

# Marketing and the Connected Customer

# Gerrit van Bruggen

Professor of Marketing, Rotterdam School of Management,  
Erasmus University



## About the EMC Academic Group

The European Marketing Confederation (EMC) is the organisation responsible for the bringing together marketing, sales and communication associations across Europe.

The aim of the EMC is to share best practice as well as promote and develop marketing, sales and communication as a fundamental business process.

The EMC's Academic Group was created to provide practising marketers with access to simple and straightforward academic marketing research, which could be used to enhance their own marketing strategies.

The group is made up of a pan-European network of senior marketing academics and practising marketers, who translate the latest marketing research into practice.

Through their articles, marketers operating at the coalface of the profession can learn about the latest trends and developments affecting their sector.

Each month EMC member associations publish articles summarising the key aspects of each piece of research they have analysed, so that practising marketers can choose to implement changes within their own organisations based on informed research.

We'd like to thank the latest contributor to this edition.



## Gerrit van Bruggen

### **Professor of Marketing**

Rotterdam School of Management,  
Erasmus University

Gerrit van Bruggen is a professor of Marketing at the Rotterdam School of Management, Erasmus University.

He studies the way marketing strategy and decision making can exploit the opportunities, which advances in information technology offer.

He has published articles in the premier academic research journals in both marketing (i.e., Marketing Science, Journal of Marketing, and Journal of Marketing Research) and information systems (i.e., Management Science, MIS Quarterly, and Information Systems Research).

He co-authored the book Marketing Management Support Systems with Berend Wierenga, which was published by Kluwer Academic Publishers.

He has been a visiting scholar at the The Smeal College of Business Administration, Pennsylvania State University and was ISBM (Institute for the Study of Business Markets) Distinguished Visiting Scholar at the same university.

## Contributor to this edition

Gerrit has also been active in a variety of administrative responsibilities (PhD director, Department Head, Dean of Faculty and Vice Dean) and is currently President of the European Marketing Academy (EMAC).

## Marketing and the Connected Customer



**Introduction: Information Technology and Marketing Advances in Information Technology (IT) have greatly affected the marketing function, creating opportunities as well as challenges for marketers.**

Initially developments in IT particularly affected decision making and the decision process. Scanning technology, increasingly faster and more powerful computers, and increasingly abundant storage space have all led to enormous amounts of available data, along with the capability to transform these data into information, insights and knowledge.

Not only this, advanced data analysis techniques and models have improved the ability of marketers to support the decision-making process, or even automate it.

For example, many online retailers now provide their customers with automated recommendations for complementary products and services, when customers order a product in their store. Making such recommendations one-by-one and on a person-to-person basis would be simply impossible for human decision makers. However, by exploiting data from previous customer purchases using new algorithms, product recommendations can be made for online customers, on a massive scale.

## Marketing and the Connected Customer

Besides the impact on decision making and decision processes, IT developments have also affected and changed the nature of the marketing process.

The most notable changes have taken place in the domains of marketing communications and in routes-to-markets.

Marketing communication has shifted from traditional mass media (e.g., TV, radio, newspapers, magazines etc.), where a one-to-many communication model was most common, to social technology platforms like Facebook, Instagram and Twitter.

On these platforms, communication patterns are much more decentralised. The model is no longer such that the marketer mainly sends out information, while the customer predominantly receives.

Instead, customers are now receiving and sending, they consume and produce information. Customers perceive other customers as trustworthy sources of information, even more so than the organisations or firms themselves.

This development has important consequences for the marketing communication process. Technology has also caused a dramatic change in the way customers buy, and thus in how firms should bring their products and services to market.

The model where all channel flows (i.e., the product, information and communication, money, and all kinds of service) basically run through one and the same channel (e.g., manufacturer, wholesaler, retailer, customers), has been replaced by omni- and/or multi-channel systems.





# Marketing and the Connected Customer

In these systems, many players participate in the process of creating channel service outputs, making the right products and services available at the right time and place, and in the right quantities. Customers may differ in the channels they use to look for information about products and services, and through which they buy, depending on the specific situation they are in.

Overall, we have observed a big shift towards online buying through e-tailers, platforms, or directly from manufacturers. Many traditional retailers and other types of middle-men have not survived because of too little and/or too late adaptation to this new reality.

At the same time, new firms and organisations have entered markets and were able to build strong positions very quickly by exploiting the opportunities that new technologies offer.

They were able to develop value propositions which were superior to many existing ones. For example, men's grooming start-up, the Dollar Shave Club, was founded in 2012.

