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Mauro Cavallone

Marketing and Customer Loyalty

The Extra Step Approach



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Preface

This work focuses on the subject of customer loyalty and develops around the following research question:

“Is it possible to create/provide a product/service and at the same time make customers loyal by acting on the *delivered mix*?”

The research identifies an approach/model (TES marketing), which is particularly valid for the service sector, and enables the firm’s offer (*delivered mix*) to be reoriented by taking “The Extra Step” in this direction, thus having an impact on customer loyalty as well.

Consequently, loyalty becomes the final output of TES as a result variable in addition to the product/service that is created or provided and, in this sense, it represents the extra step as it allows the measures taken by the company to achieve customer loyalty to be made more effective.

This approach is put into practice by means of the TES marketing mix, which is implemented by means of a greater involvement of the customer during the production and fine tuning phase of the product/service.

A first version of the concept of TES marketing was identified by the author in 2008; to reach the result presented here, the existing literature was reviewed and analysed and the steps leading to loyalty were identified. The conditions were then formulated for the new model that represents the final aim of the research to create/provide a product/service and at the same time make the customer loyal. For this purpose, empirical research was carried out, especially on the elements of the TES marketing mix in order to verify the statements made previously.

This book is based on the analysis of the definitions of marketing formulated by colleagues over its first sixty-five years of life to identify some gaps and schisms between what is reported in the literature and what firms actually do in practice. The first part of this book deals with the steps of the buying process and the importance of the practices connected with customer loyalty, together with some suggestions linked to offer differentiation. Finally, a presentation is made of the elements to be monitored in order to identify the new approach of marketing, to which reference was made previously. The new approach is based on the concept of *strategic action*, an apparent oxymoron, which takes shape in the new approach of the TES

marketing mix and its variables: the product understood as *co-design*, the price as a *holistic value* created for the customer, advertising as an instrument of *cross-cultural communication* and distribution with the presentation of the figure of the *TES retail specialist* and of *e-tailing*.

In this way, TES marketing materialises as a new way of creating the offer and enables the elements of the existing marketing mix to be examined to pinpoint the appropriate lever on which to intervene (one or more “Ps”). The purpose is to make the buying experience such as to combine the provision of goods or services with loyalty, especially in those sectors in which the offer of the direct competitor is similar or comparable to that of the firm.

The examples given in this book are the results of observations and empirical experiments involving the firms of different types and sizes with greater reference to those dealing in the service sector especially in Italy as well as in Europe and the USA.

TES marketing presents a path, an approach, a way of working. To be effective on today’s market means making a significant and different type of effort in financial, intellectual and personal terms compared with the past. Making an effort involves hard work, but as Vince Lombardi¹ affirmed, “The only place where success comes before work is in the dictionary”.

Bergamo, Italy
November 2016

Mauro Cavallone

¹Vince Lombardi American football coach, New York, 11 June 1913—Washington, 3 September 1970 source <http://www.miglioriaforismi.com/2012/09/vince-lombardi-frasi-aforismi.html>.

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Thank you to my loved ones: to my wife Ludovica and our three sons Tommaso, Marcello and Vittorio, to my father Luigi and my mother Carmen who is greatly missed by us all.

Bergamo, Italy
November 2016

Mauro Cavallone

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Chapter 1

A Brief History of Marketing—65-Years of Journey from 1948 to 2013

Abstract This chapter presents an analysis of the evolution of marketing, from its birth to the present day, and a description is provided of the current state of the discipline. The aim is to verify the current role of our discipline and to consider the definitions of marketing formulated by colleagues during its first sixty-five years of life for the purpose of identifying some gaps and schisms that have been detected between what is stated in literature and what actually happens in firms. This chapter seeks to clarify the situation, verify the state of play and offer a possible solution and for this purpose it: (1) analyses the evolution of the concept of marketing as reported in literature; (2) defines a leitmotiv that has evolved over time providing the relevant key words for each phase; (3) reports some elements highlighting the evolution of marketing; (4) considers the gaps and schisms emerging from literature; (5) lists seven situations that have undermined the validity of what marketing stands for/represents/proposes. In particular, some motives or reasons are given that have weakened, impaired and at times even nullified the possibilities for marketing to make a winning contribution to the firm. All these considerations have provided a stimulus for reflecting on how marketing can return to being a guiding light acknowledged in the company and make a strategic and effective contribution to the market.

1.1 Some Considerations on the Current Role of Marketing

In this chapter, the aim is to verify the current role of our discipline and to consider the definitions of marketing formulated by colleagues during its first sixty-five years of life for the purpose of identifying some gaps and schisms that have been detected between what is stated in literature and what actually happens in firms.

The role of marketing has been the subject of considerable reflection: various scholars (Akaka et al. 2013; Fiocca 2006; Hakansson et al. 2004; Vargo and Lusch 2004–2008a–2014) have asked themselves what its function and its future are.

Amongst them, Cova et al. (2006) state that the debate on the matter has evolved over the last twenty years, referring in their writing to the article “Postmodern Marketing?” (Brown 1993) which presents some panaceas to the problems faced by marketing in firms. On this point, Kotler et al. (2012, p. 14) explain that the growing complexity of the organisations and of the markets requires, on the contrary, a form of marketing that does not refer to closed-door compartments. The fact of having coined a marketing neologism for every problem (or attempt at a solution) from authenticity to empowerment, from exponential to neural, from scarcity to undercover,¹ has certainly contributed towards raising some doubts regarding its aptitude as a useful panacea for every situation. It is acknowledged that customer orientation alone, a cornerstone of the discipline, does not by itself represent a *one fits all* solution.

At the same time, the perceptions and information collected from companies concerning the vitality and positioning of marketing, have reinforced the author’s conviction that it is currently undergoing a delicate phase of its existence.

If taken to the extreme, it may be affirmed that, on one side, strategic marketing seems to be losing importance and visibility as it is being jealously “restrained/withheld” in the decision centres of large multinationals (allocation of investments for the individual departments, definition of the mixes per country, analyses of the consumer insight and arranging the pre-chosen forms of distribution), while on the other operative side, it is “self-anaesthetizing” itself in routine activities (promotions, packaging, after sales, in store promotion, traffic building, etc.) which alone do not lead to that tangible added value which is so specific as to be perceived as a differential and considered “effective” in terms of final performance.

Despite the claims made by Kotler et al. (2006), when the combinations that enable marketing and sales to coexist more effectively are analysed, the distance between these two worlds is still evident. Apart from not always communicating with each other, they seem to have dichotomic objectives and are keen to show each other their worth. This opinion is also expressed by Meunier-FitzHugh and Piercy (2011) who, in a recent study, analysing the relationship between marketing and sales in a market-oriented logic, establish that only by reducing the distance between the two can a firm obtain both economic benefits and advantages in market orientation.

This chapter seeks to clarify the situation, verify the state of play and offer a possible solution. For this purpose, the following pages firstly:

1. analyse the evolution of the concept of marketing as reported in literature;
2. define a leitmotiv that has evolved over time providing the relevant key words for each phase;

¹In the article quoted, Cova et al. report neologisms linked to different types of marketing traced back over the period 1985–2005, identifying 82 different words collected by the authors in a “list of marketing panaceas”.

3. report some elements highlighting the evolution of marketing;
4. consider the gaps and schisms emerging from literature;
5. list seven situations that have undermined the validity of what marketing stands for/represents/proposes.

1.2 A Brief History of the Concept of Marketing

In order to give weight to the sensations reported at the beginning of the chapter, particular attention has been given to the conceptualisations relating to the building blocks and defining elements of marketing in order to understand its evolution and the various connotations it has acquired.

Observing the developments in reports on the subject over the last sixty-five years, an attempt can be identified to respond to the various contexts in which firms have had to deal in recent years.² By analysing the definitions of marketing reported between 1948³ and 2013 (the last official one being that of A.M.A.⁴), a common theme can be discerned covering all the most salient aspects of the discipline, which are:

1. the customer and his or her centrality;
2. the study of needs, requirements and expectations with reference to the customer;
3. the creation of products designed to satisfy such expectations;
4. customer satisfaction as a priority;
5. value creation for the customer as a profit driver for the firm;
6. operating while considering a marketing mix at the same time.

Moreover, it is important to remember some key concepts of marketing that emerge from literature, as reported below with reference to the authors, which help to mark the boundaries of the discipline still further:

1. customer satisfaction (McCarthy);
2. marketing as an entire firm (Drucker);
3. needs and wants (Kotler);
4. marketing as a company function for finding and retaining customers (McKenna);
5. cost/benefit ratio (Lauterborn);
6. distribution channel and interactive communication (Lauterborn);

²A discipline has also arisen around this subject that deals precisely with the history of marketing (see Hollander et al. 2005).

³Marketing is the performance of business activities aimed at and connected with the passage of goods and services from the producer to the consumer or user (AMA 1948).

⁴Marketing is the activity, the group of bodies and processes for creating, communicating, transferring and exchanging offers that are of value to the customers, partners and companies in general.

7. vision of the customer (Whiteley e Mulliez);
8. listening to the customer (Whiteley e Mulliez);
9. managing the process (Christensen).⁵

1.2.1 Some Elements Highlighting the Evolution of Marketing

The evolution of the concept of marketing emerges not only from the definitions stated previously, but also from the analysis of the authors who have dealt with the subject.

Firstly, Cozzi and Ferrero (2004) observe that marketing studies have been influenced by the changes that have occurred over time in the relationship between firms and their sales markets. As far as the discipline of marketing is concerned, phases can be pinpointed that also lead back to the concept of life cycle:

- the origins (1920–1940), with a production orientation;
- development (1950–1965), with a sales orientation;
- maturity (1965–1980), with a market orientation;
- re-orientation (1980–1990), with particular attention to strategic marketing, to trade marketing and to customer satisfaction; during this phase, radical criticism is also shown of the assumptions of the discipline, leading to the search for new paradigms in the sectors of industrial goods and services;
- evolution (1990–2004), guided by the change in the context that made new marketing strategies necessary as the previous ones had shown themselves to be partly inadequate.

An extra step can be added to this outline of the various phases of marketing highlighted by Cozzi and Ferrero (op. cit.) to bring us to the present day and the author proposes a sixth cluster in addition to the previous five:

- Topicality (2004—the present day) focusing on the new roles highlighted by Vargo and Lusch with the “service dominant” approaches, the new centrality of

⁵On this matter, it is also interesting to present the results of the study carried out by Gamble et al. (2011) on the evolution of the concept of marketing from the 1960s to the end of the 2000s, according to which the main themes of marketing are:

- satisfying customer needs/wants
- organisational activities
- exchanges
- goods and services
- organizational objectives
- identifying customers’ needs/wants
- customer profit.

the customer reported by Gronroos (“The customer is the value creator”)⁶ and the introduction of creative techniques for customer involvement which include “guerrilla marketing”.

According to the statements made by Cova and Cova (2011, 2012), one of the reasons why the discipline of marketing requires new approaches is because the customer has undergone a great evolution over the last thirty years. In particular, the authors point out the complexity of today’s consumption, highlighting three sides to the same: individualistic, hedonistic and creative. To this should be added a radical change in the dominant logic of marketing and, more in general, of the economy, which in the last twenty years, thanks to the interest of various scholars, has experienced an enormous process of renewal. Marketing has gone from the product-centric perspective to a service-centric one in which the focus has moved from the tangible to the intangible and from the product to the service, in the sense of a process of co-creation of value between firms and stakeholders (Vargo and Lusch 2004–2008a–2014).

Achrol and Kotler (2012) also point out how the evolution of marketing has highlighted the need to identify a new perspective for the discipline. According to the authors in fact, a passage is seen from a functionalist paradigm describing the institutions of marketing and their functions, to a marketing management paradigm centred on the processes and an exchange paradigm focusing on the relationships amongst different firms (Achrol et al. 1983; Dwyer et al. 1987) which represents the natural predecessor of the current paradigm of networks (Achrol and Kotler 1999; Iacobucci 1996).

There are numerous events that drive marketing to change over time and, according to Cozzi and Ferrero (2004), they concern:

- the growing demand for variety, variability, the demand for customisation and attention to value for money;
- the growth in the bargaining power of commercial mediators;
- the development and spreading of the new information and communication technologies that modify the balance of power in the consumer—firm relationship and open up new opportunities;
- the importance of intangible resources (such as the brand) to acquire competitive advantages;
- the need for marketing to spread within the entire organisation and not to concern just one specialised department.

In brief, the main marketing trends can be summarised as follows (Table 1.1).

To identify the dominant themes in the current concept of marketing, reference can be made to the research performed by Busacca and Cillo (2004) on a sample of 300 firms (200 in Italy and 100 in the rest of Europe). This study underlined the main factors perceived with regard to environmental complexity and the consequent

⁶Grönroos, Christian. “Service logic revisited: who creates value? And who co-creates?.” *European business review* 20.4 (2008): 298–314.

Table 1.1 The main marketing trends (adapted from Cozzi and Ferrero 2004, p. 62)

From	To
Adaptive approach	Pro-active approach
Sectorial vision	Holistic approach
Mass consumption	Product customisation
Unidirectional relationships	Interaction
Transactions	Relationships
Product differentiation	Value creation
Value exchange	Joint value creation
Functional approach	Procedural vision
Top-down processes	Bottom-up processes
Planning	Incrementalism
Product-centric logic	Service-centric logic

marketing priorities on which to work in order to compete successfully in the new context. The three main sources of complexity that emerged are:

- relational, in order to answer the needs of an increasingly attentive customer;
- competitive, linked to market saturation;
- technological, with reference above all to the management of a growing number of data concerning the environment.

