

Invading customers and business governance: new market relations

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Abstract

The article illustrates how the traditional separation of market roles between customers and companies is rapidly narrowing, thanks to a new distribution of power among the various actors and the growing presence of brands and products in the creation of individual and social identity. The profile of the invading customer is traced in both B2B and B2C markets, and defined by the increasing pressure put on by customers to participate in company decisions that involve them. Organizations find it very difficult to manage these new governance relations and try to raise defensive barriers against this type of invasion. The risk of this behavior, however, consists in transforming an important opportunity for renewal and competitive advantages into a conflict. Some companies are following different paths in order to manage invading customers in a positive way, but these paths still do not still appear totally clear and well-defined.

Key words: Market relationship, consumer behavior, marketing strategy, governance.

Change in traditional paradigms of the company's market orientation

The paradigms that have dominated marketing for so long are based on the historical passage from an orientation dominated by internal business logic based on production and sales to an orientation dominated by external logic, meaning the market.

According to this type of orientation, consumers do not buy things, they buy the satisfaction of their needs and requests. The managerial consequence of this is that each person within the organization must be focused on the customers' needs and requests, since the company's fundamental objective is to have satisfied customers and achieve profits.

This model of exchange, however, is concentrated on goods, where value is determined by the market and the company must manage relation functions in order to obtain an optimal output. Optimization techniques emerge in marketing and their use is widespread and based on the marketing mix paradigm. The traditional market approach through the four "P"s model foresees that the customer be someone to

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whom an offer is addressed; this offer can be accepted if it is perceived as being of value. The model itself does not explicitly include any element of interactivity with the customers, nor does it consider the possibility of bonds, relations and networks with the customers. The marketing mix is actually a list of marketing tools and variables that unrelentingly becomes longer and longer in time, in the vain search for completeness and adaptability to any type of business situation. Starting from four components (Product, Place, Price, Promotion), various experts have proposed six, adding Public Relations and Politics, later going on to nine, by adding People, Physical evidence, and Process (Kotler, 1986). The list still does not seem to end here and also shows a sort of grotesque rigidity in the use of the letter "P". This remains, however, an oversimplification of the various company realities in market relation management, which reveals itself to be very incoherent in its company applications. A number of subcomponents are spread within each component, thus showing an expansion process that tries to make up for the fact that the model is clearly obsolete.

These marketing paradigms are formed in a market situation with several prevailing characteristics. First of all, they refer to mass markets, divided into macrosegments in which the supply of packaged goods is preponderant and where mass media and push communication prevail. In general, push strategies, according to this point of view, dominate market relations between companies and customers.

The market's characteristics remained compatible with this approach until the 70's. Marketing's reply to the evident changes that took place in market relations does not question these marketing paradigms. In fact, only some slight modifications have been proposed to face a more complex market situation: this on the one hand results in this reply not being completely correct with respect to the situation being referred to, while on the other hand it opens up numerous new marketing management paths that companies can follow (Cova et al., 2007).

Mass markets continue to separate into niches that are increasingly specific and limited, consequently stopping their dimensional development due to a demographic slow-down and the competition's and, therefore, the supply's exponential growth.

Each company can count on a decreasing number of customers. From an expanding supply, typical of mass markets in the 60's and 70's, we have arrived at a decreasing supply that is typical of the 80's and 90's. The element represented by market scarcity is no longer given by products, but rather by customers. Customers continue to decrease and are not easily substitutable.

As a result, the type of relation with the market and the customers themselves has completely changed. From a condition dominated mainly by a generalist supply, a change has been made towards a segmented and differentiated supply in the search for solutions that are increasingly customized.

From a marketing oriented type of approach, characterized by mass marketing policies and the marketing mix paradigm, companies try to shift to a customer oriented approach characterized by relationship marketing (Gummesson, 2002).

Relationship marketing introduces a virus in previous marketing paradigms, direct attention towards direct relations and, therefore, towards exchange of

information in a sort of conversation between companies and customers (Levine et al., 2000).

In the past, the consumer was considered invisible, and such consideration was the basis for a substantially univocal relationship between company and customer, with the customer having the power only to accept or refuse. The customer could not intervene directly on the supply, but only indirectly through requests gathered by marketing research activities. Now the consumer, on the other hand, is considered visible and identifiable though still isolated, and relations still must be established.

