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1. **Service Logic**

1.1 **Evolving to a New Dominant Logic for Marketing**

**Key Concepts:**
- Service provision is rather fundamental than goods
- Change from focus on resources on which an operation or act is performed (operand resources) to resources that produce effects (operant resources)
- Integration of goods and services
- Services are applications of specialized competences & captures fundamental functions of business enterprises -> applicable to all marketing offerings
- Resources are NOT, the BECOME => customer can be involved in entire value & service chain
- Not resources themselves are input to the production, but only services that the resources can render
- Consumers do NOT need goods BUT need to perform mental & physical activities for own benefit => services & operant resources = essence of economic activity
- Marketing is a firm’s core competence
- Value is defined by & co-created with consumer through relationships

**Traditional vs. New Marketing**

<table>
<thead>
<tr>
<th>Traditional (goods-dominant)</th>
<th>New (Service –dominant logic)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible output</td>
<td>Intangible</td>
</tr>
<tr>
<td>Discrete transactions</td>
<td>Exchange process is relational</td>
</tr>
<tr>
<td>Based on 4Ps</td>
<td>Relationships</td>
</tr>
<tr>
<td>Operand resources (produce an effect/factors of production/static &amp; infinite)</td>
<td>4 Ps just framework</td>
</tr>
<tr>
<td>Goods unit of exchange</td>
<td>Specialised skills &amp; knowledge</td>
</tr>
<tr>
<td>Customer is an operand source</td>
<td>Operant services (act on operand services/technology invisible)</td>
</tr>
<tr>
<td>Profit maximization</td>
<td>Continuous learning</td>
</tr>
<tr>
<td>Standardization</td>
<td>Identification/development of core competences</td>
</tr>
<tr>
<td>Outsourcing</td>
<td>Consumer oriented (customer centric/market driven)</td>
</tr>
<tr>
<td>Inventoried until demand</td>
<td></td>
</tr>
<tr>
<td>Value determined by producer</td>
<td></td>
</tr>
</tbody>
</table>

**Identifications**
- Identification of potential customers
- Sense & respond strategy

**Relationships**
- Relationships (collaboration with customer)

**Marketing**
- Marketing centre of business functions & disciplines

**Communication**

**Involvement**

**Cross working = learning process**
Foundational Premises (FP)

1. Application of specialized skills & knowledge = fundamental unit of exchange
   (Not consistent with Smith national wealth standard)
2. Indirect Exchange Masks the fundamental unit of exchange
   (Barely focus on customer – no interaction, division of labour micro specialization)
3. Goods are distribution mechanism for service production
4. Knowledge is the fundamental source of competitive advantage
5. All economies are service economies (close to 3)
6. Customer is always a co-producer
   (in using a product, the customer is continuing marketing, consumption, value creation, delivery process)
7. Enterprises can only make value propositions
8. Service-centred view is customer oriented and relational

1.2 Service-dominant logic: reactions, reflections and refinements

Key Concept
- In S-D logic, “services” is a G-D logic term = relationship between service & goods
  (goods are an appliance used in service provision)
- Difference between service (process of doing something) & services (units of output)
- S-D logic, common denominator of exchange
- Service = using one’s resources for the benefit of another entity
- S-D logic is investment in people (operant resources, long-term relationships and quality service flows
- Consumer NOT co-producer BUT co-creator of value
  o Value can only be created by the user in the consumption process
  - Value-in-Use

<table>
<thead>
<tr>
<th>Conceptual transitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods-dominant logic concepts</td>
</tr>
<tr>
<td>Goods</td>
</tr>
<tr>
<td>Products</td>
</tr>
<tr>
<td>Feature/attribute</td>
</tr>
<tr>
<td>Value-added</td>
</tr>
<tr>
<td>Profit maximization</td>
</tr>
<tr>
<td>Price</td>
</tr>
<tr>
<td>Equilibrium systems</td>
</tr>
<tr>
<td>Supply chain</td>
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<tr>
<td>Promotion</td>
</tr>
<tr>
<td>To market</td>
</tr>
<tr>
<td>Product orientation</td>
</tr>
</tbody>
</table>
1.3 **On defining marketing: finding a new roadmap for marketing**

**Key Concepts**

- Marketing must be related to strategy -> customer focus
- Need for new marketing definition
- Involvement in co-production leads to positive perception influence
- Value proposition = suggested value
- Customer value = Perceived value
- Suppliers SUPPORT customers’ value creation involvement in co-creation of value with customers by providing resources -> interaction

**Discussion**

1. Delivering value to customer
   - Not the value is delivered but PRODUCED by the customer when using products & interacting with suppliers in co-creation

2. Managing customer relationship
   - Implies that customer relationship exist BUT decisions lies in customer, some don’t want to be in a relationship with a company = not all customers can be managed as relationships

