs as reliable business networks

Like corporate branding, Shangbangs sometimes branded themselves – often via word of mouth – as socially reliable and moral entities that approached challenging business issues professionally. Partly as strategic philanthropy, Shangbangs donated money to hospitals, poorhouses (*Jipinyuan*), orphanages or schools, signifying their social responsibility and financial power (Gautier and Pache, 2015).

CHRM suggests norms or traditional behavioral codes can affect marketing (Yan and Hyman, 2018). Shangbangs implemented internal marketing in traditional Chinese ways to

enhance members' connectedness. In Guan Gong's name (a symbol of loyalty and brotherhood), profits were typically divided fairly among workers (IMPCC, 1984; Liu, 1990; SHERI, 1989; Tian and Tian, 1997). For professional improvement and life-long master-disciple relationship building, new employees received strict paternalistic training from senior employees. Although without a formal contract, conventional Chinese norms spurred senior members to teach skills unseasoned workers needed for career success and receive filial services in return. Such master-disciple bonding strengthened both sides' long-term ethical reciprocity. Violators were socially discredited and marginalized (Zhang, 1996). Although this typical work arrangement created financial and generational job security, especially among profession-based Shangbang workers, it siloed them and restricted their job mobility.

Marketing socially preferred values

Social marketing can disseminate and cocreate values that boost the common good by shaping select behaviors (Flaherty *et al.*, 2021; Kotler and Zaltman, 1971; Yan and Hyman, 2018). Strengthening people's identification with societally reinforcing values such as justice, beneficence and temperance can boost moral capital, an asset as critical as cultural, economic and social capital (Bourdieu, 1986; Ratnapala, 2003).

Shangbangs adopted measures akin to contemporary social marketing. Given the pre-1949 Chinese appreciation of moral capital (i.e. perceived high moral standings could facilitate business transactions), Shangbangs marketed traditional Confucianist values like *Zhong* (loyalty), *Yi* (allegiance), *Xing* (trustfulness) and *Ren* (benevolence) to enhance their social reputation (Huang, 2007; Tian and Tian, 1997). Operating in tumultuous pre-1949 Chinese contexts that often distressed formal business organizations, Shangbangs signified their high moral standings by highlighting *Yong* (bravery) and *Haoshuang* (magnanimity) (Tian and Tian, 1997). Shangbangs enhanced their principals' social acceptance by explicitly aligning with societally preferred values and minimizing harassment by government agencies or thugs. Branding Shangbangs often entailed adopting the Taoist values of flexibility, *Jian* (simplicity and thriftiness) and open-mindedness (Zhang, 1996).

Boosting members' family interests was preferable in pre-1949 China. A Shangbang functioned as a big family and highly recommended *Ren* (benevolence) and *Yi* (allegiance) to foster intra-Shangbang cooperation. Relying on these societally preferable values, Shangbang "softly" streamlined inter-Shangbang preferences and interests to avoid race-to-the-bottom pricing, mitigate internal competition and enhance complementary resources such as networks, experiences and marketing channels.

Because pre-1949 China was community-based, its members' local affiliations were essential in defining the scope and scale of a Shangbang's marketing activities. As ardent proponents of economic pragmatism, Shangbangs often exaggerated their members' rags-to-riches stories, which helped recruit loyal and dedicated workers. Shangbangs propagated responsible consumption, nationalism and values akin to contemporary consumerism to build their social image and extend their business (SHLMACSG, various issues).

CHRM assumes political values influence marketing (Yan and Hyman, 2018). Embedded within a social context tinged with nationalism and patriotism, Shangbangs often proclaimed themselves loyal to national interests. Multiple historical resources show that Shangbangs sometimes branded themselves by strategically boycotting products associated with adversary countries (*Di Guo*) (Gerth, 2003a, 2003b; NHL, various issues; SASS, 1983; *Shen Bao*, various issues; Wang, 2002; *Xinwen Bao*, various issues; Yan and Hyman, 2020). Local governments often relied on Shangbangs to collect taxes from remote areas, which boosted their social power.

