

**5th International Conference of the
Academy of Business and Administrative Sciences
23-25 July 2001
Brussels, Belgium**

**Competitive Marketing Strategies in the
Era of IT-based Interactivity:
The Marketing of Services on the Internet**

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Abstract

Sheth and Sisodia (1999) have argued that marketing's context is changing dramatically, and Brodie, Brookes and Coviello (2000) have identified two major alterations in marketing practices as a result of this change in marketing's context: (1) the increasing emphasis on services and service aspects of products and (2) the increased role of information technology-based (IT) interactivity. Such alterations in marketing practices possibly contribute to what The Economist (2000: p. 64) has called "the textbook of perfect competition".

The present research paper focuses on competitive marketing strategies in the era of increased IT-based interactivity, in particular in the marketing of (supplementary) services on the Internet. The paper is concerned with the following two questions: (1) How can sellers of (supplementary) services differentiate themselves and create defensible market positions on the Internet? and (2) How can sellers develop, maintain and enhance long-term and profitable relationships with buyers?

Introduction

It has been argued that marketing's context is changing dramatically. For example, markets are increasingly globalised and deregulated, and the competition has intensified one reason being that markets have become saturated. Another example is that with the many new technological developments it is now possible to implement a more customer-oriented marketing approach (Sheth and Sisodia 1999; Kostecki 1994a; 1994b; Kotler 2000). All of these changes have a tremendous impact on marketing practices. In that respect, Brodie, Brookes and Coviello (2000) identified two major alterations in marketing practices as a result of this change in marketing's contexts: (1) the increasing emphasis on services and service aspects of products and (2) the increased role of information technology-based (IT) interactivity. Let us consider each of the two alterations.

Increasing Emphasis On Services And Service Aspects of Products

It is commonly believed that (supplementary) services are paramount when corporations wish to establish strong competitive advantages and skills of differentiation. Indeed, the buzzword “servitization of business” has been introduced by Vandermerwe and Rada, in 1988. Those authors suggest that the successful corporations will be the ones that develop services that customers seek and value and, therefore, are prepared to stay with the service provider:

“The best companies of the future will be those who find ways of developing services to create and keep customers and thereby sustain a competitive advantage.” (Vandermerwe and Rada 1988: p. 314)

In a similar way, Lovelock (1994) argues that services hold the key to future success no matter what the product is, and that every corporation now competes (or should be competing) in terms of services: Because of intensified competition and saturation of markets, core products / services are commodities, which means that supplementary services suddenly make the difference. And according to Kostecki (1994b), service activities are the most critical driver of competitiveness today.

Increasing Role Of Information Technology-based (IT) Interactivity

Information technology has deeply affected the nature of (supplementary) services and the way they are delivered. Bitner, Brown and Meuter (2000) suggest that the increasing deployment of technology is altering the essence of service encounters so that the “high-touch, low-tech” paradigm is no longer relevant when we see more and more “high-touch, high-tech” and “low-touch, high-tech” environments being created. Two examples will illustrate these environments. For the ‘high-touch, high-tech’ environment, improvements in technology are now supporting front-line employees so that they can better their efficiency. For example, the travel agent employs a shared world-wide platform for finding and booking flights, which means that the customer keeps an interpersonal contact with the travel agent (“high touch”) but, at the same time, technology is very much important in the whole service delivery process (“high tech”). For the ‘low-touch, high-tech’ environment, many different kinds of services have now become self-services so that the interpersonal contact no longer exists. And

so these kinds of services are limited to an interaction between people and machines (“low touch – high tech”).

The present research paper focuses on competitive marketing strategies in the era of increased IT-based interactivity, in particular in the marketing of (supplementary) services on the Internet. The paper is concerned with the following two questions: (1) How can sellers of (supplementary) services differentiate themselves and create defensible market positions on the Internet? and (2) How can sellers develop, maintain and enhance long-term and profitable relationships with buyers? First, we seek to identify the benefits and the risks of integrating the Internet in a service delivery process, and then we examine how, if at all, a corporation can obtain a competitive marketing strategy.