3. Marketing as an organizational functions
   - = marketing a separate department
   - No possibility to support customers’ value-creating process, no influence on service interaction, repair & maintenance, logistics
   - Need of link between marketing, operations & human resources (part-time marketers vs. full-time marketers)

**General guidelines (How marketing activities/processes should be planned and implemented)**

1. Promise concept
   - Exchange and fulfilment of promises
   - Promise making = traditional marketing activities
   - Promise keeping = responsibility of other organizational functions -> employees are involved in fulfilment of promises, regardless of their position
   - It is not the promises made as such that should be kept, BUT the individual expectations created by promises
1.4 Adopting a service logic for marketing

Key Concepts:

- Goods should not be solely marketed as goods but as services
- Customer references are influenced by resources & interactions
  - Not in the scope & responsibility of marketing anymore
- Consumption is outside the scope of marketing
- Successful interaction needed to ensure continuous exchange
- Marketing is several functions
- Service as a process support customers’ value creation
- Goods contributes to the service that support customers’ value creation
- Consumers experience is not created by one element alone but by the total experience of all elements

Nordic School approach of service marketing

- Interactive marketing
  - Not only customers’ interaction with physical goods BUT ALSO customers’ perception of elements of any interaction during consumption and production process
  - Interactions create co-creation possibility -> enable active marketing efforts directly during consumption process
  - Concept of part-time marketers (depends on knowledge, skills, motivation)

S-D logic

- Process where set of company resources interact with customer -> value creation
- Value supporting process
  - Making promises about value that can be expected -> implementing these processes -> perceived value in process
  - Perceived value = quality perception takes place during consumption process
- Value-in-use notion = Potential value -> use -> value develops
- Making promises but also facilitate promise fulfilment = integral part of marketing
- Value proposition = SUGGESTION followed by an offering fulfilling expectations created by suggestion
  - Future value (suggestions) is one thing BUT value fulfilment another (keep them apart from each other)

G-D logic

- Closed production processes -> customer only perceives good as outcome
- No interaction -> just focus on core product
- Consumption is a black box, marketer doesn’t know what is going on after purchase
- Value-in-exchange
1.5 The Utility of the Relationship Metaphor in Consumer Markets: A Critical

Key Concepts

- RM is a trend
- RM mainly managed through technological developments (www, databases)
- Interaction is NOT between people BUT customer and organization => domain extension
- Relationship marketing = technology based approaches
- Relationship building = interaction marketing
- Exchange between consumers & organizations are not just interpersonal relationships but also attributes of interpersonal relationships help to understand exchange
- RM should just deal with situations involving a high degree of interpersonal interaction & metaphors should just explain exchange in a mass marketing context

Problems in implementing RM

- Large numbers of anonymous consumers
- Limited opportunity for interpersonal interaction
- Word relationship is used in every given context (literally & metaphorically)
  - Surface for interpretations
  - Intended meaning of author can get lost -> difficulties to compare

Metaphors

- Metaphoric concept = borrowing of concepts to understand interactions in a commercial context -> facilitate communication by enabling us “to portray ideas
- Explaining vague concepts in terms of those with which people are familiar
- Language of marketing
- Represents a particular truth

Critique

- No correct appropriateness & utility of domain extension
- Unequal relationship in terms of power (narrow conceptualisation of exchange pretend to have equality between parties
- Language of strategy, tactics, power co exist with trust, harmony & commitment
- To know everything about the others BUT to keep information about yourself
- Interpersonal relationship metaphor is just inactive
2. Quality Management in Services

2.1 Marketing services: the case of a missing product

Key Concepts (How is the quality of a solution perceived by consumers of services)

- Service firms don’t have products -> process is solution
- Customer perspective -> process itself and outcome counts
- Good quality = outcome (what) & process (how) + image has impact
- Service process itself & outcome is solution to customer problems
- Perceived service quality = understanding of how to develop service
- Customer satisfaction = evaluation

Production Process (Outcome consumption) vs. Process Consumption

- Closes process - no direct participation
- Promise fulfillment -> product features
- Full-time marketer
- Features do not change
- beginning lack of info = missing product
- adjustments & open process
- individual treatment
- part-time marketers (cross functional)
  - Knowledge of employees
  - Set of resources + competence

Concept of perceived service quality

- Perceived service quality construct is not a synonym of customer satisfaction
  - Based on single service process
- This construct can also be seen as missing product
  - Perceived quality comes first, then satisfaction with quality
2.2 Communication and Control Processes in the Delivery of Service Quality

Why is it difficult to deliver consistently good service quality?