Debranding business rivals

Shangbangs generally excluded and suppressed nonmembers. When believed necessary, they debranded a rival Shangbang by criticizing its owners' and managers' personalities, immorality and incompetence. They used local newspapers, posters and leaflets to denounce these rivals, especially in nationalistic contexts involving business activities associated with Britain or Japan, two countries often discredited by pre-1949 Chinese customers (Gerth, 2003a, 2003b; Yan and Hyman, 2020). They also spread rumors and misinformation in *Chaguan* (teahouses), *Zaotang* (public bathhouses), *Jiuguan* (traditional Chinese bars), restaurants, *Matou* (transportation hubs) and other public meeting places to defame rival Shangbangs and other competitors (local gazetteers; NHL, various issues).

Shangbangs' multipronged marketing channels

CHRM can highlight the contextual specifics influencing marketers' strategic business choices (Yan and Hyman, 2018). Multiple social networks and organizations in pre-1949 China helped Shangbangs build multipronged marketing channels. Although membership could be fluid, Shangbangs maintained consistent operations in several ways. Well-developed marketing channels emerging from traditional social networks in metropolitan areas or transportation hubs spurred Shangbangs to pursue legal or illegal business.

Village-clan-based networks were vital to extending Shangbang marketing into pre-1949 China's insecure-to-outsiders rural, mountainous and remote areas. People from the same locality had geographically proximate family roots (Guo, 1991). Because disloyalty and losing face disgraced the perpetrator and other family members, the Chinese internalized a social binding system to monitor Shangbang members' behavior and cultivate their loyalty. For example, a Shanxi-based Shangbang formed Dashengkui for conducting Russia-Mongolia-China business in tea, food, cigarettes, tobacco leaves, rice, cooking oil, seasoning, cloth, clothes, silk and shoes to customers living in those rural and remote areas companies avoided (Guo, 1994; IMPCC, 1984). Liens on cattle enabled cash-strapped customers to obtain necessities on credit during the spring and repay the money (with reasonable interest and fees) during the fall by selling their fully grown livestock to Shangbangs at a fair price. Shangbangs occasionally allowed poor customers to rear and exchange lambs and calves for cash and needed commodities (IMPCC, 1984).

In a historical context that favored compatriots, family members or acquaintances, *Huiguan* (hometown – or profession-based guild halls) were locales for Shangbangs to exchange business information, form business alliances, secure local agents and warehouses and obtain safe lodging in chaotic Chinese areas (local gazetteers, various issues; Beijing Archives, 1997; Guo, 1994; Qu, 1999; Tian and Tian, 1997). In pre-1949 China, *Huiguan* functioned as a medium for extending the communal identities of people from the same area or engaging in the same business. Although, like a quasi-sharing economy, poor *laoxiang* (people from the same hometown) and traveling students could use *Huiguan* for free, funding *Huiguan* in metropolises generally entailed revenues from lodging businessmen. Typically, one *Huiguan* could host multiple hometown – or profession-based Shangbangs. For example, hometown-based *Huxiang Huiguan* could host any Shangbang from Hunan regardless of its business (Beijing Archives, 1997). To market salt or engage in customs brokerage, profession-based *Yanye Huiguan* (salt business guild) or *Baoguan Hang* (customs broker guild) hosted any Shangbang (Guo, 1994; Qu, 1999; Tian and Tian, 1997; Wu, 1984; Zhan, 1991).

CHRM assumes social networks can boost marketing efficacy (Yan and Hyman, 2018). Shangbangs often used a *Shanghui* (chamber of commerce), *Tongye Gonghui* (industry association) or *Hanghui* (traditional guild) to enter new markets. Unlike registration – and

regulation-avoiding Shangbangs, *Shanghui* and *Hanghui* were formal entities working as industry arbitrators to regulate member companies and bridge the public (government) and private (business) realms (Qu, 1999; Tian and Tian, 1997; Xu, 2001). By paying fees or returning services, Shangbangs relied on a *Shanghui*'s entrenched network to market products and identify cooperative companies.

Shangbangs relied on companies to extend their business. For example, Shangbangs helped department stores and factories in metropolises sell goods to remote markets and procure materials from rural areas [SA and SSAZ, 2010; Shanghai Department Store Company (SDSC), Economy Study Institute of Shanghai Academy of Social Science (ESISASS), and Shanghai Municipal Administration of Industry and Commerce (SMAIC), 1988; Yang, 1979]. In return, these companies helped Shangbangs sell agricultural products or local specialties. Similarly, ad agencies branded a Shangbang's goods or services in exchange for ad commissions and fees. They also created a positive social image by eulogizing a Shangbang's good behavior or moral standings. Prominent newspapers like *Shen Bao* and *Xinwen Bao* occasionally created news reports eulogizing a Shangbang or its leaders (*Shen Bao*; *Xinwen Bao*, various issues).