The market, a generic, non-distinct and standardized term, is transformed into groups of customers through the identification of subgroups or individuals. This means that the targets' identification and individualization process are increasingly sophisticated, as is the need to use specific language and various relational structures. This identification brings company and customers closer and leads to tighter relationships. Maintaining the customer becomes the key to the company's existence and development.

In fact, product supply basically tends to become functionally homogenous because of the relative ease of technological imitation due to the widespread use of common techniques regarding product manufacturing and distribution of services (Porter, 2001), a condition that is reinforced by information and communication technologies.

The substantial homogeneity featured in base product performance leads companies to search for differences in peripheral lines and elements that are not product-specific, thus building advantages based on aspects that are not as easy to imitate, such as customer service relations and know-how sharing processes.

Customer loyalty becomes an urgent need (Castaldo, 2002) and can take place through a relationship that increasingly strong and important and shifts the key to success from product supply to the creation of relationships. The product remains important, but its importance is not great enough and does not assure the customer's loyalty as does a combination created by the product and a strong relationship.

Although the marketing approach and paradigms that supported this approach until the 80's were founded on the consumer market's characteristics, the presence and voice of business to business markets were felt in the years that followed, after having been ignored or marginally considered.

The markets of industrial products offer the possibility to accelerate the direct relationship process between suppliers and customers since they do not present the obstacles that exist in end use. In fact, they are characterized by relatively few customers who are easily identifiable, contact costs that can be absorbed by the negotiation value, a strong need to personalize supply with respect to consumer markets. Here the limits that are set by high contact costs, a high number of customers, and the search for an acceptable level of supply standardization are evident. Moreover, the industrial market's characteristics lead to a strong emphasis on the reciprocal utility of loyalty and on service aspects as key elements in company relations.

In fact, what we are witnessing is a conceptual revolution: in those years, marketing was driven by business markets where innovation was born, and not by consumer markets. As a result, consumer markets were forced to try and adapt their marketing strategies and tools to what was developed in the B2B market, and in particular, through the relationship marketing approach (Gummesson, 2002).

Thanks to the Nordic School, we have discovered that industrial marketing is not compelled to adopt only a pale imitation of B2C marketing paradigms, but has its own road to follow leading to new general paradigms (Grönroos, 1997).

The market approach, therefore, is founded on the clear separation of roles between company and customer. In consumer markets, this is highlighted by the separate presence of distribution and by the customer's substantially passive behavior. In industrial markets, where separation is impossible to accept because of the need for customization, customer invading is limited as much as possible because it is seen by the supplier as a threat to his own independency and existence.

The trends described up until this point accelerate the offer's dematerialization.

In B2B, service elements connected with the product offer are constantly increasing and have become fundamental in the customer's choice of supplier. In B2C, value has been formed on the basis of immaterial components, thanks to the 80's lifestyles and the 90's brand identities. Society has become more dependent on services and the widespread of service experiences make relationship management, along with the customer's co-participation in production, the final offer's growing customization, and micro-segmentation, which becomes an increasingly close fragmentation, increasingly important.

This emphasis on the immaterial, service, customization, and brand identity leads to the company/customer role separation's reduction, if not its annulment. The customer, in fact, begins to enter the company following both functional motivations, especially in industrial markets, and values motivations, in the case of consumer markets.

The reduction of the company/customer role separation

Starting from the second half of the 90's, two dominating phenomena contributed to reducing, and in some cases annulling, the traditional company/customer role separation. According to this traditional relationship, the company offers products and the customer decides whether to accept the offer or not on the basis of distinct roles which cannot be confused as they even follow a clear path also favored by the distribution network: the company is responsible for designing, while the customer is responsible for deciding. The first phenomenon is the growing trend toward customization; the second concerns the Web's creation and widespread use. Customization requires relations and collaboration between supplier and customer, whereas the Web facilitates relations and communication in a way that was unthinkable until that moment.

These two engines strongly narrow the separation of the market actor's role and redefine the distribution role that had based its acquired power until then on the fact that it was situated in a key position connecting elements between production and consumption.

Customization and the Web both act in B2B and B2C markets, though at different speeds, with different modalities and with different penetration.