Key Concepts

- Service quality is not measurable, countable, tested, inventoried
- Performance of service relies on employees, customer and situation
- Quality occurs during service delivery

Service quality model (Gap-Model)

Consumers’ quality perception is influenced by a series of 4 distinct gaps within organization

Gap 1: Difference consumer expectations & management perceptions of consumer expectations
  - Extent of marketing research orientation (-)
  - Extent and quality upward communication (-)
  - Levels of management

Gap 2: Difference management perceptions of consumer expectations & service quality specifications
  - Management commitment to service quality (-)
  - Setting of goals relating to service quality (-)
  - Task standardization (-)
  - Perception of feasibility for meeting customer expectations (-)

Gap 3: Difference between service quality specifications & service actually delivered
  - Extent of teamwork perceived by employees (-)
  - Employee-job fit (-)
  - Technology job fit (-)
  - Extent of perceived control experienced by customer-contact person (-)
  - Extent to which behavioural control systems are used (-)
  - Extent of role conflict experienced by customer contact personnel (+)
  - Extent of role ambiguity experienced by customer contact personnel (+)

Gap 4: Difference between service delivery and what is communicated about the service
  - Extent of horizontal communication (-)
  - Propensity to overpromise (+)

Gap 5: Perceived quality = difference between consumer expectations and perceptions -> depend on size of the four gaps

Extended Model

- Use of SERQUAL to measure service quality (tangibles, reliability, responsiveness, assurance and empathy) -> indicators for perceived quality
2.2 A Conceptual Model of Service Quality and Its Implications for Future

How to measure service quality

Key Concepts:

- Traditional: quality = doing it right the first time
- Characteristics of services are:
  - Intangibility (not countable, measurable….)
  - Heterogeneity (performance varies from customer to customer….)
  - Inseparability of production and consumption
- Service quality is more difficult for the consumer to evaluate than goods quality
- Service quality perceptions result from a comparison of consumer expectations with actual service performance
- Quality evaluations are not made solely on outcome of a service BUT on process of service delivery
  - Technical quality (what is customer receiving)
  - Functional quality (which manners is service delivered)
- Service quality is produced in the interaction between a customer and elements in the service organization (Lehtinen)
  - Physical quality
  - Corporate quality (image or profile)
  - Interactive quality (interaction)

GAP Model

- All gaps have an impact on consumer’s evaluation of service quality or affect service quality from the consumer’s point of view

Perceived Service Quality Component (Service quality determinants)

- Access, Communication, Competence, Courtesy, Credibility, Reliability, Responsiveness, Security, Tangibles, Understanding/Knowing the customer
- Perceived quality = result of the consumer’s comparison of expected service with perceived service
- Consumers rely on experience properties when evaluating service quality
3. **Augmented Service Offering (ASO)**

Understanding the totality of the service-offering from CUSTOMER Perspective (conceptual model)

### 3.1 *A Conceptualization and Study of its Impact on New Service Success*

**Key Concepts:**
- Purchase of service is not just influenced by the service itself, but the whole package
- Goal is to create advantage through service augmentation
- Service augmentation helps the company to improve
- Marketing is used to provide balanced contribution
- Service product is not key success factor
- Definition of new product success from customer’ perspective

**Specific aspects of service offering**
- New service success through
  - Staff expertise & enthusiasm of frontline staff (understand the market)
  - Definition of target segment
  - Clear benefit concept
  - Highly focused delivery system
  - Clear image for the service
- Effects customers’ perceptions regarding to:
  - Tangible evidence
  - Firm’s reputation (backed up with good communication strategy)

**Components:**
- Core product = Service product = Technical = WHAT customer receive
  - Basic service package (descriptions & product characteristics)
  - Reason for service
  - What customers receive
  - Effects opportunities
- Service Augmentation = Functional = HOW it is received
  - Not extra but part of the total offering
  - Impact on service process & service process
  - Interaction with firm + accessibility of service
  - Service is not created until customer interacts
  - Part of which the customer is aware of -> responding
  - Non-product characteristics
  - Effects profitability
- Marketing support (customer not aware of)
  - Action affecting quality & augmentation
  - Recognition of all factors that may affect success NOT just actual service
  - Contributes all aspects
  - Identification of success factors NOT just components for actual service
  - Provide context
Benefits are:
- Financial
  - Product-based
- Non-direct
  - Improved company reputation
  - Enhanced customer loyalty
  - Moving the company in a new direction
  - Increased consumption of existing products (retain customers)
3.2 The NetOffer model

Key Concept:

- Different initial situation due to internet characteristics
- Quality of an Internet offering depends on perceived quality of process + outcome
- Accessibility & interaction elements merge into one communication element

Adjustment of model

- Core service (reason for being=)
  - Peripheral service
    - To enhance value of offering
    - Source of differentiation
    - Facilitating & Supporting (tool for differentiation)

- Basic service package
  - Accessibility of the service
  - Interaction between customer & company
  - Customer participation in the service process