From the above it emerged that the most critical marketing activities on which action must be taken concern first and foremost “understanding the customers and managing a lasting relationship with them” (Busacca and Cillo 2004, p. 141).⁷

In addition, amongst the urgencies referred to by the respondents, the need for an evolution is mentioned together with a serious rethink of marketing in the firm.

As early as 2007, Fabris referred to some elements concerning the evolution of the customer as the main “subject” of marketing studies. He affirmed that the great need for protagonism and the self-referential approaches lead to the hope in everybody’s expectations that whatever they receive or is offered has a (credible) semblance of uniqueness. Product customisation (suffice it to consider the innumerable choice of colour schemes offered by Lancia for customising its model Y, like other brands in the automotive sector) and communication (one to one marketing), especially in the field of promotions, represent a compulsory route nowadays for escaping the trap of undifferentiated marketing or marketing directed at a non-specific or even anonymous target audience.

Again referring to the driving force behind communication with the customer, for some time those dealing with advertising have underlined the importance of

⁷From an international point of view, the critical points may be even greater. On this point, Akaka et al. (2013, p. 5) have identified a series of complex aspects to which marketing must pay attention such as: “Issues with operating or expanding in foreign environments, Issues with moving goods across different countries, Consumer preferences across cultures, Intangible resources (e.g., brands, services), Convergence and divergence of communications and logistics networks, Emergence and growth of regional and global markets”.

modifying the ways in which the messages are created, suggesting a drastic change of perspective that no longer considers the customer as a target but as an entity to be approached, one to whom proposals are to be made and who is to be convinced and won over.

The instruments available to firms today mean that *one way* communication represents the latest option in ways to invest the budget. At the same time, in order to be coherent with the concepts at the basis of marketing itself, the first consideration to be focused on must be the uniqueness of the customer, his needs and his expectations of satisfaction (Cavallone 1991). Therefore, a dialogue should be sought in which the customer, as confirmed by Fabris (2007), is considered “a real interlocutor with whom to relate” in view also of consumer behaviour which identifies him as a “subject who is increasingly inconsistent in his choices” and exposed to the pressures of hyper-competition. In fact, the consumer shows increasingly undefined consumption and purchase behaviour, identifying himself perfectly with what (Ehrnrooth and Gronroos 2013) define as a *Hybrid Consumer*.

Therefore, to alleviate the complexity of the problem it is first necessary to set up a practical monitoring system to listen to customers’ actual changed needs and, consequently, modify the language with which they are addressed. Such language should be borrowed less from terminology linked to military strategies and tactics and closer to that of the people with whom there is a wish to establish a dialogue.

This latter dual aspect (considering the evolution of customers and the ways of communicating with them) confirms what will be stated in the third chapter with the presentation of the “information-relationship” matrix. At the same time, a proposal may be adopted that no longer considers the customer as being linked to a transactional perspective, but as an entity creating reciprocal value with whom a relationship should be established, as confirmed for some time by Grönroos (1997, 2000a, b; Grönroos and Helle 2012).

These introductory statements aim to clarify the evolution of the discipline and its development over time as a result of the changes that have taken place and it is the wish to comply with such changes that have encouraged the author to refocus on and reposition marketing.

1.3 Why Is Marketing Under Investigation Today?

1.3.1 Gaps and Schisms in the Concept of Marketing Reported in Literature

Despite the fact that actual evolutions have been pointed out, a leitmotiv has been maintained based on the undeniable centrality of the customer and new terminology and operative methods have been introduced confirming marketing as a discipline aimed at customer satisfaction, literature is not without its authors who have

expressed themselves to the contrary, highlighting gaps and schisms between what is referred to in books and the results of the application of such concepts.

As early as 1996, Morgan observed that when defining the conceptual foundations of marketing, numerous questions arose that still lack an answer and, in particular, the author summarises the following as the important questions still to be tackled:

1. the excessive schism between the theory of marketing and the practical applications;
2. the fact that marketing does not give sufficient recognition to the firm's responsibility towards society and the consumer;
3. a growing fragmentation of the topics dealt with by marketing;
4. the attention that is sometimes placed exclusively on marketing, relegating productivity and the capacity to innovate to second place.

Marketing underwent a profound evolution during the twentieth century and numerous contributions were made to it. However, this has led to a fragmentation which has often caused a loss of focus compared with the original core business.

Similarly, Wilkinson and Young (2002) notes how recent developments, for example with regard to international commerce, require the updating of some marketing theories in order to tackle phenomena that are not always completely new and may already have been studied, but which present themselves in a new form and, consequently, need to be "re-read".

In addition, Kashani et al. (2005) maintain that traditional marketing must be superseded as gaps have formed between the advanced practice of managers and the theory of the discipline. In particular, the fundamental factors necessitating an updating of the theory concern:

- the growing commoditization of products;
- the greater concentration of the markets;
- the power that sellers have acquired over time;
- the erosion of margins;
- the need to focus on value.

In the same way, also according to D'Andrea (2004), the traditional model of marketing is no longer valid due to the complexity, unexpected events and discontinuities characterising the new scenario.

As a result, the marketing expert finds himself having to face a scenario that is, in many ways, unprecedented and consists of:

- new types of consumers (Cova and Cova 2011; Ehrnrooth and Gronroos 2013);
- a service-centric perspective (Vargo and Lusch 2004–2008a–2014);
- processes of value co-creation (Grönroos 2012; Cavallone and Cassia 2012);
- the growing complexity of international markets (Akaka et al. 2013).

In fact, it is due to the above that various scholars (Kotler et al. 2006; Meunier-FitzHugh and Piercy 2011) underline the need to fill the gap that has been created between marketing and sales, especially in larger firms. The reasons that

have led to the current friction are twofold: on one side they are economic due to the need to share a limited budget and, on the other, cultural with marketing moving further and further away from the market due to a lack of dialogue with the sales force that possesses a large quantity of information on the customers.

In general, Kotler et al. (2006) distinguish four types of relationship between marketing and sales, based also on the size of the firms:

- undefined when marketing and sales have developed separately;
- defined when processes are created to prevent conflicts;
- aligned when, even though the boundaries of each activity are clearly marked, marketing and sales interact and are flexible;
- integrated when the two groups share objectives and methods and are really coordinated in their efforts to pursue them.

Although different types of relationship are involved as stated above, in the author's opinion it is necessary to mend the "fracture" that has been created between marketing and sales as described in the TES marketing model presented in the third and fourth chapters which suggests an integration of the two functions. This position is supported by the statements of Meunier-FitzHugh and Piercy (2011, pp. 294), who maintain that the main benefit of the collaboration between marketing and sales is represented by a greater focus on the market and better performance in terms of business.

In the first lines of this chapter, reference was made to the article written by Cova et al. (2006) concerning the panaceas of marketing in the sense of the plethora of neologisms that have been applied to the word "marketing" and introduced over time as further specifications and adaptations of the basic concepts of marketing and offered as bringers of solutions.

In particular, the authors categorise them in five subgroups which are shown in a model placing the Kotlerian view of the market at the centre. The five clusters of panaceas are shown here below in Table 1.2, accompanied by some types of marketing pertaining to them:

It is fitting to conclude this paragraph concerning the gaps and schisms in marketing with the model of the panaceas of marketing by Cova et al. as it clearly summarizes the situation that has arisen regarding the discipline in which everything, in theory, seems to revolve around it, as an old slogan for a mobile phone company used to say.

Table 1.2 The five clusters of panaceas

Definition of the cluster	Some types of marketing involved
1. Environment market	Ecological, social, renewable, environmental
2. Niche market	Ethnic, geo, tribal, family, viral
3. Client relationship	Data base, one to one, relational, trade
4. Subjective experiences	Emotional, cult, sensorial, olfactory
5. Competences of the customer	Permission, reverse, empowerment, value

1.3.2 Seven Situations that Have Weakened the Validity of the Proposals of Marketing

From the point of view of firms' experiences of marketing, the schism has, in some cases, been evident: on this matter, seven situations, motives or reasons are reported below that have weakened, impaired and at times even nullified the possibilities for marketing to make a winning contribution to the firm. These situations, which can be considered either individually or sequentially, partially or as the sum of one or more of the same, have emerged from the results gathered thanks to the author's contact over the last twenty years with Italian and international business realities that form a sample of well over two hundred cases. The seven situations are complementary to what has been described in literature and, at the same time, exemplify the actual state of the discipline.

The seven situations described below are:

1. Conviction fiction
2. Me Too
3. Study and apply
4. Marketing as the centre of power
5. Relational short sightedness
6. Lack (or fear) of contamination
7. Who is the customer?

1. Conviction fiction

Marketing has entered some firms only in a virtual way by means of a symbolic gesture: this applies to those companies that have limited themselves to including an "aesthetic" type of marketing, for example by modifying the company's organisation chart and showing the department only on paper.

In other companies, the definition/name of a real department has been modified (e.g., commercial, sales, data analysis) without altering the actual mission or work of the same. There are those who have even completed the symbolic gesture by printing the word "marketing" on the visiting cards of the people involved.

Those who do not believe in the department, but feel the need to show otherwise, have adopted this "conviction fiction" attitude: on paper the marketing area exists, but in practice it does not. These businessmen cannot lay the blame for their failures at the feet of the discipline.

2. Me Too

A second method derives from one of the simplest competitive options: imitation. In other words, the marketing department is set up following in the wake of rival firms or successful players who, on the contrary, have taken steps to set up a fully fledged marketing department within their company. As in every process of imitation, it is necessary to wait for the competitor to make his move in order to be able to react, prolonging the response time, and there is no opportunity to create an

effective competitive advantage. In fact, it is a known fact that whoever limits themselves to imitating others incurs fewer costs, for example in research, but never comes first in terms of innovation.

The actual difficulties of adapting the concepts of marketing to different sectors or defining competitive strategies specifically for them should not be forgotten.

Attitudes of this type do not create a culture of marketing within the firm and provide only an “improvised” image of the activities performed.

3. Study and apply

Realizing the importance of marketing, some firms have taken steps to set up the department, dedicating suitable facilities to it and have scrupulously followed the contents of marketing literature (the “sacred texts”).

Of the three attitudes examined so far, this is the best even if to guarantee the success of the department it lacks the support provided by involvement, a term that will be referred to several times in this book to identify the attitude of a firm that creates a competitive difference leading to customer preference. The simple adaptation to the business or sector of reference means that the results obtained, although positive, differ from the potential or expected ones. The Japanese have often been mentioned as users of this tactic (someone wrote, “they did what the marketing books written by Americans say”), an attitude that they were later able to modify, when they began to believe in marketing and invested significant resources in it.

4. Marketing as the centre of power

In yet other firms, marketing has been experienced as a centre of power, meaning, for example, that it has a budget at its disposal to spend (suffice it to consider market research and the purchase of advertising space in the media) or as an element of prestige, in the sense of an “American” style function that is trendy, brilliant and innovative. These elements too have shifted the focus of the activity away from the actual beneficiary of the discipline, His Majesty the Customer, to whoever enjoys such discretionary “power” which, in this case, is managed in a self-referred way.

In the more highly developed organizations, in terms of size and structure, such a method has also been interpreted as an instrument for measuring the level of power and for demonstrating that they handle considerable budgets: this has widened the distances between the various divisions rather than narrowing them.

5. Relational short sightedness

Relational short sightedness refers to an inability to identify the real importance of creating and handling interdivisional relationships, even with those departments that are not in direct contact with marketing, such as logistics, administration and production. This has contributed towards distancing marketing from the reality in which it is set and the lack of focus on the in-house customer (understood as all the other divisions) has further nullified the possibility for marketing to be seen as a catalysing department and one of leadership.

6. Lack (or fear) of contamination

The ostracizing effects of keeping an actual distance especially from the sales network and the lack of integration with sales, are another cause of the decline of marketing. In this case, short sightedness is not the right word, but rather blindness.

Despite having the best ongoing research instrument at their disposal in the form of a dedicated, in-house department such as sales which is constantly in contact with the customer (or with the customer's customer), often only a part of the enormous value offered (or obtainable) in the form of market information, supplied by such a department, is capitalized on.

In the light of these considerations, some questions arise spontaneously:

- Why has a sort of split occurred between marketing considered as “those who think” and sales understood as “those who do”?
- Why was it thought that the former should work in a qualitative way (needs analysis and definition of the insights) and the latter in a quantitative way (safeguarding the market by “offloading” the products)?
- Why has the actual complementarity of the two functions not been focused on?

The schism between company and market field is often considerable and the contrasts between sales and marketing certainly do not help to solve the situation, especially when one side accuses the other for failures (in the situations described later, some examples of such behaviour are given).

Nowadays, of the two functions the one that seems to have suffered more is marketing. While sales have returned to being fundamental as they bring the efforts made by the entire company to fruition, marketing is perceived as more theoretical and far from reality.

7. Who is the customer?

The question, “Who is the Customer?” may seem banal, however, it is a question that at times firms fail to ask themselves; for this reason, according to the author, a return should be made to the fundamental bases of marketing that affirm the centrality and “sovereignty” of the customer and imply an in-depth knowledge of the same. Reference here is not only made to the input provided by market research entrusted to consultancy firms, which has proven to be essential, but rather to the willingness of the management to understand who the customer is and what he wants by means of an intelligence operation in an aim to collect first hand information and assess the alignment between the firm's own strategies and “His” expectations.

The presumption of knowing what is “good and good for you” has, in some cases, made marketing into a function that no longer listens to the customers' needs, but establishes them itself.

How many companies actively monitor insights regarding customers' expectations and actually respond to what has emerged from them?

Here below several examples are cited that exemplify what, to say the least, may be described as short sighted marketing decisions.