Via loose inter-network connections and decentralized managerial structures, Shangbangs sometimes built *ad hoc* inter-Shangbang strategic alliances that shared expertise, logistics, funds, business information and marketing channels. Like today's sharing economy, the shared resources encouraged high engagement among Shangbang members and melded multiple small Shangbangs into an entity analogous to a contemporary "exponential organization" (Reynolds-Pearson and Hyman, 2020). For example, tea Shangbangs from Huizhou helped each other thrive in Shanghai's highly competitive tea market (Zhang *et al.*, 1985). Although intra-network competitions persisted, these Huizhou tea Shangbangs often functioned as a semi-collective "Tea Network" that competed against powerful tea companies. In the same vein, Huizhou Shangbangs outperformed traditional banking and pawnbroking competitors in many Chinese cities by sharing esoteric codes (or gestures), market information and financial resources (Yan and Hyman, 2019; Zhang *et al.*, 1985).

Massive regional economic inequality persisted in pre-1949 China (Yan, 2013), inducing divergent marketing channels across areas. Besides relying on canals, roads, ports and railways to market in cities, Shangbangs used the pre-1949 *Ganji* (temporary rural market) system to extend marketing into rural areas. This system (sometimes called *xu*, *wei* or *chang*) functioned as a contemporary farmers' market, allowing local people to exchange agricultural and mountainous products for cash and necessities (Guo, 1994; IMPCC, 1984; NHLC, 2006).

In summary, a flexible and informal managerial structure allowed Shangbangs to continually (re)formulate their goals in response to demand (e.g. opium or salt) or seasonal changes (e.g. fishery, herbs or cattle business) (HLFHCT, 1990; Ge and Ma, 1982; IMPCC, 1984; Wu, 1979). Shangbangs avoided some fixed costs that haunted many companies by flexibly assigning resources to meet shifting business contexts.

Financing Shangbang marketing

CHRM focuses on multiple contextual elements that affect marketing, financing and other business activities (Yan and Hyman, 2018). Shangbangs launched with founder seed capital relied on multiple sources to fund their marketing activities. As former members of other Shangbangs, the founders were familiar with relevant business practices. They generally had well-entrenched social networks and private savings held as real estate, cash, company stock, antiques, jewelry and precious metals (Fu, 1991; Chen, 1997; Wu, 1991; Zhang, 1989).

Shangbangs with an excellent social reputation could readily obtain support from banks, traditional financial institutions like *Qian Zhuang* (traditional Chinese banks) and *Piao Hao* (exchange shops), government agencies or officials and companies (Chen, 1997).

Hometown favoritism in pre-1949 China morally obligated wealthy Chinese to finance their compatriots' legal and moral businesses. Otherwise, *hoi polloi* would lambast them as betrayers of their hometown, ancestors, friends, relatives and genealogical roots (Geng) (Huang, 2007). Instead of seeking loans from modern banks, financing Shangbangs in pre-1949 China typically entailed borrowing money from *Qian Zhuang*, *Piao Hao*, landlords, former government officials, wealthy grocers or Shangbang owners from the same region (Chen, 1997; Guo, 1991; Liu, 2014; Tian and Tian, 1997; Wu, 1984; Zhang, 1989). Shangbang members occasionally morphed into modern merchants by investing in modern businesses or industries. For example, many Jiangsu (especially the *Dongtingbang*), Huizhou, Shanxi, Yunnan and Guangdong industrialists in pre-1949 China started their businesses from Shangbangs. Seeking higher or safer profits and aspiring to join reputable social elites often motivated this transmogrification (local gazetteers, various issues; Guo, 1994; Tian and Tian, 1997; Wu, 1979; Zhang *et al.*, 1985).