Customization is clearer and more evident in the B2B market, while more mediated and indirect in the B2C market. However, the Web revolutionizes relations in B2C markets much more even if adopted quicker in B2B markets, and it acts as an effective lubricant. In fact, while there is a consolidated tradition of direct relations between producer and user in industrial markets, this is basically a novelty in consumer markets. The consumer has always been identified as an invisible figure and a generic though segmented profile, with whom direct relations were not possible and probably not even desired. A position of informational asymmetry was maintained with the consumer, enabling relations to be dominated by the producer in spite of outward declarations. Direct communication systems used filters, for example toll-free numbers and relative call centers, whose main effect was to discourage conversation.

In the past ten years however, Internet has changed the market's structural conditions:

- Communication is low cost and easy;
- Communication is widespread;
- Communication cannot be controlled in traditional ways, therefore the company finds itself inevitably open;
- Customers talk among themselves in a structured way;
- Customers want to talk to the company and ask for replies.

The most revolutionary factor in terms of market relations is that customers are no longer isolated but come together to form various types of communities, which can be temporary, short-lived, permanent, etc. The balance of power has changed significantly, forcing companies to foresee the customer's need to become proactive by stimulating involvement and partnership with end users.

The growth of the customer's power according to some experts (Urban, 2005) defines the dividing line between two real marketing era known as the "customer patronage" era which was characterized by the patronage relationship strategy used by companies to satisfy their customers' interests. This was accomplished by providing customers with complete and disinterested information and giving them advice on which products are best for them, including a fair comparison with competitors' products, developing products with customers, and encouraging partnership relations that favor long-term loyalty. In other words, the basic idea was that by patronizing customers they would patronize the company in turn through the perception of value obtained by relations structured in this way.

The traditional marketing approach is much less effective when customers have their own tools for finding information on offers and companies, such as those that can be obtained on the Internet. Furthermore, consumers can often avoid being

exposed to companies' marketing efforts since they have more control on the flow of advertisement both inside their homes and during their daily life. This was made possible by "pull" behavior, as well as by selective perception, when searching for product information.

In facing customers' growing power a company can decide, according to Urban, to adopt one of these three possible strategies: a) amplify and reinforce the traditional push/pull marketing model; b) reinforce customer relations; c) involve the customer through loyal patronage.

In the first case, the company can respond to the increase in consumers' power through traditional marketing actions. Pull strategies can be contrasted by increased advertising (developed, in any case, through a push logic), and push strategies by aggressive price promotions. However, the media's fragmentation, the consumer's growing skepticism, the communication overload that consumers are subject to, and the pressure put on by time that characterizes contemporary lifestyles show how the push offered by messages and products towards potential customers who do not want them is already an uphill battle.

In the second case, a company can follow a relationship marketing¹ strategy by using an approach based on paying attention and listening to the customer. It can also use specific software that supports these efforts, making necessary data for one-to-one marketing available to companies, which contributes to the creation of a coherent interface with the customer. The ideal line of thought that underlies this strategy aims at the creation of a positive and tight-knit relationship with the customer, but often this strategy, on the contrary, leads to invasive marketing based on aggressive cross-selling.

In the third case, the company can decide to adopt a strategy based on customer patronage and becoming a credible representative of the customer's interests. By choosing this approach, the company provides the customer with effective and potential information which is open and complete with regards to both its own products and the competition's, thus giving the customer advice to best satisfy his needs. Patronage is not a way of speaking to customers, but rather a conversation and collaboration of value that considers that if the company credibly patronizes the customers they will show their recognition through long-term loyalty and purchasing. This is a partnership between the company and the customer that offers mutual benefits.

In this situation, patronage represents a possible reply to the evolution of relations between company and customer in an unchanged balance of power. The marketing approach is basically different. If traditional marketing is based on the understanding of customer needs and on convincing these customers to buy products

¹ Grönroos (1994) defines *relationship marketing* in the following way: "marketing is 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 fulfillment of promises". The concept of promise appears rather new and implies relation, conversation, trust and loyalty according to a long-term prospective, which is very different from the typical short-term transaction.

that have been developed for them by companies, patronage is based on maximizing the customers' interests and their collaboration. Despite the win-win expectation, this solution seems to be a bit idealistic at the moment.

Less money should be spent in advertising and promotional activities and more resources on product development and Internet community communication models.