Stillborn products

This is the case of a frozen food company which launched a “scamorza cheese and Treviso radicchio” pizza on a national level. Although the product was tasty and well made, it only met with the tastes of a limited and well defined target of customers. The same also applies to a whisky flavoured “walk and eat” ice-cream which was taken off the market for two reasons, one being it did not meet with consumers’ expectations as far as the flavour was concerned and, the other was due to the introduction of stricter highway code regulations regarding the limits of alcohol consumption.

Wrong pack sizes

A company launched a new size pack of oatmeal flakes on the market, but the product could not actually be placed on the shelves (as it was too tall compared with the shelf size). Moreover, the quantity of product in the pack had been calculated to cater for the average consumption rate and the habit of stocking up in a different country/continent to the one in which it was on sale.

The calculation of the average quantity consumed multiplied by the days of the week did not take into consideration the fact that consumers do not necessarily eat the same food for breakfast every day, but alternate with other products. Moreover, they do not necessarily have breakfast at home every day and breakfast at the weekend is not the same as the rest of the week (it is at different times and serves different nutritional purposes, etc.).

Although when it was launched the two-litre bottle of Coca Cola was coherent with the logic linked to the stocking up effect and savings on larger quantities, it could not be placed vertically in the compartment normally provided for drinks in the fridge for the very reason that, having been made in the same shape as the traditional design, it occupied more space. As a result, the bottle had to be placed horizontally in the fridge and, apart from taking up space that had not been accounted for, the beverage became more effervescent as a result of the movement involved for taking it out and replacing it in the fridge.

Today, the best selling bottle of Coca Cola is the half litre one showing that it is a drink for those “on the go”, in other words consumers drink it to accompany lunch o.o.h. (out of home) or a.f.h. (away from home).

Changing the packaging

A company asked a panel of customers to choose the new packaging for a seasonal product from amongst various alternatives. When the customers received the new pack they complained saying that it was worse than the previous one and that during the panel process it had not been shown to them as an alternative.

At the end of this list of examples, a doubt arises that perhaps the question, “Who is the Customer?” is more a request on the part of consumers who, dissatisfied with the treatment, offer or consideration received, ask the companies how much attention is actually dedicated to them: “Sorry, but who, in your opinion, is the Customer?”.

All these considerations together with the examples mentioned have provided a stimulus for reflecting on how marketing can return to being a guiding light that is acknowledged in the company and make a strategic and effective contribution to the market.

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Chapter 2

Strategic Action: Four Elements for Increasing the Effectiveness of Marketing Actions

Abstract The second chapter concentrates on strategic action and on the ways to increase customer loyalty and refers to: • two points linked to the uniqueness of the offer and the dynamics for managing the competitive advantage; • the four steps leading from the purchase to customer loyalty; • the analyses of the performance of and on the customer; • four methods for developing customer loyalty. These elements define the strategic action, understood as the fulfilment of the activities carried out to achieve customer hyper-loyalty. Such activities contain, in the way they present themselves, elements linked to the strategy underpinning them. To ensure the effectiveness of every marketing action, it is crucial to know and analyse the four steps (purchase, repeat purchase, retention, loyalty) that form the path leading from the purchase to loyalty as presented below. The objective stated is two-fold: on one side it is to analyse every single component as having its own significance; on the other, it is to identify, where possible, a common theme that is logical as far as content is concerned and sequential with regard to process and which defines the path followed by the “steps”.

2.1 Awareness of the Value of the Offer and Competitiveness

The picture painted of the current role of marketing in the first chapter, is the prerequisite for identifying the logic and techniques needed to achieve customer loyalty.

In particular, this chapter refers to:

- two points linked to the uniqueness of the offer and the dynamics for managing the competitive advantage;
- the four steps leading from the purchase to customer loyalty;
- the analyses of the performance of and on the customer;
- four methods for developing customer loyalty.

These elements define the strategic action, understood as the fulfilment of the activities carried out to achieve customer hyper-loyalty which contain, in the way they express themselves, elements linked to the strategy underpinning them.

2.1.1 *Awareness of the Value of the Offer*

“Why me exactly?” (“Io proprio io perché”)¹: the author was struck for the first time by this phrase, written on a stone, while travelling along state road SS125 leading from Maracalagonis to San Priamo in the province of Cagliari. In its simplicity, the short aphorism asks a fundamental question that incorporates the essence of competitive advantage (Porter 1990) to be offered to one’s customers.

This quotation represents the essence of marketing and integrates that of Bellucci (2015) affirming that the consumer must perceive an actual appraisal of “uniqueness” and “originality” in the offer and that it must be constantly improved in order to create further added value.²

According to the author, every firm needs first to create and then understand and recognise at all times, the drivers linked to the value realised by the person—product—firm triad,³ the origin of the competitive advantage linked to differentiating what is offered.⁴ An awareness of one’s own strong points is crucial for the firm in order to give value to what it produces, to support the preference shown by the customers,⁵ and to increase the distance separating it from the competition. For this reason, it is worthwhile monitoring the elements taken into consideration by the customers when making their choice (key purchasing factors) and basing the firm’s strategies on these expectations. Nurturing such uniqueness means contributing towards guaranteeing such differentiation and encouraging the clientele to make repeat purchases (loyalty).

¹The question summarises in a few words the philosophical problem of self-knowledge which has been tackled at various times throughout the history of the discipline.

²Bellucci, Andrea. *Strategia, gestione del rischio e creazione di valore nelle imprese assicurative*. Vol. 33. G Giappichelli Editore 2014.

³The concept will be examined in depth in the third chapter.

⁴Smith (1956).

⁵The concept of uniqueness, in terms of differentiation compared with one’s competitors, was introduced in 1961 in the field of advertising by Rosser Reeves who proposed the notion of *Unique Selling Proposition* to describe an advertising technique capable of emphasising not the characteristics of the product, but its differences compared with those of the competitors. Such a concept, considered more generally on the level of marketing, outlines a *consumer-oriented* strategy, capable of differentiating one’s own product/service from that of the competitors (Bungey 1997). The uniqueness of one’s offer—in terms of marketing mix, positioning and *brand ingredients* (Kotler and Pfoertsch 2010)—is, in fact, considered by Porter (1990) as a primary source of competitive advantage.

2.1.2 The Concepts of Rolling Competitive Advantage and Rolling Competitive Strategy

Uniqueness and differentiation are, according to the author, the key factors that allow firms to create and defend their own competitive advantage. However, the competitive context in which they operate is not in itself able to guarantee the duration of their advantage and for this reason they must have recourse to specific “dynamic” skills (Teece et al. 1997; Schilke 2014) in order to identify a set of competitive advantages capable of anticipating the moves of the competition.

On the basis of these considerations, the concepts of Rolling Competitive Advantage (R.C.A.) (Cavallone 1990) or Continuous Dynamic Competitive Advantage are introduced. The firm must be able to handle such flexible skills constantly both in complex and dynamic environments (Hitt et al. 1998; Zahra et al. 2006) as well as in stable ones (Helfat and Winter 2011), re-thinking the actions required to support its strategy of differentiation, as each circumstance arises. Consequently, the firm must define a set of competitive advantages to be played on the market, anticipating the competition or responding to their imitative or innovative moves. The firm that launches a new product on the market at a set price after lengthy research, already knows from the outset that “its secrets” will shortly be available to the competition which, without any great economic, technological or human effort, will respond to the product with an equivalent (if not better) one, perhaps even selling it at a lower price. This gives rise to the need to have a counter-move ready at all times by way of a reply.

Again following the same logic and extending it to the area of managerial decisions, a Rolling Competitive Strategy (Cavallone 1990) or Continuous (or Dynamic) Competitive Strategy can be envisaged by which a firm checks the results and behaviour of the competition constantly in order to analyse its own marketing mix in depth to identify its strong and weak points. Starting from the latter, it is possible to trace back the objectives set for the marketing mix and the strategies implemented to achieve such aims. To all effects and purposes, this strategy serves as a “dynamic X-ray” of how the competition presents itself and moves on the market and represents an excellent tool enabling shrewder strategic decisions to be taken.

2.2 The Four Steps from the Purchase to Customer Loyalty

2.2.1 Purchase

To ensure the effectiveness of every marketing action, it is crucial to know and analyse the four steps (purchase, repeat purchase, retention, loyalty) that form the path leading from the purchase to loyalty as presented below.

The objective stated is two-fold: on one side, it is to analyse every single component as having its own significance; on the other, it is to identify, where possible, a common theme that is logical as far as content is concerned and sequential with regard to process and which defines the path followed by the “steps”.

The first step is linked to the purchase, in other words the act by which a person’s thoughts, suppositions or decisions to enter into possession or ownership of certain goods is put into effect. Every purchase, even the smallest in terms of value or significance, is linked to two important drivers:

- the concept of need (identification phase: focusing);
- the psychological process (sequential phase: the steps constituting it).

There are many definitions of need: the Italian dictionary defines it as “the lack of something essential or useful” (De Mauro 2007) or as “the necessity to obtain something that is lacking” (Zingarelli 1999). The emphasis placed on the concept of a lack of something is combined with verbs such as feel, experience, show; in its economic meaning, De Mauro (2007) again draws attention to “the need or desire for an object or service which, when accompanied by an adequate purchasing power, becomes a demand”, uniting the two drivers referred to above. Many other definitions of need also exist: one of them describes it as the gap between one’s current state and the desired one (Guatri et al. 1999), shifting the focus towards an analysis of the potential customer’s experience when he acknowledges that his level of satisfaction is incomplete. This perception may be due to a lack (of ownership or possession, availability or knowledge) which materialises in the virtual distance separating him from where he would like to be, in other words on the path towards reach his desired (physical or mental) status.

Needs can, in their turn, be classified under various types. Firstly, consideration must be given to the difference between need and desire. Needs are situations—potential states of mind, activated by the “flashing red light” (Dalli and Romani 2000) when the satisfaction level is low. Desires represent solutions, in other words the possibilities, alternatives, choices by which consumers obtain what they seek or what they lack.⁶

Moreover a distinction can be drawn between existing needs (involving the awareness of a “lack”) and latent needs that may emerge suddenly, continuously, repeatedly or periodically (such as hunger or thirst) or discontinuously (need for a holiday or a new car).

A further distinction is linked to innate⁷ or acquired needs. The latter emerge through “contamination”, in other words from the interaction of the individual with the social-cultural environment that he frequents and which surrounds him (family,

⁶Herrmann et al. (2000).

⁷According to the well-known theory of Maslow (1954), human needs present a pyramidal hierarchical order and, from the bottom up they are classified as: physiological (hunger, thirst); safety (safety, protection); social (sense of belonging, affection); esteem (self-esteem, recognition, status); self-realisation (development and self realisation).

reference group, media, etc.) and are linked to the growth and development of the person and of his personality.

Various scholars have addressed this subject, seeking to define a list that would allow needs to be catalogued. For the sake of brevity, mention is made of the classifications emerging from the studies by Murray⁸ (1938) and McGuire⁹ (1974, 1976).

McClelland (1993), in more than fifty years of studies, also considered motivational needs, identifying them as pertaining to three types of individual: those who have motivational needs (i.e., that encourage an action or reaction) for power, for fulfilment and for affiliation.

Let us now analyse the purchasing process which takes place when the offer made by the firm is perceived by the consumer as responding to his or her expectations. The Italian verb “acquistare” derives from the Latin verb *acquirere* meaning “to obtain ownership by paying”¹⁰; in Italian it is synonymous with “comprare” (to buy) and leads back to the concept of obtaining, procuring for oneself as well as gaining (fame) or hiring, taking and employing.

The buying process is usually divided by the various authors (Dalli and Romani 2000; Busacca 2004; Kotler and Armstrong 2006; Puccinelli et al. 2009) into five, sometimes seven different consecutive stages:

1. Perception of the need (or recognition of the problem): in this phase, an internal or external stimulus (for example advertising) generates the awareness of the need on the part of the consumer
2. Gathering information: the person collects information (from his surroundings or from memory) about the various alternative offers available that are capable of satisfying his need;
3. Assessment of the alternatives: the information is processed, comparing the need and the various offers on the basis of the criteria considered relevant by the individual;
4. Decision to buy: the consumer chooses the offer that generates a value perceived to be higher;
5. Consumption and post-purchase evaluation: the alternative chosen is used and assessed for its capacity to satisfy the need.

⁸Murray’s classification reports both negative needs such as humiliation, deference, insecurity, aggressiveness, as well as positive ones such as success, autonomy, opposition, solidarity, order, sensitivity, safety, understanding, and also “different” needs, such as dominion, exhibition, avoiding evil, play, sex.

⁹McGuire subdivides needs into external and internal or non-social as they are linked to the individual’s relationship with other people. Amongst internal needs McGuire includes: consistency, fortuity, categorisation, interpretation, independence, curiosity, idealisation, usefulness, reduction of tension; the external ones include self-expression, defence of the ego, assertiveness, support, affiliation, identification, imitation.

¹⁰Quotation from Crystal Reference (<http://www.crystalreference.com>); in Dutch: *kopen*; in French: *acheter*; in English: *buy*; in German: *kaufen*; in Spanish: *comprar*.

The level of complexity and the duration of the decisional process described may vary quite considerably according to the individual characteristics of the consumer (level of propensity for risk, involvement, etc.), the objects of the purchase (unit value, level of complexity, etc.) and by the degree of novelty of the purchase situation (Busacca 2004). For example, for an item bought on impulse¹¹ or in the case of repeat purchases¹² the five phases may last just a few seconds, while for more complex items (such as a house or a car) they may take much longer.¹³ Furthermore, other factors must be taken into consideration such as the frequency with which such purchases are made, the complementarity with other goods and services, the unit value of the product, the effort made by the buyer to gather all the elements necessary to make the right decision for himself and the intrinsic complexity linked to the object's use.