In pre-1949 China, acquiring land was lucrative yet often exploitative, mainly when that acquisition entailed a powerful landlord "buying" it from peasants at an unfair price (Chen, 1936). When local government oversight waned, peasants' subsequent resentment often preceded looting such property. Hence, landlords often diversified their investments by financing Shangbangs for income derived from rentals or agricultural production (Huang, 2007; Wu, 1979; Zhang, 1989). Financing Shangbangs enabled landlords to connect with social elites elsewhere, creating the social capital necessary to extend business or escape local revenge.

Because Shangbangs deemed their reputation essential for development and survival, they prioritized repaying creditors. Hence, they often placed social conscience and image-building above profit-seeking. Although not stipulated by formal laws or government orders, the offspring of deceased Shangbang members repaid outstanding debts (Huang, 2007; local gazetteers, various issues). The intergenerational commitment to financial obligations enhanced a Shangbang's reputation and eased future financing.

Sustaining Shangbangs softly by building relationships

CHRM can show that relationship-building among social organizations can shape marketing activities (Yan and Hyman, 2018). Relationship marketing helps marketers extend their businesses (Gummerus *et al.*, 2017). Enmeshed in *Guanxi* (positive or negative interpersonal relationships) and social interactions, Shangbangs sustained their business by fostering positive relationships with other entities. Rather than relying on formal contracts, Shangbangs adopted informal or "softer" measures to facilitate their marketing efforts. Guided by socially preferred values such as *He* (cooperation or peace), *Yuren Weisan* (friendliness to others), *Zhong* and *Yi*, Shangbangs mitigated conflicts with government agencies, landlords, gangsters, companies and bankers. They sought help from business associations like *Shanghui* (chamber of commerce), *Hanghui* (traditional guild) or *Tongye Gonghui* (industry association) (Qu, 1999; Xu, 2001; Zhang, 1996).

Chinese generally believe interpersonal relationships are essential to successful business practice. Influenced by *Guanxi*, Shangbang relied heavily on personal reciprocity building. Banqueting and playing mahjong (the favorite Chinese socialization tool) with influential people in host markets, gift-giving to secure support from local gentry members and hiring local elites or their family members were the primary measures Shangbangs adopted (national and local *Literature and History Materials*, various issues; local gazetteers, various

issues). Chinese social networks, substantiated by close relationships with classmates, relatives, *laoxiang* (compatriots), comrades-in-arms, workmates and the like, eased Shangbang marketing (Cochran, 2000; Huang, 2007).

Market uncertainties in pre-1949 China, like weak personal background check systems, rampant swindling and frequent regional conflicts, discouraged pure market-driven business cooperation. In response, Shangbangs adopted “bounded trust” to avoid missed business opportunities, i.e. built long-term trust relationships with business partners based on successful business tryouts. As social status or reputation can influence business partner selection (IMPCC, 1984; Jensen and Roy, 2008), they scrutinized potential business partners’ backgrounds, intentions, capabilities and affiliated organizations. They required their employees to pass challenging tests before continuing employment or receiving a promotion. Shangbangs insisted relationship building extends beyond *ad hoc* transactions, positing that a present transaction’s serendipitous failure should not end personal friendships helpful to future or long-term business cooperation.

Incessant social turmoil partly attributable to fragmented state authorities encouraged safe marketing for all stakeholders (Huang, 2007; Tian and Tian, 1997). In addition to internal security arrangements, Shangbangs built amicable relationships with *Biaoju* (armed escort team), local officials (retired or incumbent), warlords, *Heishehui* (secret societies) like the Green Gang (*Qing Bang*), the Elder Brothers Society (*Gelaohui*) or the Triad (*Sanhehui*), and even bandits to help procure raw materials or distribute products (Gu and Yang, 1993; IMPCC, 1984; Li, 1981; Li, 1993; Qu, 1991; Tian and Tian, 1997; Wu, 1979; Yang, 1979; Zhang, Wang and Tang, 1985). When necessary, Shangbangs helped anti-government organizations (e.g. the Chinese Communist Party) obtain medicines, salt and other necessities in exchange for entry into restricted markets [Sichuan Taxation Bureau (STB), Shaanxi Taxation Bureau (SHTB), and Chongqing Taxation Bureau (CTB), 1987]. Although Shangbang leaders developed relationships with illegal or socially inappropriate entities like gambling dens, they resisted involving their Shangbang in crimes, thus serving their business interests without legal exposure.