Simon's position, however, still reflects more a state of research than operative company practice, since stickiness, obstacles and restrictions that oppose this strategy can be hypothesized. In any case, the attempt to find possible solutions to a changed condition to which companies still have not developed credible replies but only widespread fear and often defense reactions should be appreciated.

In reality, processes of collaboration or, in any case, of interference between customers and suppliers are expanding in both industrial markets and consumer markets regardless of the desires and fears of those involved.

In B2B, for example, company networks and relations extend and multiply.

Dominant marketing factors give more importance to the skills featured by actors and collaboration processes. Exchange is founded on values and the skills' transaction. An important aspect consists in the fact that the exchanged skills do not lie only in suppliers, but also in customers. Customer skills become increasingly valuable. Collaboration regards not only the exchange of information, but also its co-creation, co-development, co-production, etc. (Payne et al., 2008). As a result, relations based on exchanges become relations based on partnerships.

Moreover, there is a reduction in traditional role separations not only in case of the company/customer role, but also in the competitor/ally role. Marketing strategies begin to contain elements of both competition and collaboration (Gummesson, 1997). Competition "collectivizes", in the sense that it occurs not only among individual companies, but more frequently among business networks. In a business network, each node can be a part of other networks; therefore there is a high level of dynamism. Companies can be allies within a network, while competing against each other in other networks at the same time.

Furthermore, the network of company relations is so widespread and invading that it can no longer be rigidly controlled by top management, rather it generates benefits for all because of its ability to pervade all levels of the organization through interaction and distribution of power. In a society based on services and information, the management of network relations requires a new type of leadership that is different from the traditional industrial society's typical hierarchical structure. Since various operators can compete in certain areas and collaborate in others, the market needs a balance among three forces (Gummesson, 1997): competition, collaboration and regulations. Collaboration strategies have become part of the marketing plan (Vescovi, 2008) as do relationship strategies, thus creating further premises for the dissolution of traditional company boundaries.

In consumer markets, the search for differentiation and the shift of value from functional to symbolic elements towards brand and design, increasingly transform products into signs and components of personal identity. Identity and participation requests increase.

Ways to be invadent

Consumers assume a post-modern behavior as they attempt to counteract the anomie and de-personalization they have been subject to by the Fordist industrial society for decades. This regards the construction of communities and tribes (Cova, 2003) where brands become part of the consumers' identity and products become relationship and communication tools. In this situation, the Web makes the development of new groups possible and revolutionary: consumers can come into contact among themselves and speak to each other, build relationships and converse.

The end of the isolated customer, a typical feature of the consumer market, dramatically transfers power from the supplier to the customer through the formation of consumer communities. These communities require a very different type of attention and consideration for they acquire power, reputation, and a dominating influence in market decisions.

The "word of mouth" power that had been dormant for decades now becomes sensational, immediate, widespread and unstoppable. While companies that acted incorrectly previously lost one customer at a time, the Internet now provides a global space for unsatisfied customers that can provoke mass abandonment.

The Web's technology, however, can explain only part of the phenomenon that transferred power from the company to the customer and that erased the separation of their roles. A more important side regards the importance that brands and products have in defining identity. For many consumers, especially younger ones, brands have in fact widely substituted social structures, such as those relative to the area where they live, as well as tribal or religious structures, and have therefore become building bricks of their personality.

Solomon (2005) suggests that customers be recognized as stakeholders who have a significant interest in the company's success since the company has favored the consumer's brand loyalty. Not only are consumers fundamental in marketing decisions but they want to be listened to by the company that requests their loyalty.

In recent years, some attentive companies towards market changes have begun to consider consumers partners instead of just pawns in the transaction.

The actions taken by companies that are inspired by relationship marketing or permission marketing, for example, show the need to establish two-way communication with customers, but they make the mistake of concentrating on management efforts to inspire and aspire to dominate the conversation's nature and contents.

Consumers are trying to become involved in the marketing process by looking for brand identity, addressing their needs towards companies, and acting as product reviewers and distributors. In this way, they control the conversation and contribute to defining market rules. According to this prospective, potential customers act as partners in market research, development of new products, sales and other marketing activities according to participation marketing logic. Many managers, however, fear that this is interference and invasion on the consumers' part, instead of seeing this type of behavior as an opportunity to take advantage of.