During the purchase process described, it is seen how the value perceived by the consumer becomes a determining factor which deserves to be examined in depth. In particular, the overall value of the offer is based on the customer's perception of what he believes he has received as the result of the combination of the product with the service component. This result is the customer's choice linked to a specific commercial offer made by the company.¹⁴ In the case of a car, for example, the combination is given by the product (in the strict sense, the car purchased) and the auxiliary services linked to it (the delivery, the length of the guarantee, payment in instalments, etc.).

Therefore, the purchase may be defined as:

$$\text{Purchase} = F(\text{delivered mix}, \text{Perception})$$

The *delivered mix* incorporates the marketing mix identified by the firm and, for the very reason that it concerns a performance, it represents the realisation of the strategic and operative efforts of marketing that define the offer. Its evolution into the *delivered mix* is linked to the passage from theoretical to practical, in other words from what is designed to what is achieved and, in this way, it becomes a wider concept insofar as it is linked to the "mise en scène" of what had previously been supposed. Being self-referred, the second component perception, modifies

¹¹With reference to impulse buying, reference should be made to the meta-analysis recently performed by Amos et al. (2014).

¹²Busacca (2004) states that "all the awareness (consisting of the trademarks that the consumer recognises) and the elements evoked (consisting of the alternatives representing the choice) are, basically, stable, giving rise to crystallised behaviours or ones that are, in any case, repetitive and reiterated in a marked simplification of the process".

¹³In fact, the purchase features a sudden and hedonically complex process in which the rapidity of the impulse buy precludes all rational evaluation (Sharma et al. 2010). More precisely, the authors (op. cit., p. 277) consider the impulse buy "as a sudden, hedonically complex purchase behavior in which the rapidity of the impulse purchase precludes any thoughtful, deliberate consideration of alternative or future implications".

¹⁴Marino (2006, p. 268) affirms that "every proposition represents a proposal (coherent with the positioning) that the firm implements vis-à-vis the individual "customer-demand" pairs on which it decides to operate".

each individual customer's experience of the *delivered mix* and leads to the purchase once the consumer judges the reaction between the two parts positively.

The description concerns the offer in general, however, a distinction must be made when the object of the purchase is a service and not an item as this complicates the buying process. Services are, in fact, characterized by the simultaneousness of the production and the consumption so that "while physical goods are produced, then sold and consumed, services are first sold, then produced and consumed simultaneously" (Zeithaml and Bitner 2002, p. 10); in addition, "as services are performances or actions and not objects, they cannot be seen, heard, tasted or touched in the same way in which we can perceive tangible goods" (Zeithaml and Bitner op. cit., p. 11). This implies that the consumer's evaluation of the alternatives is made more complex by the absence of tangible elements: consequently, it is based on the perceptions of an imaginary value built and communicated by the firm and formed in the mind of the individual. For this purpose, the aspects linked to the ethics with which the commercial offers are presented to the prospective customers are fundamental; the lack of preliminary evidence emphasises the value of the faith generated in the provider which must then be maintained by the same by means of an appropriate *delivered mix* (that matches the promises).

What the firms offer must take into account the *motivations* driving the customer to make the purchase which, as confirmed by various contributions in the fields of psychology, sociology and economics, may be quite complex. *Psychology* demonstrates how the purchase and consumption of an item do not always depend on a calculation of utility, as upheld by traditional economic theory, but are often also attributable to affective, symbolic (Guatri et al. 1999; Busacca 2004) and emotional motivations like belonging to a certain social or reference group. *Sociology* underlines the impact of the latter and the social influences on the purchase choice. This also explains phenomena of conspicuous purchases, such as the ones documented as far back as 1899 by Veblen who highlighted the signalling function of possession. In particular, he drew attention to the enormous houses bought by successful businessmen (also) as an instrument for displaying their status and wealth (East 2003). This brief analysis shows how motivations underlying the purchase are not only of a rational nature, linked to objective cost-utility evaluations, but they also include more complex and latent psychological and sociological driving forces.

Once the motivations have been understood as well as the relative key purchase factors (to which reference will be made below), the firm is required to position its offer in terms of the attributes and benefits expected and perceived by the consumer.¹⁵ In order to do this, recourse is often made to the so-called *benefit segmentation* (Dalli and Romani 2000), a procedure by means of which segments of homogenous consumers are identified in relation to the "consequences" that they

¹⁵The attributes "are directly perceivable characteristics linked to the product and represent the direct source of utility of the consumer" (Dalli and Romani 2000, p. 87), while the benefits are "the desirable consequences associated with the purchase and the use of the product" (Dalli and Romani 2000, p. 90).

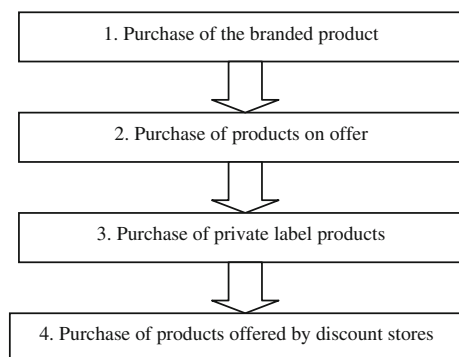
wish to obtain from the product, regardless, therefore, of the objective characteristics of the same. Returning to the example of the purchase of a car, the performance achieved by a four-wheel drive car may be perceived differently by those who give priority to the need for safety linked to the greater stability achieved on all types of terrain compared with those who consider such a car to be convenient as it does not require snow chains to be fitted and enables all types of road to be tackled, whether in the mountains or not, under all weather conditions.

In addition, the firm must study the structure of the decisional process of the purchase very carefully, as referred to previously, as well as the articulation of the various stages and their duration in order to choose the most effective marketing levers to be used case by case. Take, for instance, the special offers which make the customer change his mind at the last minute: this may imply, for example, departure from a shopping list naming products and brand names to shopping for products, leaving the choice of brand name to the presence of offers and promotions. In mass distribution, a change has occurred that can be described in the four phases shown in Fig. 2.1, reporting the evolution in consumers' behaviour towards foodstuffs: it can be noted how, over time, the consumer has changed his buying behaviour following both external variables (advertising, promotion) as well as internal variables (buying power, economic zapping) and emulative variables.

As stated, the buying process ends with the fifth stage, the one concerning evaluations as a result of consumption. At this point, the consumer compares three elements: the expectations of what he was anticipating receiving, the expectations regarding the specific pre-chosen offer and the performance perceived/obtained. This determines the drawing up of indices of satisfaction and, primarily, what is defined as *basic customer satisfaction* which is achieved when the consumer perceives a basic satisfaction from the performance of the product that is coherent with his expectations; it represents a sort of "minimum acceptable" return condition linked to the choice made which rewards the decision taken and tranquillises the customer regarding his evaluative and decisional capacities.

Furthermore, satisfaction becomes a link with the second step along the path that enables customer loyalty to be exceeded: the repeat purchase.

Fig. 2.1 Evolution of buying methods (drawn up by the author)



2.2.2 Repurchase

The second step consists of the repurchase which occurs when the customer decides to buy the product/service again from the same producer that has already supplied him. The very etymological origin of the term, which means “to buy again” (“*acquistare di nuovo*” in Italian from the *Dizionario Etimologico della lingua italiana* Zanichelli 1999), emphasises the repetitiveness of the act of purchasing. This decision can be considered as the result of two complementary drivers: satisfaction achieved by means of the first experience of consumption and the lack of motivation to change on the part of the consumer (Cavallone 2000). In short:

Repurchase = F(Satisfaction with *delivered mix*, Lack of motivation to change)

Before highlighting the elements that encourage a repurchase, it should be pointed out that Robinson et al. (1967) and Tassinari (2003) have analysed the differences between unvaried and modified repurchase¹⁶; already in 1990, Busacca, on the same subject, stigmatised the aspects linked to the buying situation with a double entry matrix referring to the level of learning required of the consumer and the complexity of the decisional process.¹⁷

The first factor to be analysed is, therefore, represented by satisfaction (or *customer satisfaction*). This concept has been expressed in numerous ways in literature: Collesei (2006), for example, states that “*customer satisfaction* may be defined as the result of the comparison made by the customer between the benefits and the costs experienced and the benefits and costs expected, with regard to the set of components of a firm’s given offer”.

Analogously, Kotler (2006) states that “customer satisfaction depends on the comparison between the perceived performance of the product and the buyer’s expectations: if the performance is below expectations, the customer will be dissatisfied; if they comply with expectations, the customer will be satisfied; if, in the end, it exceeds his expectations, he will be very satisfied, enthusiastic or delighted”.¹⁸

¹⁶These are linked both to the decisions taken in situations of uncertainty (for example the same product/brand is purchased again due to a lack of information about the competition or for fear of not obtaining the same mix of performance for the same investment), or in cases in which the customer does not have concrete or reassuring information about a potential alternative choice; both elements impact on the concept of cognitive dissonance referred to by Festinger (1957) linked to post purchase changes of mind.

¹⁷In the matrix mentioned, Busacca places the vector “Novelty” on the axes on one side, referring to a new purchase, modified repurchase and unvaried repurchase and on the other side the “Learning” vector divided into high, average, low.

¹⁸As far back as 1988, Kotler theorised a new approach to marketing, the so-called *social marketing* whose objective is to pursue the firm’s success in order to preserve the well-being of both the customer and of the firm simultaneously. As the segment of consumers was growing, Kotler asked himself whether in fact any firm could achieve customer satisfaction by aiming exclusively at its own profit or whether it was necessary to incorporate the consumers’ needs. Analogously, Ketilson (1990) emphasised cooperation as a fundamental element for building *customer satisfaction*.

Valdani and Busacca (2004, p. 64) further clarify the concept, underlining that “customer satisfaction is reached when the processes (of understanding, planning and implementation) of the firm and those of the customer (from which desires, expectations and perceptions derive) are perfectly aligned both for each other and for themselves”.

It, therefore, follows that, according to the authors quoted, any dissatisfaction may be analysed by studying a series of schisms (gaps) attributable to divergences between:

- the value that the firm’s management intends to offer the customer (planned value);
- the value that the customer intends to obtain from the firm’s offer (desired value);
- the objectives of value for the customer that the firm has understood and assimilated (recognised value);
- the value actually offered to the market (offered value);
- the value recognised by the customer (perceived value).¹⁹

Finally, the observations of Bona and Costabile (2004, p. 92) are interesting, as they believe that *customer satisfaction* represents “a flow produced following every interaction that the customer has with the firm. Such a flow feeds a stock: faith, understood as a bias with regard to the firm’s ability to offer a value that is congruent with what is expected”. The concept of “stock of faith” represents for the firm a concrete opportunity to capitalise on previous performances by means of a sort of return of the investment in credibility (Bona and Costabile 2004) which, for the very reason that it is perceived positively by the customer, leads to a new purchase, to a new display of faith towards the offeror. Such a situation of “capitalisation” means that the customer lowers his barriers of defence towards those who, in the past, showed they could maintain their promises, together with an unwillingness to assume new cognitive costs for an aprioristic assessment of the validity of an alternative offer, creating diffidence towards those who offer themselves as yet unknown suppliers (in whole or on part). Furthermore, it should be remembered that research of a sociological nature has shown that yes, faith does accumulate, but that it is also consumed if it is not used over time. It is essential for firms to monitor the ways in which the stock of faith is created, its valorisation in the customers’ perceptions as well as the “expiry date” of the same in order to capitalise on its positive value for the firm.

In brief, marketing literature, although with different nuances, seems to share the definition of *customer satisfaction* as being the result of the comparison between the customer’s expectations before the purchase and the actual performance perceived from the product/service; in other words, it verifies the firm’s capacity to keep faith

¹⁹On this topic, see Busacca (2004) and Valdani and Busacca (2004). Eggert and Ulaga (2002).

with the customer's perception of the promises made which, in their turn, influenced the first purchase.

Therefore, *customer satisfaction* occurs when

Perceived quality/Expectations ≥ 1

On an analytical level, Levitt (1983) furthermore asserts that *customer satisfaction* is a function of three variables:

1. *customer service*, an essential element but not sufficient to guarantee satisfaction and success by itself;
2. *total quality management*, to express quality in every aspect of the business;
3. *relationship*, because it is necessary that a relationship exists between the firm and the consumer based on knowledge and trust in order to obtain *customer satisfaction*.

Moreover, various authors have analysed how the firm must act in order to achieve the result of *customer satisfaction*. Amongst them, Holloway (1991) in his work suggests the strategies to be taken into consideration related to the themes of clientele, organization and *delivery*.²⁰

Customer satisfaction is, furthermore, indissolubly linked to the satisfaction and loyalty of the employees (Schlesinger and Heskett 1991): the so-called internal marketing actually plays a direct role in optimising the performance perceived by the external customer.

At the same time, as affirmed by Hildebrand (1996) and McDonald (1995), it is necessary to be aware of and avoid the traps of *customer satisfaction*, such as:

- believing that *customer satisfaction* is easy to achieve;
- applying total dedication to *customer satisfaction*;
- neglecting the direct link between *job satisfaction* and *customer satisfaction*.