Impact Of The Internet On The Nature Of Services

Since the 1970s and early 1980s, services marketers came to realise that traditional marketing (that is, the 4Ps marketing) was incomplete and not fully appropriate when corporations moved from marketing products to marketing services (Iacobucci 1998). Since then, much research has been carried out in order to identify the nature of services and how it is possible to incorporate them into marketing programmes. The majority of this work has been done in “high-touch, low-tech” environments. At this time, academics and practitioners are being challenged in how services are marketed and delivered in “high-touch, high-tech” “low-touch, high-tech” environments.

Table 1 is the authors’ attempt of identifying some of the important features of services in a traditional marketing context, as well as in an era of IT-based interactivity. First of all, Internet reduces or even eliminates human contact in the service delivery process. Moreover, thanks to the Internet, thousands of service requests may be managed simultaneously in a customised way. Finally, Internet services are offered “round the globe and round the clock” (Walsh and Godfrey, 2000).

Table 1. Services – in a traditional marketing context and in an era of IT-based interactivity

Traditional marketing context	Era of IT-based interactivity
1. PEOPLE INTENSITY	
<p>A specific feature of services is their person-to-person nature: services are created by and for people (Iacobucci 1998). This results in heterogeneity: the experience of a service can vary from time to time. Moreover, often customers interact with the service provider so that services are characterised by a high level of interpersonal contact.</p>	<p>The Internet permits delivering services without human contacts, and although customers can interact with other customers they often do not meet physically. Indeed, many customers prefer to keep their anonymity while on the World Wide Web (Kozinets 1999). Technology then alters the interpersonal encounters and, in some, cases eliminate them (Bitner, Brown and Meuter 2000). This has tremendous impact on the heterogeneity of services and on service quality management one reason being that the Internet does not alter the service as do human interaction (Zeithaml and Bitner 2000).</p>
2. DEMAND MANAGEMENT	
<p>Because services are perishable, they cannot be inventoried (Kurtz and Clow 1998) and if demand exceeds supply the potential revenue coming from this exceeding demand is never realised. Finding the optimal capacity and managing the supply and the demand of services then become crucial.</p>	<p>Using the Internet as a service provider allows corporations to manage many service requests simultaneously by way of customising the service (Watson, Akselsen and Pitt 1998). The World Wide Web is an automated service provider and so the labour intensity disappears. Moreover, the Internet makes mass customisation possible: each customer may have what he wants, tailored to his specific needs (e.g., Walsh and Godfrey 2000; Watson, Akselsen and Pitt).</p>
3. SERVICE LOCATION AND ACCESSIBILITY	
<p>Services are characterised as being simultaneous (that is, services are produced and consumed at the same time), which means that services are most often produced and delivered at the service site. This raises the question whether all customers are treated equally (Dabholkar 1994). In some cases, the service provider may come to customers (e.g., an hairdresser goes to the customer's house, a doctor visits his patients at their homes / work places). In these situations, customers keep in touch with the service provider.</p>	<p>Thanks to Internet, a service can be performed by customers at their homes / work places and, in this case, the customers may put the emphasis on convenience (Dabholkar 1994). Moreover, services on the Internet are offered "round the clock and round the globe" (Walsh and Godfrey 2000).</p>

Main Advantages When integrating the Internet In The Service Delivery Process

Using the Internet as a service provider has a number of advantages four of which are discussed in more details below.