- Supporting services
  - Level 1: interactive relationship (direct email – most effective)
  - Level 2: one-way communication (newsletter)
  - Level 3: extras, innovative process (trailers)
3.3 **Grönross: Augmented Service Offering**
How to develop service offerings that are geared to customers’ perceptions of service quality

**Key Concept:**

- Missing service product: services as bundle of outcome- and process-related features
- Production of service is not separated from consumption of service
- Customer-centric -> how the customer perceive interaction & what customer receives
- Includes a dynamic aspect
- Implementation of desired performance (outcome of the ASO) involves creation of sufficient resources & internal marketing

**Managing the service offering:**

1. Developing service concept = intentions of organization
2. Developing basic service package = bundle of services needed to fulfil needs
3. Developing augmented service offering = interactions & co-production efforts
4. Managing image and communication = enhance the perception of ASO

**Basic service package**

- Core service = reason for being
- Enabling service = enable the use of the core service – mandatory
- Enhancing services = increase the value of the service / differentiation
- What customers receive = only outcome related features of the service
- Process has to be integrated into service offering -> augmented offering model

**Augmented service offering**

- Accessibility of service
- Interaction
- Customer participation
4 Communication / Interaction

4.1 Creating a Relationship Dialogue: Communication, Interaction & Value

Key concept:

- Relationship creates additional value for customer (e.g. trust, security)
- Information sharing leads to shared meaning (what parties can do for each other)
- Need of individual communication due to different customer needs (ability to listen to each other)
- One way message should contribute to the development of shared meanings & common field of knowledge -> reasoning together
- One-way message = reasoning together
- Planned messages & real interactions has to complement each other
- Product & service messages are created in interaction process
- Processes are influenced by unplanned messages
- No relationship marketing until integration of planned communication & interaction processes are one strategy

Dialogue:

- Interactive process of reasoning together
- Ongoing process
- Creates new knowledge + exchange of information
- Requires participation of involved parties
- Influenced through all kind of messages (planned, unplanned, services, product, absence)

Two communicative processes that are constantly in progress

1. Planned communication (Has to be consistent with messages sent during interaction)
2. Interaction process (physical products, service processes)

Learning relationship

- Continuous learning on both sides
- Helps to develop relationship dialogue
4.2 How Word-of-Mouth Advertising works

Key Concepts:

- Mass media can arise questions or define issues, be informative & entertaining, to some degree influence public opinion
  
  **BUT CANNOT**
  
  Shape or mold final analysis like personnel recommendations do

- Key words are friendship, trust & confidence -> can be created through intimates

- Consumers have a desire for truth
  
  - Informant is interested in “well-being” of listener
  
  - Recommender’s experience about product is convincing

- Speaker, listener & product have to fit each other

- Real meaning of a product is not just influenced through the used words, but also through emotions and body languages shown by recommender

- No Material is involved in recommendation (basis for getting people to listen)

- Companies have to motivate people to talk through e.g. shock of difference, presenting reality as it is, insider information, possibility for consumer to gain attention

- Companies have to stimulate WoM by proving intention without monetary hidden thoughts & by improving authentically relationship to product

- WoM consists of Speaker Motivation, Listener Motivation, Influential Groups and Intention

Few more details

- **Speaker Motivation**
  
  - Product Involvement (e.g. Excitement)
  
  - Self-Involvement (e.g. assurance from others)
  
  - Other-Involvement (sharing something)
  
  - Message-Involvement (e.g. presentation of product)

- **Listener Motivation** (has the impression that)
  
  - Recommendations aims for well-being
  
  - To convince of the product

- **Influential Groups**
  
  - Commercial authorities & Celebrities
  
  - Connoisseurs (listener influenced by speaker) & Sharers of interest
  
  - Intimates & People of Goodwill (interested in well-being)
4.3 Conceptualising communications strategy from a relational perspective

Key Concepts:
- Right use of communication -> maximise value creation
- Customers are empowered to participate in two-way communication -> greater demand in transactions & relationships
- Value from the relationship perspective = sum of the communication processes & outcomes the consumer integrates with brand relationship
- Key goal of customer is to be able to create value for themselves with support of firm
- Outcome of successful communication = customer perceived value which results from increased connectedness -> NEED OF TWO-WAY connection -> creation of new connection-> relationship is built -> value generated
- Important goal of relationship management is relationship enhancement -> enabled through dialogue -> win-win notion
- Consumer’s expectations become reality if the company keeps its promises created through communication
- Mutual value generation is the ultimate goal of service communication
- Value is created throughout the development phases of a relationship

Four distinctive sources of brand messages:
- Planned, unplanned, service, product messages
- Contact points between a marketer and a consumer