Moreover, the same authors point out that satisfaction makes the customer happy, an essential element for a repurchase. Apart from the three traps referred to above, the author (Cavallone 2000) points out the potential trap of dedicating too many resources to customer satisfaction without monitoring their experience, which leads to a sort of "worm screw": the customer always tends to ask for more without acknowledging the extra value received with its extra cost. This situation leads to the firm incurring further costs which, if they are not constantly transferred to the customer, lead to obvious negative consequences of an economic-financial type.²¹

²⁰Holloway states in his list: organise (and circulate) reasonable and consistent expectations of service for the initial contact; keep every customer informed of developments in solving a problem; organise one day dedicated to service; satisfy and exceed the customer's expectations; define the problems rationally; give the customer the right solution to the problem in good time; urge the customer to make suggestions; reply to complaints directly and quickly.

²¹Again linked to the theme of internal organisation, Johnson and Gustafsson (2003) describe in their work a set of systems for measuring satisfaction based on the model: internal quality → external quality and satisfaction → loyalty and customer *retention* → financial performance, in line with what was stated by Hill et al. in their work (2003).

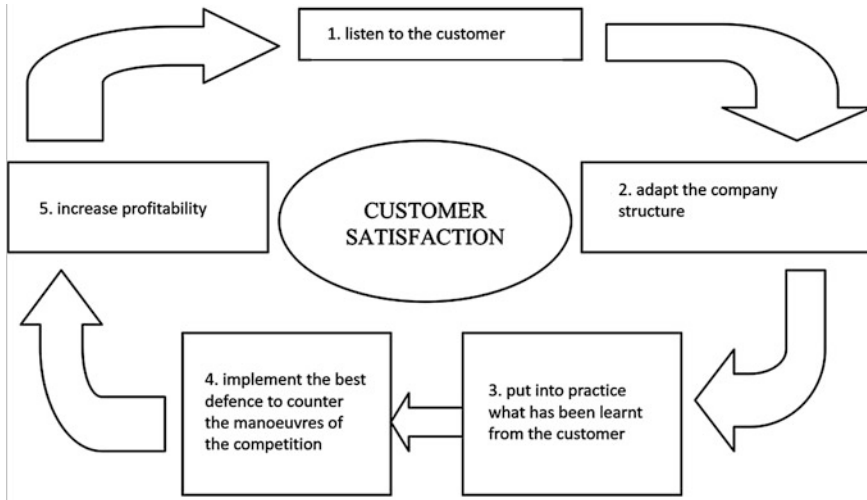


Fig. 2.2 The positive cycle of customer satisfaction (drawn up by the author)

Therefore, in conclusion it can be affirmed that “what constructs *customer satisfaction* is, in general, the service system the firm is able to design and build around a product that is the object of the firm’s own marketing offer” (Metallo et al. 2002).

Summarising the various theoretic contributions and wishing to create a hypothetical procedure, it can be affirmed that *customer satisfaction* implies a path of various steps, analysed as follows (Fig. 2.2):

The first step (as Whiteley 1992 recalls) is to listen to the customer throughout the duration of the relationship: during the initial phase, to be able to define the needs and expectations; during the supply phase, to monitor the activities; in the phases following the sale, to assess the outcome. For this reason, it is essential for the company to look at its products “through the customers’ eyes” (Cavallone 2000) and that there is coherence between the methods for listening and the internal quality and process indicators. The company must always anticipate and deal with the customers’ expectations, demonstrating a proactive attitude with regard to the changes taking place and enhance the relations with the demand segments concerned. Integration is at its utmost when the company processes blend with those of the customers in a perspective of value creation; in other words there is a passage from a *give/get* logic to a partnership (Cavallone 2000) characteristic of the collaborative economy, in which the consumer, considered by the company to be the recipient of products/services, becomes a co-designer and co-producer; the Second Life phenomenon, the interactive “game” that has received great attention and is used by various companies to receive suggestions and contributions on how to make its products, is an obvious and concrete example and the advertising budgets set aside for this type of communication channel reinforce the above statements.

In other words, listening to the customer must not be just a slogan: it is pointless possessing precise information if the ability/willingness to interpret or translate it quickly into actions for improvement is lacking. A proper system for listening to customers must safeguard (Cavallone 2000):

- the consumer's overall satisfaction, with the final aim of discovering his global perception, to allow checks and comparisons to be made over time and to be able to relate with the competition;
- his satisfaction for specific key events, for the purpose of gathering his evaluation of particular aspects and to encourage the giving of opinions so that the memory is kept alive;
- the encouragement and collection of complaints, comments and suggestions that enable the customer to communicate with the company when he feels it is necessary to do so and that enable the company to pinpoint where the unsatisfactory elements lie, giving proof of knowing how to redress inefficiency.

At this point, the problems must be considered from the point of view of the clientele and the company must be organised as a consequence, retracing all the steps that the client takes, from searching for a supplier to the evaluation of his status after the provision of the goods or services. Whiteley (1992) confirms that it will become increasingly difficult to know what the customer wants a priori, as he will no longer want anything, so new, creative paths will have to be embarked on. The ability and will to learn will have to be constant and, above all, the desire to put what has been learnt into practice. The company that only invests in technical-professional know-how manages to improve its product, but this is an aspect that is easily copied. If, on the other hand, the company invests simultaneously in social-cultural skills, this contributes towards creating a company culture oriented towards change and innovation. It can be deduced that the management of complexities appears to be increasingly subordinate to intrinsic potential and to immaterial resources, the implementation of which is the only way to tackle the dynamism of demand, of technology and of competition. Finally, it should not be forgotten that satisfaction is a fickle winning post moved forwards by the action of the company and that of the competitors and then the positive cycle of *customer satisfaction* is taken up once again.

The second driver of repurchase is represented, on the contrary, by a lack of motivation to change.

According to some scholars (Wood and Swait 2002; Srivastava and Sharma 2012), the propensity to adopt a new product/brand or not depends on two types of need (Cacioppo et al. 1996): *need for cognition* e *need for change*. The first concerns the individual's ability to process and evaluate information and influence elements such as attitudes, preferences, behaviours and opinions; the second, however, as they are linked to the individual's familiarity with change and all the risks associated with it (Wood and Swait 2002; Srivastava and Sharma 2012), affect factors such as repurchase and loyalty. By combining these two elements, it is possible to pinpoint different levels of motivation for change and, consequently, different buying behaviours (Wood and Swait 2002; Srivastava and Sharma 2012).

In the case of repurchase, the customer chooses the same product due to a sort of “inertia” and by force of habit (Engel et al. 1995), without this being accompanied by a positive attitude towards the brand (Tassinari 2003), demonstrating a superficial lack of motivation for change. The fact that consumers continue to buy a certain brand may, for example, depend simply on its accessibility, the functionality of the product sold (East 2003), its value for money or the level of service offered (Hawkins and Vel 2013). For this reason, the repurchase is also defined as behavioural loyalty (Costabile 2001). In fact, although it is driven by factors such as the perceived value, satisfaction, high *switching costs* and investments in relationships, it is characterised by a poor involvement of the spheres linked to loyalty and emotions (Hawkins and Vel 2013). In particular, it should be observed that in this phase there is in fact a lack of involvement on the part of the consumer (which, as shall be seen later, will be instrumental for the aspects linked to customer loyalty) who buys a certain product even if he does not like it any more than other products in the same category, expressing in this way the so-called *spurious loyalty* (Dick and Basu 1994; Li-Wei 2011). Indeed, according to Castaldo and Mauri (2002), there are repetitive buying behaviours which, although demonstrating a reiterated choice of the same offer must not be confused with the concept of *customer loyalty*, as a fundamental element is missing: that of trust. These behaviours must be traced back to a series of other factors, such as the rigidity of opinions expressed, the lack of propensity for change, the tendency to legitimise decisions taken in the past, elements of an environmental nature such as modest differentiation or the lack of dynamism in the competitive context or the existence of constraints of a distributive nature. For these reasons, although the link existing between repetitive behaviour and *customer loyalty* is evident, the first constitutes a necessary, but not sufficient condition for the concrete manifestation of the second. Furthermore, it does not always concern the repurchase of just one brand/product: in fact, the phenomenon of “multiple loyalty” should be considered, in other words loyalty divided amongst several brands (East et al. 2013), which makes it even more evident how none of the offers is able to win the exclusive involvement of the consumers.²²

In its turn, the repurchase can be broken down as a function of income, of the threshold in euros of the impulse buy and of the value attributed to a commodity by the consumer. On this matter, East et al. (1995) demonstrated that often the most loyal consumers in food categories have a larger income and spend more compared with the less loyal consumers who are generally more concerned with the price and are attracted by discounts. Furthermore, repurchase is more probable for goods with a lower unit value for which the consumer adopts habitual behaviour: in these cases the threshold of the impulse buy depends not only on income, but also on the characteristics of the individual consumer.

²²Ehrenberg (1988), for example, confirms that most families are loyal to several brands which, as basic and general commodities, they consider to be alternatives to each other or they buy them when they are on special offer.

Having clarified the two drivers of repurchase, it is important to analyse why such “repetitive” behaviour may, at a certain point, come to an end. In particular, the reason for interrupting the repurchase and the consequent overcoming of inertia, may be induced by external factors such as promotions, special displays, the absence of the specific product from the shelves, price, competition, ethics (East 2003; East et al. 2012, 2013), *word of mouth* and social relations (Nitzan and Libai 2011)²³: all these elements generate an approach in the individual that seeks variety. Then, if the consumer is satisfied with the new offer, a new repurchase process will probably be activated until other specific factors intervene to interrupt such behaviour.

2.2.3 Retention

The third step is represented by *retention* which involves an active role on the part of the company for the purpose of retaining the customer. The very word *retention*, deriving from the English verb *to retain* with a double meaning of “to keep, not to let go of something” and “preserve, maintain, contain” (Zanichelli 1995), conveys the idea of an active subject (in this case the company) and a passive subject/object (the customer) who is retained.

Retention is identified as:

F(delivered mix, relational marketing—CRM).

Hennig-Thurau and Klee (1997) underline how considerable divergences exist between the concept of *customer retention* and those of repurchase (*repeat purchasing behavior*) and loyalty. First of all, unlike loyalty which includes both a component of repeat purchase and a favourable approach/predisposition towards the product, in the case of *customer retention* only the first of the two aspects referred to above is present. In addition, in *retention* the marketer is seen as the person who takes the active role (in other words “the one who retains”) in the marketer-consumer dyad, while the concept of repeat purchase does not focus on the factors behind the behaviour shown by the individual. Therefore, *customer retention* aims at a repeat purchase which is activated by the marketer.

On a theoretical-conceptual level, the theme of *retention* has its roots in the wider considerations regarding the so-called relationship marketing which, having started initially within the service sector, soon spread to all the various areas (Grönroos 1994, 2011; Gummesson and Grönroos 2012; Grönroos and Helle 2012). According to this approach, “marketing must create, maintain and strengthen profitably the relationships with the customers and the other partners, so that the objectives of all the parties are achieved” (Grönroos 1994). The connections between *retention* and relationship marketing were then rendered even more

²³From their study, it emerges that exposure of an individual to a “disloyal” social network increases the probability of infidelity by 80% (Nitzan and Libai 2011).

explicit by Gummesson (1999), who spoke of *retention marketing*.²⁴ There again, in the more advanced marketing realities, the company “interprets the sale, obviously as an individual act, but firmly set in a wider continuative relationship, in which the conviction to make an immediate purchase does not count as much as the ability to establish a commercial relationship for the purpose of increasing as much as possible the value generated by the consumer for the company over time” (Mattiacci 2003).

Various authors have tackled the subject of *customer retention*, especially for the purpose of pinpointing some indicators of such a phenomenon. In this way, some indicators have been identified, including the well known CRR (*Customer Retention Rate*) and, symmetrically, the rate of *defection* (Reichheld and Sassel 1990²⁵; Peppers and Rogers 1999; Leone et al. 2006; Kumar 2010). On the basis of these approaches, the company measures the number of customers retained/lost each year and compares them with the total number of customers. This approach once again highlights how the concept itself of *retention* does not include a reference to the cognitive aspects (of appreciation, liking, involvement, etc.), but only to the behavioural aspect of the consumer.

Moreover, literature is unanimous in identifying the impacts of *customer retention* on the growth of profit, as a result of the following factors (Blythe 2006):

- increase in the number and quantity of the purchases;
- reduction of the operative costs;
- start of a positive word of mouth involving current and potential customers;
- possibility of applying a *premium price*.

The expression *customer retention*²⁶ may assume two different connotations and indicates two different ways in which the company carries out its role as a repeat purchase activator: the first is positive and refers to a pro-active relational effort (in the sense of “preserve, maintain, contain” as specified at the beginning of the paragraph); the second represents an impingement on the first and involves the creation of exit barriers to “keep the customer in”.

Analysing the first approach, it is obvious that from this perspective the company moves actively to encourage the repeat purchase by the consumer. This requires, first and foremost, a precise understanding of one’s customers which can be used to pull levers and use the most appropriate tools in each circumstance: in this way, the company is required to make an effort at establishing relations with the customer. To achieve such objectives, the companies are driven to organise structured activities of Customer Relationship Management—CRM (Kotler 2006; Kumar 2010; Braganza et al. 2013). It involves management procedures and, over time, has

²⁴See also Harher and Egan (2006).

²⁵Reichheld and Sassel (1990) report that the ability to retain 5% more of one’s customers a year may even enable the company to double their profits. For this reason, the so-called *Defection Management*, which is aimed at anticipating and avoiding abandonment by the clientele, must be adopted to the full.