Mass Customisation

The Internet gives an opportunity to collect and analyse a large amount of information about customers and their habits, wants and wishes in a short time and at a relatively low cost, which enables the delivery of more customised services to each individual customer (e.g., Walsh and Godfrey 2000; Watson, Akselsen and Pitt 1998). Moreover, because the Internet to a large extent has self-service options, customers can define the service that they want more clearly and have it delivered it in the manner that suits their needs (Dabholkar 1991 as referenced in Bitner, Brown and Meuter 2000). The feature of customisation is important, as past research has demonstrated that customers expect and demand that services are customised (e.g., Bettencourt and Gwinner 1996 as referenced in Bitner, Brown and Meuter 2000). Indeed, Quinn (1996 as referenced in Bitner, Brown and Meuter 2000) argues that customisation is a key benefit of implementing technology:

“The ability to customise is one of the key benefits of implementing technology into the delivery of services.” (Quinn 1996 as referenced in Bitner, Brown and Meuter 2000, p. 142)

Constant And Relevant Dialogue With Customers

With the information about customers and their habits, wants and wishes, corporations are able to engage in a constant dialogue with their customers using the Internet (Walsh and Godfrey 2000). From these dialogues the corporations may obtain further individual information about their customers, which makes it easier to personalise the service process (Walsh and Godfrey 2000). There is a risk, however, namely that of receiving unsolicited communication.

Service Recovery

Service failure is almost inevitable - even for the best corporations – and this is why service recovery is important. It refers to all of the actions that corporations may take in addressing a service failure (Zeithaml and Bitner 2000). Research evidence suggests that a successful service recovery has a strong impact on customer satisfaction and loyalty. But service recovery is not an easy task one reason being that a minority of customers complain spontaneously, from 5 to 10 percent (Zeithaml and Bitner 2000). With regard to the role of technology in the service recovery process, Brown argues that technology facilitates and encourages customer complaints (Brown 1997 as referenced in Bitner, Brown and Meuter 2000). Moreover, the Internet generates more customer-to-firm and customer-to-customer complaints (Bitner, Brown and Meuter 2000), which makes it appropriate to suggest the Internet as being a powerful tool for service recovery.

Intimacy And Sense Of Being In Control

The Internet allows customers to perform services themselves and wherever they want. Dabholkar thus suggests that the Internet - as a technology-based self-service - offers privacy to customers. The feeling of privacy may facilitate customers subsequent adopting the Internet (Dabholkar, 2000). With regard to the perceived sense of control for customers using the Internet as a self-service option, one important factor is the degree of proficiency that the customers have with the Internet. The more a customer is technology proficient, the more he will perceive a high sense of control and a greater quality (Dabholkar 2000). For customers who feel uncomfortable with the use of Internet the easiness and the convenience of use then are crucial.

(In this paper we are not discussing the risks when integrating the Internet in the service delivery process although the use of the Internet as a service provider raises several questions such as issues of security and confidentiality; unsolicited communication; and a non-segmented approach to marketing.)

Future Research

As mentioned earlier, information technologies (ITs) are an underlying force behind many of the changes in marketing's context. And, as Lambin (2000) has noted, in the Internet market, the competitive environment is close to pure competition and the seller has no market power, which means that his potential for profit is non-existent in the long term – in particular because the behaviour of buyers is volatile since they, with a few mouse clicks, can compare different sellers' offerings. As a result, many dot.com organisations have gone to the wall. It therefore becomes important to examine issues such as the following ones: (1) How can sellers differentiate themselves and create defensible market positions? and (2) How can sellers develop, maintain and enhance long-term and profitable relationships with buyers?

When it becomes difficult for sellers to seek differentiation on the basis of their core products (i.e., the products have become commodities) or on the basis of a low price (i.e., a low price is not possible because of globalisation that results in intense competition), one way for achieving might be by offering supplementary services. Future research could evaluate under which conditions supplementary services might be considered a sustainable differentiator for sellers on the Internet.

Moreover, it is important for businesses to form relationships, and be part of networks. Future research could examine how it is possible to build competitive advantage in this regard. For example, how do businesses compete and co-operate within relationships and networks? Information technology now links companies and their suppliers, distributors, resellers and customers into networks of relationships and interactions throughout an industry's entire value system (a system already pioneered in Australia by www.ewinexchange.com.au). The use of information technology to manage relationships and implement a relational-based strategy should be examined.

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