Trimodal conceptualisation of relationship communication
- Linkages among all communication processes & ability to affect shared understanding
- Focus on building, enhancing and maintaining the relationship
- Value is through increased connectedness -> build share meanings -> dialogue
- Modes of communication = perpetuating & transferring value in relationship context
5. **E-Business**

5.1 **Value Creation in E-Business**

**Characteristics / Benefits of virtual markets (also could be)**

- High connectivity
- Richness of information
- High reach – no boundaries – effects scope of company, opportunities for outsourcing
- Shared business processes – new forms of collaboration
- Extended product range – products complement each other
- Reduced transaction costs -> increases returns to scale
- Higher degree of mobility
- Low costs in information exchange
- Low costs marketing
- Close customer relationship
- Attraction of new customers / Generation of customer demand
- Improved order management
- Cost-effective communication

**Traditional vs. E-Business Value Chain**

<table>
<thead>
<tr>
<th>Traditional</th>
<th>E-Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>- value is measured by total revenue</td>
<td>- sequence of gathering, organizing, selecting, synthesizing &amp; distribution info</td>
</tr>
<tr>
<td>- value created by differentiation along value chain through activities lowering costs or raise buyers’ performance</td>
<td>- value creation results from new combi of info, physical products/services, innovative configurations of transaction</td>
</tr>
</tbody>
</table>

**Some theory**

- transaction costs include cost of planning, adapting, executing & monitoring task complementation
- transaction **efficiency** = major source of value creation (enhanced reducing costs)
- **RBV** = resource based view of firms = **complementarities**
  - Firm is a bundle of resources & capabilities
  - Combining complementary specialized resources -> value creation

- **Strategic networks = LOCK-IN**
  - Risk sharing
  - Generate economies of scale & scope
  - Knowledge sharing -> facilitates learning
  - Shortened time to market -> transaction efficiency -> improved coordination

<table>
<thead>
<tr>
<th></th>
<th>Efficiency</th>
<th>Complementarities</th>
<th>Lock-in</th>
<th>Novelty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value chain analysis</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td>Schumpeterian innovation</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Resource-based view</td>
<td>Low</td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Theory of strategic networks</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>Transaction cost economics</td>
<td>High</td>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
</tr>
</tbody>
</table>
Sources of value creation in e-business

Transaction efficiency (when cost per transaction decrease)
Reduction of:
- Marketing & Sales Costs
- Communication Costs
Influenced by lock-in

Creation potential of innovations (Schumpeter)
Strongly linked with LOCK-IN
- innovations are attractive
Also linked with COMPLEMENTARITIES
- innovations resides in their complementary elements (combination of resources & capabilities)
Link with EFFICIENCY

Extent to which customer are motivated to engage in repeat transactions
Extent to which business partners want to maintain and improve associations
Fostered by efficiency and complementari.

Have to be balanced
Presence of each value driver can enhance effectiveness of any other driver

New definition of business model

Innovation (novelty) act of “creative destruction
Value chain has to concentrate on processes that enable transactions (description of steps that are performed in order to complete transactions
Builds on resource-based view of the firm
Strategic networks -> link between network configuration & value creation -> value creation through network not the firm
Co-operation necessary element to enable profitable transactions

Table 4. Sources of value addressed by strategic network theory and business-model construct

<table>
<thead>
<tr>
<th>Strategic network theory</th>
<th>Business model construct</th>
<th>Content</th>
<th>Structure</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources that actors can access</td>
<td>Information and goods that are being exchanged</td>
<td>Network size</td>
<td>Ways in which parties are linked and exchanges are executed</td>
<td>Trust</td>
</tr>
<tr>
<td>Network density</td>
<td>Resources and capabilities required to enable exchanges</td>
<td>Order and timing of exchanges</td>
<td>Market mechanism</td>
<td>Reputation</td>
</tr>
<tr>
<td>Centrality of position</td>
<td>Nature of ties (weak, strong, bridging)</td>
<td>Nature of control mechanisms, e.g.</td>
<td>Trust</td>
<td></td>
</tr>
<tr>
<td>Nature of ties (weak, strong, bridging)</td>
<td>Locus of control of flows of information, goods, and finances</td>
<td>Nature of control mechanisms, e.g.</td>
<td>Incentives</td>
<td></td>
</tr>
</tbody>
</table>
5.2 Benefits, impediments and critical success factors in B2C E-Business adoption