²⁶Ranaweera and Prabhu (2003).

taken on a meaning referring to the use of the so-called new technologies that enable solutions to be designed and developed which are coherent with the customisation of the company's activities (Metallo et al. 2002). By adopting specific software, CRM goes beyond the concept of the technological platform and views a strong commitment on the part of the organisation to introduce the customer inside the company as fundamental (Ceccarelli 2005).²⁷ The result is that many initiatives of CRM have not “achieved the hoped for result as, in many cases, they have limited themselves to using suitable hardware and software, but action was not taken to involve the whole company in an efficient and effective solution to the problems of customer relations” (Collesei 2006). The far-reaching relevance of this and the evolution of the CRM logic are also underlined by Kotler (2006), according to whom “CRM is perhaps the main concept of modern marketing. Until a few years ago, it was defined from a very limited perspective, as the management of data concerning the clientele, in other words the organisation of detailed information on the individual customers and the delicate handling of “sensitive” opportunities for contact (*touch points*) for the purpose of maximizing loyalty to the company. Over the last few years, however, CRM has taken on a wider meaning and represents the whole process of creation and consolidation of profitable relationships with the customers by means of the offer of value and increased satisfaction. In this sense, CRM embraces all the activities aimed at acquiring, retaining and increasing the number of customers”. According to Blythe (2006) “CRM is the creation, development, retention and optimisation of long-lasting and more mutually beneficial relationships between the consumers and the company. Successful CRM is based on the understanding of the needs and desires of the consumers, and it is carried out by placing them at the centre of the business and integrating them with the company's strategy, people, technology and the business process itself”.

In this more holistic vision, CRM qualifies as an approach capable of managing different types of relationships: in this sense Choudhury and Harrigan (2014), driven by the evolution of new technologies and in particular the social media, have

²⁷ According to Curry and Meacci (1999) CRM lies in the widest approach to *customer marketing*, whose objective is to identify, acquire, retain and increase customers. This approach uses the customer database and defines the integrated mix of sales techniques and communication methods suitable for achieving the objectives with the customer and measuring in figures the results of the efforts undertaken commercially. More specifically, the customers' database created by means of CRM, contains the following key information on both actual and potential customers:

- the characteristics and identity of the customer;
- products purchased, requests, interests;
- RFM factors, that is Recency (when the customer purchased the last time), Frequency (how many times the customer purchased for example the year before), Monetary (how much the customer spent all together);
- means of communication that influenced the transaction;
- history of the relationship with the customer.

Furthermore, it appears evident that CRM that aims at customer loyalty has to go beyond the collection of data and strive for an emotional involvement of the customer.

outlined a new model defined *Social CRM*. Its use enables the company to employ the wealth of information deriving from the social media in order to monitor the *engagement* of the users and, consequently, draw guidelines from it for their own business (Choudhury and Harrigan 2014).

The attention paid towards CRM has, therefore, led to a re-orientation of marketing activities towards individual relationships with the customers to build long-lasting relations (Bauer et al. 2002). In fact, CRM lies in a long term perspective in which companies aim not only at having profitable customers, but also at acquiring their value for life and capturing an increasingly large share of their purchases (Kotler 2006).

On an operative level, this results in the need for the company to identify, divide and profile the consumers on the basis of their profitability, of the costs of serving them and their buying habits (Thakur et al. 2006).²⁸

As far as *retention* is concerned, CRM thus represents a very important tool for knowing and stimulating the clientele. However, in this third stage of the process to go beyond customer loyalty, CRM has not yet fully expressed its potential which, as referred to in the following paragraph, manifests itself in terms of the complete involvement of the consumer, adding a relational logic of an emotional kind. Finally, it should be underlined that it is a tool that is not entirely irreplicable: “for some it represents the most suitable and highly advanced answer to the evolution of the markets [...] according to others, it involves an organisational approach and costs which, for the majority of companies, are unsustainable [...] as always, the truth of the situation lies somewhere in between” (Fiocca 2005).

In its second meaning, the concept of *customer retention* sees the company “forcing” the customer to repurchase its product by raising barriers and obstacles. In general, it should be noted that “the costs already borne to start the relationship (cognitive, emotional, operative and structural) represent true and proper barriers to the customer’s defection, whether they are the result of deliberate lock-in policies by the company or innate in the exchange process” (Bona and Costabile 2004), a topic also considered by Shapiro and Varian (1999). In this case, it is possible to refer to a true and proper *customer detention*, in which a flawed loyalty is created which sees the company transform its role from partner to *owner* (Cavallone 2000). As a result, the consumer, who is no longer sovereign, has a limited autonomy (East 2003). Thought should be given to extreme cases “such as education, health and justice, where the possibility to influence the service by not using it or expressing one’s dissatisfaction is, in actual fact, limited by the continual need to make use of such services” (East 2003). More commonly, such a phenomenon occurs, for example, in sectors in which various technological standards are in competition with each other, as in the case of digital music. The choice of one standard by the consumer, especially when this involves significant expenditure, may constitute a

²⁸The same authors detail the operative process of CRM in seven successive passages: understand the consumers; classify the consumers; deliver value to the priority consumers; focus on the strategic abilities; create client-centric strategies; select the software for the CRM; implement the CRM strategy.

considerable defection barrier, leading in fact to a phenomenon of negative *retention* (Zizzerini 2005). This generates “in the long term an unfavourable way of retaining customers [which] consists of increasing the costs of changes (original spare parts or direct customer assistance to be able to make use of the guarantee, bureaucratic operations that are necessary to terminate the relationship, etc.), leading in this way to a forced choice which is certainly not to the customer’s liking” (Collesei 2006). This occurred quite frequently in the banking sector in which this type of *retention* was wrongly equated with loyalty (Cavallone 2000; Omarini 2004). This negative *retention*, especially when linked to the presence of high *switching costs*, may give rise, according to the study by Lee and Neale (2012), to a negative word of mouth, leading to objective problems in the long run.

The third step to go beyond loyalty involves the company taking active steps to encourage its customers to make new purchases. *Retention*, as explained, may, however, be achieved in two different ways, the first with proactive steps on the part of the company (often backed by CRM), the second by raising barriers that prevent the customer from switching (*detention*). Only in the first of the two cases can the path leading to loyalty and beyond actually proceed; in the other case, the consumer will continue to buy being “forced” to do so, but will not, in fact, develop any involvement either with the company or the product.

2.2.4 Customer Loyalty

Having covered the purchase, repurchase and *retention* phases, the next phase is that of loyalty in which the consumer expresses his cognitive and not only behavioural loyalty to the company.²⁹ In other words, all three components enclosed in the real meaning of loyalty are present (East 2003), and that is:

- attitudes: the consumer reflects a positive inclination towards the brand;
- preference: the brand is purchased by the individual more and more often compared with other brands on the market in the same category of product³⁰;
- *allegiance* (behavioural loyalty in the long term): the individual continues to buy the brand for long periods of time.

In the historic definition offered by Jacoby and Olson (1970), loyalty is indicated as “a non casual behavioural response (that is the purchase) expressed in time by a functional unit (for example a family or a person) with reference to one or more alternative brands according to a psychological process (decisional process, evaluation)”. In a similar way, the customer’s motivation, the evaluative process and the

²⁹Bowen and Chen (2001).

³⁰It can be observed how the second component, preference, takes account of the phenomenon of multiple loyalty to several brands (East et al. 2013) and, on this matter, it is obvious that loyalty will be more easily “exclusive” in the short term in correspondence with a lower number of purchases.

satisfaction are the three factors that lead to loyalty according to Tassinari (2003). Aaker (1991), too, defines loyalty as the systematic adoption on the part of the purchaser of the same alternative deriving from a precise act of will, in its turn “ascribable to the existence of a hierarchically ordered preference structure”.

Loyalty, therefore, occurs in the presence of a consumer’s specific cognitive-psychological activity which draws from the faith accumulated over the period of the relationship with the company. The definition proposed by Busacca and Castaldo (2002) falls within this perspective, showing *customer loyalty* as that type of consumer behaviour in which the systematic repurchase of the commodity or service offered by the company “is motivated by the existence, in the customer’s cognitive system, of a significant stock of faith towards that company”. Costabile et al. (2004, pp. 44–45) go further, reaching the definition of *customer loyalty* as “an evolved form of loyalty which not only presents the characteristics of *true loyalty* but also identifies a relationship between the customer and the company (or the brand) enriched by the reciprocity (backed by a high perception of equity and fairness) and, therefore, marked by cooperative attitudes and behaviours. In brief, it is a loyal reaction”.

Prerequisites for such an approach are an understanding of the market, awareness and care for the customer; compared with the first two points referred to in the previous paragraphs, care for the customer requires a further reflection. A repurchase made by a customer may be considered as loyal behaviour only when the customer’s instantaneous satisfaction is accompanied by a sequence of positive buying and use experiences, that is to say accumulated satisfaction (Busacca 1998, 2002; Castaldo and Mauri 2002).³¹ The result is that “the person in front of you is no longer a casual buyer but a potential and precious partner whose willingness can be relied on in the years to come” (Fabris 2003, p. 409), a long term resource (Cavallone 2000).

Other scholars (Castaldo and Mauri 2002; Matthews et al. 2014) have also highlighted how trust has a multi-dimensional nature, given that it includes:

- a cognitive dimension: the customer’s convictions regarding the skills/abilities that the company has;
- an emotional dimension: the set of sentiments and emotions deriving from the repeated confirmation of the expectations of the company’s behaviour;
- a conative dimension: the growing *commitment* towards adopting collaborative behaviours that aim at guaranteeing the duration of the relationship.

The same etymological origin of the word “fedeltà” (loyalty) summarises very appropriately the concepts investigated beforehand. In fact, this expression derives from the Latin word *fides* (faith) and indicates the quality of one who is constant in

³¹Given that the accumulation of individual experiences of satisfaction may determine the conditions for actually achieving customer loyalty, the company’s commitment must be turned towards creating continual experiences of satisfaction, in other words moments in which the customer perceives that he has obtained from the supplier a value/price ratio that is higher than that obtainable from any other supplier (Busacca 2002).

his affection and love (Dizionario Etimologico della lingua italiana Zanichelli 1999). This recalls an emotional involvement (Cavallone 2000; Matthews et al. 2014) which drives a repeated and loyal behaviour that is far more significant than the purchase made as a result of inertia alone.

Customer loyalty can, therefore, be expressed as follows:

Customer loyalty = F(Satisfaction with *delivered mix*, involvement, relationship)

As can be observed, unlike the repurchase phase, the lack of motivation on the part of the consumer to change supplier is replaced by the relationship with the company and the involvement of the individual. Apart from its definition, which always refers to the consumer's behaviour as reported in literature and is summarised well by Busacca (2004),³² this latter concept indicates "the act expressing the customer's will in wishing to continue the relationship with the supplier" (Cavallone 2000). This motivation may derive from factors linked to:

- performance;
- emotion (linked to the situation/moment);
- excitement (linked to the sensations experienced);
- play (linked to the pleasure of play; Holt 1995).

The involvement may be spontaneous if the customer moves autonomously with regard to the products offered to guarantee the supply of the same for himself, or incited if it is the result of marketing activity by the company. This incitement may be the result of a promotional campaign or an awareness raising activity by means of direct marketing, meetings with opinion leaders or elements belonging to the reference group. In this case, the company implements relational marketing activities, customising the relationship so as to strengthen the consumer's positive perception and generate involvement.

The centrality of reciprocal involvement for establishing long-lasting relationships between suppliers and customers has been confirmed in various works (Tassinari 2003; Collese 2006). Tassinari (2003), for example, points out that a consumer's total involvement (*commitment*) is a necessary condition for achieving true loyalty and the only one able to make the consumer less vulnerable to competitors' marketing actions. If such a component is lacking, at most repurchase may occur and fake loyalty (understood as being the product of inertia).³³ Wang (2014)

³²After the reference to the pioneering studies of Krugman in the period 1965–1967, Busacca (2004) refers to the following as being fundamental for involvement: (A) the importance attributed to the product and/or to a specific brand; (B) the degree of risk perceived; (C) the social visibility of the product; (D) the context of use of the product and he concludes by affirming that "as the level of psychological involvement grows so the buying effort that the consumer is willing to make also increases".

³³Furthermore, Tassinari states that loyalty is determined by three causes: satisfaction, customer motivation, the ability of the subject to develop an elaborate evaluative process of the brand.

defines it as *inner commitment*, that is the involvement which through experientiality, affection and symbolism is able to lead the customer beyond the mere repurchase to behavioural loyalty. In fact, only the presence of mental loyalty complementing the behavioural one (which is also activated in the case of repurchase) allows the customer's attention towards competitors' offers to become selective or practically inexistent (Bona and Costabile 2004).

To encourage involvement, the company must, in particular, exert leverage on the emotional dimension of the relationship which, if missing, makes the communications, the individual offers and the techniques based on the use of database of little worth.³⁴

From this the importance of the relationship can also be deduced, the second element leading to customer loyalty. The relationship is linked to contact with the customer and to care (to be concerned about, to take care of) deriving from the Latin verb *curare* (with the same meaning),³⁵ which in marketing is used to refer to the attention that must be given to the customer especially after the buying phase. From the author's point of view, it concerns a concrete and real interest in handling the relationship, regardless of the awareness of the economic aspects linked to the synallagmatic relationship deriving from the continued rapport with the customer.

By means of a stable and lasting relationship, a relational capital and trust are accumulated creating a bond that goes beyond the instantaneous expediency determining the repurchase (Fournier 1998; Busacca and Castaldo 2002). As the relationship progresses, the fields of company-consumer interaction extend and the interdependency of the partners adds emotional values to the stock of trust accumulated in the previous stages.

Various studies can be found in literature concerning the different degrees of loyalty expressed by customers over time.³⁶ Amongst them, Christopher et al. (2013), see each level of the relationship correspond with a certain level of loyalty

³⁴This may for example be obtained by applying experiential marketing approaches (Collesei 2006; Ferraresi and Schmitt 2006; Wang 2014).