Even though their product, razor blades, is quite traditional, their marketing approach of communicating through viral marketing (including a YouTube video), direct to consumer, and their subscription model of a monthly fee instead of a pay-per-purchase, led to over three million customers and a turnover of \$152 million US dollars in 2015, according to the Financial Times (June 21, 2016). The early success of the Dollar Shave

Club subsequently led Unilever to acquire them in 2016 for about \$1 billion US dollars.

## **Connected Customers: Control vs Engagement**

Now that technology has created so many opportunities for customers to communicate with each other, and customers are actually doing so, organisations and marketers have less control over what is being communicated in markets and among customers.

This can prove especially damaging to organisations when this communication isn't favourable.

Negative news and unfavourable communication spreads through markets very quickly. For example, in the last couple of years, United Airlines experienced how negative customer experiences can go viral very quickly, causing a great deal of reputational damage. The way they handled customer luggage (see YouTube for "United breaks guitars") and how they removed a passenger from one of their planes after being overbooked, caused outrage amongst actual and potential customers alike.

However, like negative news, positive news can spread fast as well, and it is thus increasingly important for marketers to make sure that their customers are not only buying their products and services, but that they hold favourable attitudes and perceptions of the brand too.

## Marketing and the Connected Customer



The latter has become especially important in today's connected markets. Whereas in the past, many firms aimed to create positive attitudes, and then convert these into positive feelings in actual (buying) behaviour, now more must be done.

In some senses, positive attitudes and feelings that did not lead to actual buying behaviour seem meaningless. Nowadays, positive feelings and attitudes are important in their own right too.

This is because people in markets do not only represent value through their own purchasing behaviour, but also because they may show referral behaviour towards other people.

Customer value (CV) is thus no longer rooted in the customer own's lifetime value (CLV) alone, but also in their impact on others, which is their customer referral value (CRV).

In order to maximise overall customer value, it is critically important that marketers create customer engagement, so that their customers feel attached to the firm, and that they are deriving value from the relationship they have with the firm.

To do this, marketers need to view their customers differently. Customers are no longer just purchasers of products who bring in money in exchange for products, and they are no long who the firm listens to especially when it feels it needs their input.



## Marketing and the Connected Customer

Instead, customers should be seen as part of the firm, and therefore in some sense, also as 'employees'. They are the ones who, through their influence, will play an important influencing role when it comes to the buying behaviour of others, and will be vital to the value creation process of the firm.

### Engaging the Connected Customer

Firms can engage their connected customers in various ways. Firstly, firms can develop so-called user communities in which their customers interact and share information with each other.

Most of these exchanges are probably directly related to a firms' products but this should not necessarily be the case.

Firms like Microsoft, Dell, Lego, and Ducati have created communities in which people

help each other when they have questions about or face problems with products. They suggest ideas for product improvements or even new products, and can answer question posted by people within firms.

These communities can be moderated by the firm, but this job can also be left to the people within the user community itself.

Ideally, these user communities are not just meant to organise firms' support functions in a cost-efficient way, where web care or marketing communication staff are solely responsible for the firm's involvement in the community.

Instead, and ideally, these user communities should form an integral part of the firm's value creating process, and a variety of employees should interact within them. For example, research and



## Marketing and the Connected Customer

development (R&D) teams and technical staff can interact directly with product users to address potential issues, whilst also creating insights into how products can be improved.

Management should also interact to emphasise the importance of their, and the firm's, relationship with customers.

Through community involvement, they can communicate about a firm's value propositions, values, vision and future, whilst making sure that these ideas are in sync with what their customers feel, think, and want.

Customer co-creation is a second form of active customer engagement. Here customers actively participate in designing products. These can be the products they design to buy themselves (e.g., customising shoes at Nike or branding Coca Cola with individual names) but also products designed by customers and then offered to the entire market.

For example, crisp maker, Lays, invited people to create a new flavour for their crisps in the Netherlands. After several iterations in which people were also involved, a winning flavour was selected and successfully sold in stores.

Such co-creation of products can offer more value to customers, because the products are more tailored to what they want. They can also prove to be more valuable, because they might contain unique elements. Just being part of a value-creating process itself

is helping to create value for customers, rewarding them in an innovative way.

When co-creation generates extra value at the customer end, it can also lead to enhanced pricing power at the supplier end, something which should appeal to many marketing and sales people.

And customer co-creation does not need to be restricted to solely to product creation either. Customers can also be involved in generating marketing communication - for example, Doritos let customers create their Super bowl ads. Price setting through pay-what-you-want schemes is another example of customers dictating the value proposition.

Viral marketing and electronic word-of-mouth are a third form of customer engagement in which customers play an active role in the communication process initiated by the firm, or surrounding it.