Key Concepts:
- Success depends on creative link between firm’s strategy and supporting technology
- six core business goals
  o empowerment of customers
  o enhancement of trade
  o increases business agility
  o extension of enterprises in a virtual manner
  o evolution and invention of products/services
  o development of new markets/audiences
- problem develops when attention is just paid to technology than business process
- going digital is about serving customers, creating unique value propositions, leveraging talent, achieving order of magnitude improvements in productivity, profit
- E-Business strategy has to defined and supported by business strategy
- Challenges are
  o Channel conflicts
  o Legacy systems
  o Resistant business partners
  o Confusion on strategy
  o Corporate cultures prevent existing firms to change business practice
  o Minimal investment resources
  o Lack of commitment & in-house technical expertise
  o Quick respond to changes dictated by the market
  o Analysis of performance data collected
- Organizations just concentrating on online business face greater impediments in e-business adoption
- Absence of clearly defined performance measures for online businesses requires attention as well as technical issues relating to systems capacity & development of customer knowledge

Success factors are
- Combination of e-business knowledge and value proposition
- Replication of offline brand (direct association with brand)
- Building trust
- Measuring performance and value delivery
- Attention to customer satisfaction and retention (personal liaison)
- Monitoring internal processes and competitor activity

Benefits in online B2C context (customer & competition related)
- Improved customer education
- Deeper relationships with clients
- Increased usage of the website by customers
- Attracting new customers
5.3 Quality in new service development: Key concepts & frame of reference

Key Concepts:
- Competitiveness based on customer’s perception of quality in relation to cost
- Quality often most important in means of competition & prerequisite for satisfied customer & profitability
- Prevention strategy = quality is built in when new services are developed
- Life expectancy of quality shortens -> new technology, changing needs, increased demands
- Service = customer’s perception & opinion of the process & total result
- Customer affects the result in terms of quality and added value -> creates importance to design simple, customer friendly, pedagogic processes easy to learn
- When activities are transferred to customers -> productivity improves
- Service firms DON T provide services but the prerequisite for various services
- Service company DOESN T sell services BUT opportunities for services generated in customer processes and different customer outcomes
- Employees are company’s key resource (but they have to be convinced and motivated)

Customer concept / Customer orientation / Service development
- Goal of service development = attract & retain satisfied, loyal & profitable customer
- You have to understand them, their perceptions, needs and expectations (Dialogue)
- Create attractiveness / opportunities for the desired or the right customer outcomes
- Main task to create conditions of the right customer outcome
- Take care of internal customers
- Service quality = customers’ expectations are met and he is satisfied

Service prerequisites (Three main concepts)
- Service concept
  o Description of customer needs (Core service)
  o How to satisfy needs (Supporting Services)
  o Prototype for the service
  o Detailed description of what is to be done & how this is to be achieved
  o Specification of domain of needs (primary & secondary)
  o Correspondence between customer needs & service offer is crucial
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- Service system
  - Resources that are required in order for service process (customers, organization structure and system, management/staff, physical/technical resources
  - Model can be divided in interactive part (visible to customer) & support part
  - Affected by
    - Business concept, strategy, goals of company
    - Internal infrastructure (resources & competences & Distribution channels)
    - External infrastructure (laws, regulations)
    - Presence of competition

- Service process
  - chain of activities in order to produce service
  - company has not have direct control over all parts of the process BUT must be able to control entire process
  - Service process refers to prototype for various customer processes
  - Service process consists of a precise description of various standardised activities in the customer process -> Activities don’t take place until the customer activates the service process
  - Important aspect is the so-called line of visibility which parts of the service system the customer should and should not see during customer process
5.4 Dynamics of Click-and-Mortar Electronic Commerce

Key Concepts:

- General expectation that prices will be lower on web due to advantages
- Combinations of channels target different customer kinds and offer different kinds of service cost-effectively -> on-line channels may have spill over effects -> increased purchases in off-line channels

- Three basic click-and-mortar arrangements
  - B2B firms with their own physical retail outlets
  - B2B producers teaming up with a network of external physical dealer
  - B2C firms with their own physical channels

- General framework for synergy benefits:
  - Lower Costs (labour, inventory, promotion, distribution = delivery points)
  - Differentiation through value-added services
    (Prepurchase/Information Phase – inspections of products in off-line store & information complementing / Purchase Phase – more convenient Postpurchase Phase – network of service points)
  - Improved trust (risk reduction, embeddedness, brand)
  - Geographic & product market extension (Geographic, New Products, Buyer segment, Inventory expansion)

- Potential for channel conflict (little incentive to work cooperatively with e-channel)

Management Initiatives that facilitated Cooperation across Channels

- Create a consensus that an electronic commerce channel is needed
- Focus on the existing customer base & geographical communities served
- Attend to indirect benefits from e-commerce (image, customer loyalty…)
- Design organizational reward schemes that promote channel cooperation
- Actively cross-promote between channels
- Use each channel’s strengths by specialising services across channels
- Look for opportunities to create new dual-channel products and services
- Form alliances to close gaps in either channels
- Harmonize and ensure a minimum degree of interoperability between channels (Achieve a more seamless integration across channels, so that at various stages in a transaction both channels could be used – could begin online, fulfilled offline….
5.5 **How the Internet adds Value**