³⁵One of the ways that the Ancient Romans ended their missives was *cura ut valeas* literally meaning "keep well", "take care of yourself" linked to "concern" in a positive sense (as a wish) about the future health/status of the person.

³⁶Various authors have tried to define the stages marking the relationship between company and customer. The study by Dwyer et al. (1987) describes five phases of the relationship: the first is that of *awareness*, followed by the phase of exploration, in which the buyer develops an avenue of learning by trial and error; the third phase is the one of expansion in which the interdependence between buyer and seller tends to develop and, consequently, also the lock-in increases for the parties in the relationship; the fourth phase is that of *commitment*, during which the buyer remains anchored to the choices that he has made, although he is aware of the opportunities available on the market; the final phase is the one defined as the dissolution of the relationship which presupposes the withdrawal of at least one of the two parties concerned and which may occur in all the phases previously examined, even if, as the relationship evolves, the dissolution tends to become more costly in view of the idiosyncratic investments made by both parties.

As an integration of this model, Wilson (1995) provides an interpretive contribution in which he highlights and isolates the relevant variables in each of the phases of the life cycle of the relationship, in the direction of a systematisation of the correlations existing between specific

and have identified six relationship profiles: *prospectus*, *purchaser*, *client*, *supporter*, *advocate* and *partner*. According to the authors, the aim of the company is to make the relationship evolve with its own *prospectus* (individuals who are potentially interested) up to the highest level of involvement and loyalty.

Like involvement, also the continuation of the relationship over time may depend on the spontaneous will of the customer who takes active moves or can be encouraged by precise measures on the part of the company. The main vector of these attitudes is, without doubt, communication which, by adding dynamism to them, transforms the concept of relationship into relational marketing. Jackson refers to “a marketing directed at strong, lasting relationships with individual customers” (Egan and Harker 2005, p. 238).

In the author’s opinion, the relationship concept should be understood according to two lines: the first is “static” and the relationship between the company and the customer is linked to maintaining an on-going commercial relationship, which, for the very reason that it is in progress, leads to the continuity of the existing relationship; the second is “dynamic” represented by the set of actions undertaken in order to maintain an active and lively relationship with the customer over time. In this case, the customers of the same company maintain relations with each other which lead, as stated by Costabile et al. (2004), to the so-called *brand community* where interaction with the customer is the fulcrum of the whole marketing process (Bonnemaizon et al. 2007).

At this point, reference to tribal marketing and its current development and evolution seems appropriate here. This approach begins with the realisation that excessive social fragmentation has led in recent years to a growing need for new social bonds, for new tribes, in other words micro groups consisting of heterogeneous individuals (by their age, sex and income) who are united by the sharing of a passion, a subjectivity or an emotion (Cova 2003; Cova and White 2010; Canniford 2011). The consequence is that tribal marketing sets out to be a strategy for encouraging the birth and growth of a community around a product or service to create a value that lies in the bond itself between the members of such a group.

(Footnote 36 continued)

instrumental variables and consequences in the individual phases. In particular, the author highlights the existence of five moments:

1. seeking and selecting the supplier-partner: reputation, satisfaction and trust;
2. definition of the setting of the relationship: element of trust, convergence between the objectives of the parties so as to encourage the integration and common purpose of the respective competences;
3. definition of the boundaries of the interaction: in the face of reciprocal undertakings and *commitment*, the counterparts study the real opportunities for interaction and co-development in the light of the awareness of the reciprocal resources involved in the relationship;
4. value creation: dependency, power and influence that characterise the relationship between the two parties in question;
5. maintenance: moment of stability in which the dimension of the involvement and the cooperation between the parties assume importance.

On this matter, CRM (Customer Relationship Management) proves itself to be a tool that acts as a good catalyser of the theoretical and behavioural efforts made by the company on the subject of relational marketing. As far as this last point is concerned, it should be pointed out that CRM adds value to the company's relational activity and, on a level of customer loyalty, this instrument expresses its effectiveness and full potential as a means in particular for delighting the customer and making him enthusiastic about the buying experience (Kotler 2006). In this case, use of CRM is not only aimed at encouraging behavioural loyalty on the part of the consumer over time, but also to arouse his mental and emotional loyalty that are expressed by a total involvement in developing loyalty that goes beyond the simple product (Pratesi and Mattia 2006).

From this perspective, apart from the usual activities of customer profiling and classification (Castaldo and Mauri 2002), a third stage assumes fundamental importance, that of creating an interaction with the priority targets leading to the *learning relationship*, in other words the process that enables the company and customers to get to know each other (Peppers et al. 1999; Pratesi and Mattia 2006; Pine et al. 2010). In other words, CRM, understood as an instrument of customer loyalty, does not limit itself just to collecting information about its customers and sending them messages, but it generates circular learning processes and reciprocal involvement. In brief, the relevance of CRM as a driver of customer loyalty is based on two considerations: on one side, it enables the company to enter into real harmony with the customer and to understand (and anticipate) his requirements (Fabris 2003); on the other, it allows *one-to-one* answers to be implemented that arouse the customer's involvement and, as a consequence, his loyalty (Kotler 2006). Whoever receives a customised service or product has little propensity to abandon the supplier as it would take too long to inform another supplier of his requirements and, in the same way, it would take the other supplier too long to get to know that customer (Pratesi and Mattia 2006). As well as the traditional relational instruments, CRM adopts new means/methods of on-line contact that enable a more consistent and closer interaction to be undertaken with the customers.³⁷

³⁷These tools include:

- *Usability of the website*: it means increasing the ease with which the website can be surfed even by non-expert users.
- *Useful information for the customer-user*: buying and payment conditions; terms of delivery; rights and duties of the buyer; actions and advice.
- *E-mail*: it represents “the customers’ voice” par excellence, insofar as it allows them to contact the company directly and express an opinion or a complaint or ask for further information or advice.
- *Newsgroup*: these are comparable to forums in which the customer can interact with an operator and/or with other customers, thus guaranteeing an enormous resource of technical advice and assistance.
- *Newsletter*: this newsletter is distributed by the company every so often by email to its customers registered on the database and it allows a close and effective relationship to be maintained without appearing invasive.

Frequency of the contacts between company and customer

		High	Low
Level of satisfaction	High	Consolidated and loyal customer	The performance perceived from the supplying company is convincing, the relationship between the parties is still in the start up phase.
	Low	Customer by inertia/habit and/or preconditions for <i>detention</i>	The customer is not satisfied, he tries to avoid contact with the company and limits himself only to that which is necessary, close to <i>unplugging</i> .

Fig. 2.3 Frequency of the contacts/level of satisfaction (drawn up by the author)

It goes without saying that a long lasting relationship with the customer is founded on the customer’s satisfaction with regard to the *delivered mix*,³⁸ as illustrated in the matrix “Frequency of contacts/level of satisfaction” shown in Fig. 2.3. This implies moving from a “zero defect” perspective to a “zero defection” one, on the basis of which the company must pinpoint, as each circumstance arises, the improvements in the perceived quality that are able to provoke increased consumer satisfaction, intensity and continuity of the purchases, trust and price tolerance (Fabris 2003).

The management by the individual company of the factors mentioned, relationship—involvement—satisfaction with regard to the *delivered mix*, should take place with different levels of intensity for the individual customers according to the expected level of profitability in the long term: the objective is to establish the most suitable relationship on an ad hoc basis (Kotler 2006). Based on research involving 16,000 consumers, Rehnartz and Kumar (2002), for example, state the need for an analysis combining both the loyalty and the profitability of the consumer as the two

(Footnote 37 continued)

- *FAQs* (Frequently Asked Questions): this involves publishing customers’ most commonly asked questions on the website together with the answers with the advantage of preventing customers from having to hold the line for a long time waiting for an answer or having to make contact by email.
- *Chat*: it is a “room” for communication between the company and its customers that can provide rapid technical assistance, reduced handling costs and solutions to problems shared by several customers.
- *Blog* (abbreviation for *weblog*, literally “a page published on the web”): it represents an instrument for providing suggestions, solving practical problems, receiving feedback and modifying the perception that the market has of a certain product or of the company in general. Blogs allow anyone to express their own point of view and at the same time they create a phenomenon of interaction between customers and the company, going beyond cold and formalised relationships and involving a highly personal component.

³⁸McNary (2005) states the ways for converting satisfaction into loyalty: the fundamental element for building *customer loyalty* consists in strengthening the relationship not only by means of a very high level of satisfaction, but by delighting the customers. On this matter see also George and Stanton (2005).

Potential profitability	High profitability	From 15 to 20% of the customer base	From 30 to 36% of the customer base
	Low profitability	From 29 to 34% of the customer base	From 15 to 21% of the customer base
		Short term loyalty	Long term loyalty
Forecast loyalty			

Fig. 2.4 The potential profitability/forecast loyalty matrix (adapted from Rehnartz and Kumar 2002)

factors are not always interrelated.³⁹ Four macro-categories derive from this, each of which requires different levels of investment in activities targeting customer loyalty (Rehnartz and Kumar 2002). Having established the level of investment for each cluster, the company is required to identify a series of drivers on which action must be taken to encourage and maximise the level of its customers’ loyalty: as the customers’ loyalty increases, so the customers’ profitability increases as loyal customers tend to increase the quantity and frequency of their purchases, they are more willing to buy other products from the company, it costs less to serve them, they often agree to pay a price premium and, due to their positive word of mouth, they facilitate the acquisition of new customers (Collesei 2006) (Fig. 2.4).

Furthermore, it is evident that the intensity of the company’s efforts as well as its proactive or passive approach have a significant influence on the time required to complete the customer loyalty process, as summarised in Fig. 2.5. The most advantageous situation for the company occurs in the presence of proactive behaviour combined with a shorter duration of the customer loyalty process: this is possible for the areas of excellence constituting the company’s strong points. On the contrary, if the company acts passively and without encouraging the consumer, conquering the customer’s loyalty appears arduous and almost impossible in the short term. The absence of a proactive approach in terms of relationship and involvement on the part of the company implies prolonging the process of customer loyalty, even if the *delivered mix* is coherent with the consumer’s expectations. Finally, a proactive approach by the company which produces the required result only in the long term should be considered as less than optimum, as the efficacy of

³⁹An analysis of two cases performed in 2002 in the travel sector attempted to establish whether the levels of satisfaction and loyalty for the same service are different as a result of the customer choosing the on-line or off-line method. It emerged that, while the level of *customer satisfaction* for a service chosen on-line is the same as that chosen off-line, loyalty towards the provider of the service is higher when the service is chosen on-line. Furthermore, a closer relationship was highlighted between general satisfaction and loyalty in the case of on-line interaction. These results suggest that, contrary to popular belief, the on-line means can help companies to build a base of loyal customers. On this matter see Venkatesh et al. (2002).

Duration of the loyalty process

Short	
Particular cases, practically inexistent	Area of excellence: rapid transformation of the customer into loyal customer
Passive	Proactive (*)
The delivered mix is coherent with the customer’s expectations, the few initiatives taken slow the process down	The validity of the company’s action is confirmed by the result, but not by the efficiency
Long	
(*) Company behaviour	

Fig. 2.5 Duration of the customer loyalty process/company behaviour (drawn up by the author)

the company’s action is not accompanied by the equivalent effectiveness, leading to a waste of resources.

At this point, one concept that leads back to the question of customer loyalty in economic terms for the company should not be forgotten: the so-called *customer equity*. Starting from the concepts presented by Rust et al. (2004) and according to a very recent study by Chang et al. (2014), *customer equity* may be defined as the discounted total of the *lifetime value* of all the company’s customers (Rust et al. 2010) and is divided into:

- *value equity* which reflects the consumers’ opinions concerning the credibility, quality and marketability of the company’s products or services;
- *brand equity* which refers to the customers’ ratings and preferences regarding the brand image;
- *relationship equity* which represents the value generated by the relationship between the customer and the company;
- *social network equity* which represents the value created by the virtual or real social networks in which the individual is positioned.

Customer equity, therefore, generates the value of the company that can be calculated by means of the *customer lifetime value*, in other words the discounted flow of profits that the clientele could provide over the duration of the business relationship; consequently, the total *customer equity* of the clientele is calculated by the sum of the value of all the company’s current active customers (Rust et al. 2000; Cozzi and Ferrero 2004⁴⁰; Rust et al. 2010). Finally, consideration must be given to

⁴⁰Cozzi and Ferrero (2004, pp. 244–245) state that *customer equity* “is conditioned by: the duration of the relationship, the customer’s characteristics, the possibility of increasing the purchases, the costs of customer management and loyalty, the discounting rate applied. [Furthermore they state] it is the concept of *retention equity* as represented by the bonds established between the

the concept of *customer-based view* reported by Valdani and Busacca (1999, 2001) who underline how the value of the company is a function of its customers' value and of the relationships established with them, the breadth and quality of which impact on *customer satisfaction*, which, in its turn is a function of the ratio between the value offered and the value desired. The value offered, again according to the two authors referred to previously, depends on the resources, the know-how and the ability to collect financial resources on the basis of guarantees provided to financiers.

2.3 The Analysis of Customer Performance

Obtaining the loyalty of one's customers is a prestigious result and presents many advantages of an economic nature (suffice it to think of the possibility of moving closer to the break-even point) and marketing benefits (such as awareness, profitability, competitive position). In the author's opinion, once customer loyalty has been achieved, the company is required to take one further step by pinpointing new avenues enabling a further stage to be reached beyond customer loyalty itself. Before verifying later on in the book the possibility of achieving customer loyalty by supplying a product/service offered as introduced by TES marketing, here below some analyses and considerations are reported that wish to enable managers to take decisions linked to the clientele. These new guidelines may be classified in two categories (Cavallone 2000):

- the additional "beyond" which requires an analysis of what the company can/must add and/or strengthen in its performance to increase customer loyalty;
- the explorative "beyond" which deals with identifying other components that differ from those strictly referred to the customer for the purpose of pinpointing new potential and leverage that can increase the probabilities of success.