Spreading information through social networks using social technologies requires often only a fraction of the expenses that traditional media does. This provides start-ups and small to medium sized enterprises (SMEs) with the opportunity to compete with established, and often global, brands.

This was never the case previously, often because of a lack of sufficient media and marketing communication budget, which created barriers to market entry for many SMEs.

# Marketing and the Connected Customer

Furthermore, the effectiveness of customer transmitted communication can also be significantly larger. Since members of their social networks are often very trustworthy sources of information, communication that is received through them can also prove to be more effective.

Similarly, people in social networks might have better ideas of whom to share their information, with, depending on what they want to share.

## Summary

In today's markets, many firms struggle with how to create real competitive and sustainable value propositions for their customers.

Just offering great products and exciting brands may no longer be enough in many markets where barriers to market entry have also been disappearing. What is more, many markets have witnessed the potential for new competition or actual new entrants. Surviving in such environments will be challenging. Advances in IT and Social Technologies have been important drivers of these developments.

However, these technologies offer great opportunities for dealing with what may seem, on the face of it, as threats.

Increasingly, customers want to be a part of the firm and its value generation processes. Social technologies have created great opportunities for engaging the connected customer. This requires firms to re-think the role of their customers and the nature of marketing and value creating process.

It is no longer about sending and pushing, but about sharing, interacting and building and fostering customer relationships.

Facilitating rather than dominating the customer interaction processes is required. Marketing and marketers are at the core of the most challenging and most important and impactful developments in markets and firms. Those who understand this and act accordingly will be those who successfully dominate future markets.

Following on from these interesting observations by EMC Academic Group Professor, Prof. Gerrit Van Bruggen, we spoke to him to find out more about why he chose to focus on the 'connected customer'.

**1. There are many ways in which IT can influence how businesses market their products. Why did you choose to focus your article on the connected customer, specifically?**

Because, as I have argued, I think that social technologies are really fundamentally changing the marketing process, causing a paradigm shift. In many cases IT will just make things easier, cheaper and more efficient.

**2. What would be your top 3 tips for SMEs looking to improve customer engagement, using social technologies?**

1. Be where your customers are. You may not like Twitter or Instagram but if your customers do, you have to have a presence.
2. Enjoy customer interaction and see it as an opportunity, rather than a necessity.
3. Explore and exploit all possible ways in which you can make them part of your value creation process.

**3. What would you advise be to digital marketers, on how to deal with negative feedback on a public customer-facing platform?**

Welcome it and take both the feedback and the sender very serious. It provides an opportunity for improvement, and to show that you really care about your customers. No one expects firms to be perfect, but they do want you to take them seriously, so this means that the tone and content of your response will be crucial.

**4. In your opinion, what should be the first step in transforming a firm's customer interaction process?**

Make customers 'people' and invite them to your firm to meet and interact with employees across your entire organisation to get the conversation started.

Things like formal market research, Net Promoter Score (NPS), and social technologies are extremely useful, but it all starts with knowing and feeling who your customers are, and what motivates them.

## Contact us

We hope that you enjoy reading this edition. If you have any questions about the issues raised in this paper, please don't hesitate to contact us.

Germany	German Marketing Organisation (DMV)
Greece	The Hellenic Institute of Marketing (HIM)
Ireland	Marketing Institute of Ireland (MII)
Lithuania	Lithuanian Marketing Association (LiMA)
Russia	High School of Marketing, Business Developments and Economics (HSE Moscow)
Switzerland	Swiss Marketing (SM)
The Netherlands	Nederlands Instituut voor Marketing (NIMA)
United Kingdom	The Chartered Institute of Marketing (CIM)

European Marketing Confederation (EMC)  
Square du Meeûs 35  
De Meeussquare 35  
1000 Bruxelles  
Tel; 00 32 2 7421 780  
[info@emc.be](mailto:info@emc.be)  
[www.emc.be](http://www.emc.be)  
Twitter: @infoeumarketing

2018 The European Marketing Confederation. All rights reserved. The European Marketing Confederation is the umbrella organisation for marketing, sales and communication associations in Europe. Operating since the 1960s, our Brussels headquarters was established in 1993. Our mission is the promotion and the development of marketing as the fundamental business process leading to economic growth and prosperity and the improvement of the competitive position of Europe's trade, commerce and industry. We deliver our mission by defining standards for marketing education and training in Europe, with qualifications that are comparable and recognized across borders, supporting the science and practice of sales marketing and communication and providing a unique source of information, studies and best practice.

Articles produced by the Academic Group of the European Marketing Confederation (EMC). Copyright © 2018. All rights reserved. Editor: HAN Communications