**Key Concepts:**

- Process of considering alternatives & comparing costs, benefits of various options
  - (Product reviews, catalogue customer evaluations)

**Other Key Concepts:**

- **Content as a Source of Competitive Advantage**
  - Internet captures vast amounts of content at a very low cost
  - Content only adds value if it contributes to the overall value proposition
  - Customer feedback (creates trust), gaining expertise, entertainment programming

- **Internet Business Models guide explains how Internet adds value & earns profit**
  - Commission-based = service for a fee
  - Advertising –based = provide content/service to visitors & sell advertising to customers to businesses – on-line visitors can interact with ads and content
  - Mark-up-based models = business that add value in marketing and sales by acquiring products, marking up price and resell product
  - Production – based = companies add value in production process
  - Referral- based = steer customers to another company for fee
  - Subscription – based = charge of a flat fee for providing service
  - Fee-for-service –based = companies that provide ongoing service, companies pay only for the amount of serviced used

- **Reverse auctions = many sellers bid for business of one buyer -> buyer power**
5.5 Lecture Notes

- Resources & activities can be dematerialized and unbundled in terms of place, time, actor, actor constellation AND then be RE-bundled into a NEW OFFERING

- Costs are: Hard-& Software, integration, reengineering, implementation

- Risks are: Complexity, actors, processes

- Profits are: Efficiency, effectiveness, transactions, relationships, added value

- Business Model Concept Elements:
  - Value proposition
  - Revenue mechanisms
  - Value chain
  - Value network
  - Target market
  - Competitive strategy
  - Elements are mutually dependant of each other -> make trade offs

Triangle of service marketing

How to design a process
6. Branding

6.1 Reframing brand experience: Harley-Davidson

Key Concepts:

- Branding = effective differentiation strategy that enables a statement of identification for the product, the firm and consumer -> competitive advantage
- Brands can develop distinct personality, iconic status with complex identity
- Raising consumer awareness of brand & communicating brand image enables consumer to engage with brand -> providing an opportunity for the corporation to build brand equity
- Brand consumption serves a symbolic function demonstrating who users are
- Iconic branding = deep cultural connection with brand

- Brand choice is not about choosing brand but about the meaning brands bring to consumers’ lives -> rather than being loyal to brands, consumers become involved with the brand and define what that brand means through actions This points differs from the co-creation focus ensuring that value meets consumer needs

- Through brand consumption -> consumers define brand while brand defines consumer (cultural authority is shifting away form the firm towards the consumer

- Not the brands creates loyalty but images and symbols (especially while consumption)

- Implication is to facilitate brand experience through brand communities & to give consumers space -> consumers have the right to construct what brand means -> consumer is necessarily central focus of marketing

Harley-Davidson Image

- Symbol of freedom
- Rebel image, mystique
- Brotherhood (looking for each other, powerful connection, social code, safe place)
- Every bike is a signature of its owner connected with pride
- brand experience comes within a social context
6.2 Conceptualizing product quality: the case of wine
How quality is conceptualized by consumers / How consumers formulate quality judgments

Key Concepts:

- Four main interpretations of concept for quality
  - Metaphysical = quality as excellence -> more absolute view of quality
  - Economics = price and value
  - TQM = no failures
  - Marketing = perceived quality

Framework for quality (ways in which quality can be understood)

- Interactionist perspective = essence of quality
  - Quality can exist in a number of modes at once, different modes intersect & interact to form an understanding of a product

Correlates of quality

- Impersonal (external to the consumer)
  - Attributes (elements of product)
  - Cues (signal product gives -> may lead to quality judgement)
  - Situation of consumption (time, mood, purpose of consumption)

- Personal (internal to consumer)
  - Value
  - Satisfaction
  - Consumer involvement level
6.3 The service brand and the service-dominant logic

Key Concepts:

- Within S-D logic the service brand is an important “off-balance sheet” asset

- Escape the firm and product/service-centric view to an experience-centric co-creation view = brand becomes the experience -> brand meaning can evolve for customer as a result of this co-creation of value

- Brands create value not only in end-consumer relationships but within network of marketing relationships

- Customer as an asset: marketing strategies focus on managing customer
  Brand as asset: closer integration with broader range of marketing strategies, within marketing networks, including supply chain relationships

- Brand meaning rather than brand awareness is major determinant of brand equity

- Iceberg above water line (15%) is what is visible about the brand to the consumer, logo and name / below water line unseen value-adding processes -> gives competitive advantage & create brand identity

- Value Triangle Model
  - Value equity: the end-customer’s objective perception of the brand
  - Brand equity: end customer’s emotional and intangible assessment of brand
  - Retention equity: customer’s repeat purchase intention & loyalty to brand (relationship equity – richer description of customer loyalty BUT doesn’t recognize integrating role that service brands play)