Conclusion

CHRM facilitates deep explorations of historical marketing that can identify idiosyncratic, virtual or counterexamples for building marketing theory (Yan and Hyman, 2018). Contrary to stereotypical beliefs, Shangbang history shows that Chinese businesspeople were not risk-averse and often relied on innovative networks and strategies to extend cross-regional business (Cochran, 2006). Shangbangs extended marketing across a pre-1949 China characterized by shifting cultural and sociopolitical uncertainties. By coupling societal and consumer interests with business interests, they advanced societally preferred values and helped producers, wholesalers and retailers market goods and services across large geographic areas. Although they focused on enhancing their social reputation and social coherence, they debranded their business rivals when perceived necessary.

Managerial and academic implications

Shangbangs supply multiple lessons for contemporary marketers. First, they suggest cooperative efforts can boost marketing when extensive uncertainties and multilayered interests exist. Second, they show that relationship building – via soft marketing strategies like Guanxi, reciprocity and emotional interaction – can smooth out marketing processes (Lee and Dawes, 2005; Yan and Hyman, 2019). Third, their success confirms the value of business diversification. Fourth, they suggest parallel frameworks for understanding pre-1960 marketing by Chinese restaurant and laundry businesses in the USA, Irish or Italian

bootlegging during Prohibitionist periods, pre-WWI cattle ranching in the US Midwest, ethnic – or project-based prospector groups (and related businesses) during the two US gold rushes and marketing ethnic enclaves in globalized metropolitan areas (e.g. Italian, Latin American, Japanese or Chinese food in the USA). Fifth, Shangbangs reinforce an organization's ability to advance societally preferred values that boost its social acceptance, branding and internal marketing. Finally, their holistic adoption of marketing resources in pre-1949 China, haunted by intense social changes and chaos, can inform contemporary marketers' adaptive and nonlinear strategies. Studying inter-Shangbang resource sharing can inform contemporary marketers about strategic alliance building, operating profitably within a sharing economy and intra-corporate cooperation for exponential organizations (Reynolds-Pearson and Hyman, 2020). For example, multiple small Shangbangs that merged into a large Shangbang (e.g. Huizhou or Shanxi pawnbroking or traditional banking networks) outperformed their major business rivals by sharing business information, business networks, marketing channels and human resources.

CHRM provided a critical understanding of historical marketing that undergirds the present study (Yan and Hyman, 2018). Scrutinizing Shangbang-adopted marketing innovations contributes to the cultural and structural analysis of marketing management and strategy for organizations operating in non-Western markets (Hamilton and Biggart, 1988). As neither formalized hierarchical companies nor family businesses, Shangbangs were malleable marketing networks designed to plug the "structural holes" between transaction parties with complementary resources (Burt, 1995). Plugging these holes demanded flexible strategic decision-making and responsive organizational structures. Hence, a corporate-focused analysis is, at most, *a* way but not *the* way to explore marketing history within its social context.

This study deepens knowledge about marketing-related activities embedded in a non-Western context replete with market uncertainties, regional differences and conflicts and social chaos (Huang, 2007; Yan, 2013). The structure posited here captures Shangbangs' shifting, emergent and context-sensitive connotations. Its scrutiny furthers marketing theory by offering an alternative interpretation of flexible specialization-based marketing beyond Chandlerian mass marketing, mass distribution and mass consumption.

This analysis may inspire researchers to explore certain foreigner-based Shangbangs in pre-1949 China. For example, exiled Jews formed groups directing banking, hoteling and tobacco and cigarette marketing in Shanghai, Tianjin, Hankou and other Chinese metropolises. How the Japanese in China formed Shangbangs engaged in opium and silver coin smuggling along the Chinese coast or how oft-neglected groups of people *BaiE* (or *White [anti-communist] Russians* migrated to China and other countries after the Soviet revolution) engaged in cigarette, tea, beer and restaurant marketing in Shanghai, Tianjin and, especially, northeastern China (or Manchuria), should prove informative. Why wealthy expatriate Chinese returned to form or finance Shangbangs to market grocery stores, banking, department stores and the like should also prove interesting (local gazetteers, various issues; NHL, various issues (SA and SSAZ, 2010).

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Further reading

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