  - CUSTOMER EQUITY is pivotal

Value triangle (or three promises) framework (distinguish between three marketing processes)

- Making promises (external marketing between organization & customer)
- Enabling and facilitating promises (internal marketing)
- Keeping and supporting promises (interactive marketing)

- Service brand acts as a “relationship builder” and coming alive through interaction = service brand that is pivotal
- Customer-centric view & service brand perspectives should be complimentary

- Brand equity can have different impact on performance
  - Firms with major brands have brand equity with end –customer = Market governance strategy
  - Firms with minor brands better off forming relational partnerships with resellers = relational governance

6.4 Some Lecture Notes

- Marketing are perceptions in the minds of the customer -> perception is the reality

Brand Identity Prism (Kapferer)

- Physical facet
  - Product, features, symbols and attributes
  - Purpose of the brand
  - How does the product add value to customers

- Personality
  - Soul of the brand
  - What happens to the brand if it became a person?

- Culture
  - Brand is culture – every products represents this culture
  - Values feeding the brand’s inspirations

- Relationship

- Reflection
  - Customer’s perception of what the brand stands for
  - What does the user imagine while using the product

- Self-image
  - How the individual identifies the brand in relation to himself
  - Consumers use brands to enhance their identity
  - Consumers get attracted to brands in which they see their own
7. Internal Marketing & Service Culture

7.1 Selling the Brand Inside

Key Concepts:

- Internal marketing helps employees to have emotional connection to brand -> increases motivation & loyalty -> creates common sense of purpose & identity

Principle of internal marketing

1. Have the right moment for internal branding campaign

2. Link Internal and External Marketing – employees need to hear same message than to the marketplace -> gives direction & purpose -> create message unique to firm

3. Bring brand alive for employees -> create emotional connection, find out what people have in their mind to tailor campaigns

4. Campaigns must sound true, draw companies soul, reflecting what makes them come to work
7.2 Service Customization through Employee Adaptiveness

Key Concepts:

- Customization strategies -> providing customers with individually tailored products
- Employees must be convinced that understanding customers is important
- Importance of both, ADAPTING ONE’S INTERPERSONAL BEHAVIOR & SERVICE OFFERING ADAPTIVE BEHAVIOURS; focus is needed on both
- Adaptive job performance = examines how individuals deal with new conditions
  - Requires proactive employees evaluating tasks & comfortable with changes
  - Strategy is selected on characteristics of situation
- Key difference interpersonal adaptiveness & service personalization
  - Being personal when required and nonpersonal when desired (appropriate)
- Gaining of information through “information-gathering capability” -> gives insight to adapt the service offering & opportunity during encounter to adapt
- Adaptive behaviour (What is service employee adaptive behaviour)
  - Purposeful, situationally appropriate, important to customer satisfaction, difficult to perform and multifaceted
- Employees can adapt services by varying their interpersonal approach & the actual service offering to suit particular customer

Framework for customized service delivery

- Need of adaptive behaviour segmentation, recruitment of adaptive employees, Training & Motivation
7.3  From prescription to description: critique & reorientation of s-culture

Key Concepts

- Service management creates heterogeneous and conflicting cultures NOT coherent and consistent service excellence
  - Production of heterogeneous cultures, rather than coherent culture
  - Production of conflicting cultures
  - Prescription and description (takes heterogeneity conflict in account)

- Managers has to be able to manage different meaning – service organizations are too multifaceted for effective cultural engineering

- Managers should concentrate on understanding the culture of their organizations, rather than attempting to change that culture

- Literature on market-oriented culture ignores the pluralistic nature of organisational culture – connection between market-oriented culture and performance is weak

- Culture exists when the sense-making relating to a certain issue is shared throughout the organization

- Conflicts can arise through different principles & intensified by actions & reactions
7.4 A relationship-mediated theory of Internal Marketing

Key Concepts:

- Internal marketing is about relationship which encourage “learning organization”
- Organizations have to apply and to work with knowledge gained from the market
- Knowledge (also transfer & continuous) should be supported
- Most dominant emphasis is on measuring the state of being market oriented, not how to become market oriented
- Learning is the construction and reconstruction of meaning
- Problem solving: answer to every problem
- Puzzle solving: problems are context related – no correct answer
- Sharing knowledge needs mutual trust, commitment, obligation
- Knowledge renewal is the KEY

The Four Phases of the Internal Marketing Cycle:

Development of relationships within organizations

1. Begins with exchanges of mutual value between participants
2. Internal Marketing requires a process of learning activity
3. Relationship development mediates between learning activity and knowledge renewal
4. Knowledge renewal is purpose of internal marketing
5. Internal marketing gains legitimacy through external market relevance