2.3.1 *Analysis of the Performance on the Customer*

The expression "performance *on the* customer" involves spotting the reasons why the customer preferred the company's product/service instead of the competitors' offers. The preposition "*on*" here refers to the set of skills put in place by the company to create an offer that is as close as possible to the one expected/wished for by the customer, in other words its performance capacity with regard to (*on*) the customer. By means of an in-depth analysis, it concerns highlighting the key buying

(Footnote 40 continued)

buyer and the company that contribute towards retaining brand loyalty regardless of the objective and subjective assessments of the differential benefit offered".

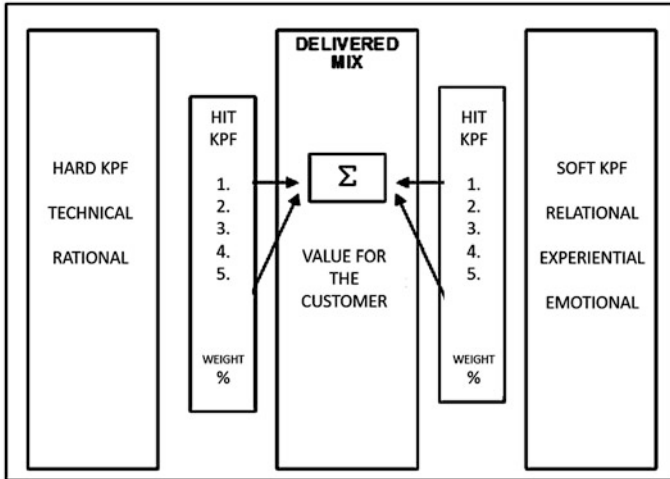


Fig. 2.6 Performance on the customer: constitutive reference model (drawn up by the author)

factors (KBF) described by Olson and Reynolds (1983, 2001) as “attributes” which have determined the consumer’s choice. The references found in literature and reported in the previous chapter⁴¹ are, therefore, prerequisites for such a phase.

To be able to define the fundamental elements leading to the decision to buy, it is first necessary to distinguish two macro-categories of key purchasing factors,⁴² the “**Hard**” ones (technical or performance related), referring to the rational part of the decision linked to the performance capacity of the product or the service and the “**Soft**” ones relating to the relational, emotional⁴³ and experiential⁴⁴ aspects (Fig. 2.6).

⁴¹Reference should be made to the subjects of buying and value creation for the customer.

⁴²Olson and Reynolds suggest the difference between concrete attributes that are mainly unidimensional, objectively measurable and connected directly to the intrinsic characteristics of the product and abstract attributes that are mainly multi-dimensional, not objectively measurable and independent of the physical characteristics of the product.

⁴³The emotional aspect concerns the set of strategies that aim to pursue the deep involvement of the consumer (Ferrari 2014). As defined by Kotler (2010), it considers those messages directed at the heart, in other words at the client’s emotions and plays an important role both in the buying decisions and in determining the brand value on the market.

⁴⁴In accordance with Addis (2007), by experiential aspect reference is made to the set of strategies targeted at creating the emotions the company wishes the consumer to experience, in line with its profile and the position of the brand. The experience must include all the key factors for transferring value for the customer and the fundamental drivers for creating a lasting relationship with him, but at the same time, it must show itself to be indissoluble, so that the single elements cannot be easily pinpointed or separable (Addis 2007).

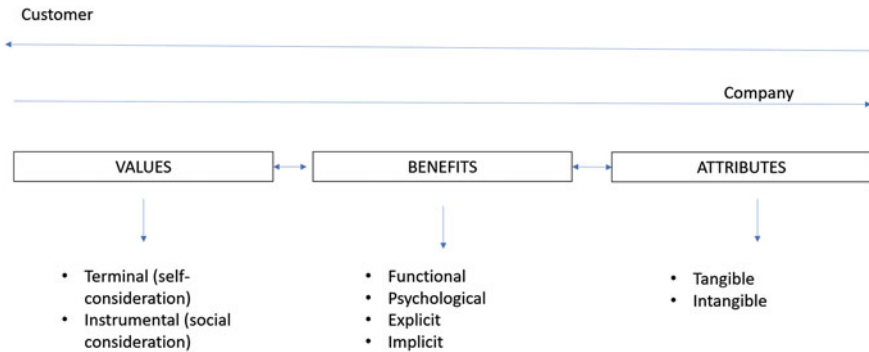


Fig. 2.7 The means-end chain (elaborated from Busacca 2004, p. 95)

The definition of key purchasing factors is to be understood here according to two vectors. The first, as reported by Cozzi and Molinari (1990), considers three types of aspects, each a prerequisite of the previous one:

- the attributes of the product;
- the benefits that the consumer can draw from such attributes;
- the individual values reflecting the objectives pursued by the consumer both on a level of behaviour and social consideration as well as self-esteem and existential conditions.

The second vector is linked to the declension of the key purchasing factors into basic, expected, desired and unexpected attributes indicated by Valdani (1995) and which always refer to the logical organisations leading to the decision process. In order to display the afore-mentioned concepts, the interpretation reported by Busacca in his work of 2004 concerning the means—end chain⁴⁵ is given (Fig. 2.7).

Bearing in mind these two clarifications regarding attributes and in relation to the means—end chain, it can be stated that the consumer’s choice may be seen as a function of the sum of rational/technical key buying factors and the relational ones that generate the experience before, during and after the actual purchase act.

The specific importance of the two groups of factors varies in its composition and over time; furthermore, it depends on the commodity involved, as well as the type of consumer and the offers of the moment. In particular, during the customer loyalty phase and even more so during the processes enabling the extra step beyond loyalty to be taken, adequate performance is considered to have been achieved (or can be verified again more easily and quickly) with regard to the technical key

⁴⁵The so-called *means-end chain* was introduced by Zeithaml in 1988 and then developed by scholars such as Olson and Reynolds (1983, 2001, pp. 10–11) who defined it as “a conceptual framework for understanding how consumers use choice criteria in the decision process and a methodology for identifying those factors” and “the means-end approach can identify what choice criteria are used by consumers to evaluate and select among choice alternatives”.

buying factors typical of the buying moment and repurchase, while the “Soft” key buying factors (relational, experiential and emotional) linked more closely to the specific and contingent buying moment acquire growing importance. In fact, with these factors, the consumer’s involvement⁴⁶ can be increased and his trust can be obtained.

As shown in Fig. 2.6, on the basis of its specific qualities and phase of the customer loyalty process, each company pinpoints upstream by means of suitable market research (including direct interviews or focus groups) a first set of technical and relational KBF on which to establish its basic offer linked to the marketing mix. Later, but in any case prior to *delivery*, the company personalises and updates such a set of attributes by customising it. This may occur, for example, by means of *multivoting*⁴⁷ procedures that lead to the creation of two narrowed down lists containing the fundamental KBF that are then combined, with different specific importance, in the *delivered mix* that is provided to the customer.

Alternatively, to measure the relative importance of such factors, use is often made of *conjoint analysis*⁴⁸ which, according to Molteni and Troilo (2003), consists of five phases:

- pinpointing the important attributes/levels;
- prearrangement of the offer profiles to be submitted to the interviewees’ judgement;
- field interviews;
- processing of the information and pinpointing the segments by means of *cluster analysis*;
- simulation of the shares of preference on an aggregate level and per *cluster*.

The two lists given below show some examples of KBF belonging to the two groups, technical-rational and relational-emotional-experiential as referred to previously:

Technical-rational key buying factors

After sales service
 Product assortment
 Quality certification
 Clarity of the offer
 Competence of the contact person

⁴⁶On this matter, see the previous chapter under the heading “involvement”.

⁴⁷According to the author’s approach, the *multivoting* procedure allows a good level of meaningfulness accompanied by a relative simplicity of implementation. In literature, the four most well-known methodologies for defining choice criteria linked to attributes or key purchasing factors refer to conjunctive, disjunctive and lexicographic procedures and to those suggested by Fishbein (1975) which can be used as an alternative to the *multivoting* one mentioned here.

⁴⁸This technique has lately taken great steps forward thanks to the work of Voeth et al. (2013) who, in their study validated the possibility of pinpointing the structure in order to examine consumers’ *insights* even more deeply and create customised products in line with today’s market requirements and the needs of individual buyers.

Terms of payment
 Continuity of performance
 Convenience
 Concessions
 Physical availability
 Arrangement/layout
 Flexibility of the conditions
 Guarantee
 Hygiene and cleanliness of the premises
 Technical information
 Innovation of the offer
 Merchandising
 Opening times
 Tidiness of the goods/of the premises
 General organisation
 Parking facilities
 Precision of the replies
 Price
 Promises kept
 Offers
 Quality of the service⁴⁹
 Payment by instalments
 Discounts
 Accessory services
 Specialisation
 Structures
 Location
 Speed of the reply/supply.

Relational-emotional-experiential key buying factors

Listening to the customers
 After sales assistance (for services)
 Attention to social matters
 In-house climate
 Collaboration with the customer
 Consideration received
 Friendliness
 Courtesy
 Willingness
 Emotions
 Trust
 Kindness

⁴⁹When it is measured using investigative tools (e.g., SERVQUAL).

Image of the company/product
 Brand recognition
 Perceptions
 Customisation
 Quality of the service⁵⁰
 Awareness of needs
 Sensoriality
 Understanding
 No opportunism
 Respect for commitments.

Once the various factors have been subjected to *multivoting* (or following the approach suggested by the *conjoint analysis*), the company reinforces the elements that emerged as all-decisive. By focusing on the dynamic competitive advantages⁵¹ linked to such elements, a differential can be created compared with the competitors which leads to development and current and future success or, at times, just survival. In other words, it involves increasing the awareness of what the customer really appreciates compared with what is supplied by refining one's sense of perception.

Performance on the customer can be targeted by analysing the data obtained from qualitative research carried out by means of questionnaires drawn up and administered to a significant sample of customers representing the population concerned. Key referents for this type of research may also be opinion leaders who can intervene in small groups (focus groups) or individually. The data obtained may then be compared with in-house surveys self-assessing the performance provided. By means of this procedure, interesting gaps can be revealed that can be used as the starting point for modifying the performance over time in order to maximise customer loyalty.⁵²

2.3.2 Analysis of the Performance by the Customer

As described above, the analysis of the performance *on the* customer helps the company to clarify the reasons, the elements and the attributes for which it has been chosen. This first phase of the in-house analysis is fundamental in order to understand the experiences behind the customers' choices in the light of the

⁵⁰Understood here as the perception of the ratio between what is expected and what is received.

⁵¹Reference is made to the concept of "dynamic advantage" (Teece et al. 1997; Schilke 2014) and *rolling competitive advantage* (Cavallone 1990), in other words the firm's ability to create differential and dynamic/continuative competitive advantages in order to maintain a concrete distance between the firm's own position and that of the competition.

⁵²In accordance with the provisions of the SERVQUAL model by Parasuraman et al. (1985) and subsequent processing by Valdani and Busacca (1992), these gaps are referable to five categories: value gap, concordance gap perception gap, alignment and involvement gap, design and/or manufacture gap.

	TECHNICAL FACTORS					PERSONAL FACTORS					TOTAL	Final actual ranking (B)
	Sales volume €	Potential	Contribution margin	Competition	Sector	ST	Assistance	Human relationships	Speed	Personal subtotal		
1. Bleetech	10	6	3	4	6	29	5	4	2	11	40	1. J.F.W.
2. K & G	10	8	6	8	4	36	5	6	2	13	49	2. West Corp
3. West Corp	9	6	6	10	8	43	6	3	6	15	58	3. Maxi Press
4. Toomy's	8	4	4	6	7	29	10	2	4	16	45	4. Roading
5. J.F.W.	8	10	8	7	8	41	7	5	7	19	60	5. T.R.Trade
6. Roading	8	9	8	0	3	28	6	7	10	23	51	6. New BC
7. Pro-Diesel	7	7	6	2	5	27	5	5	7	17	44	7. K & G
8. T.R.Trade	7	6	8	6	6	33	5	7	5	17	50	8. Toomy's
9. Maxi Press	7	8	10	4	2	31	7	10	8	25	56	9. Pro-Diesel
10. New BC	6	8	10	6	4	34	3	5	7	15	49	10. Bleetech

Fig. 2.8 The loyalty matrix (drawn up by the author)

company’s own marketing proposals and the study of the gaps referred to before highlights any variances between what has been planned and what has been received, again on the basis of reciprocal perceptions.

At this point, it is relevant to check the second component linked to the bi-directional disaggregation of the performance. In fact, together with the analysis of the performance *on the* customer and, in particular, of the key purchasing factors on which the competitive comparison is based, the company performs a second disaggregation which concerns the performance *of the* customer, in other words how much the customer yields overall to the supplying company, in the individual contract or in the marketing relationship. It represents a sort of balance sheet which allows the contribution of each individual customer to be assessed, analysing his overall contribution to the company by means of a list of indicators enabling a comparison to be made of the various performances of the clientele in the portfolio. The clientele is assessed by the contribution of each single technical and relational element over and above summary indicators concerning the number of items purchased or the so-called *Customer Lifetime Value (CLV)*.⁵³ The customer performance analysis can be shown by means of the loyalty matrix represented in Fig. 2.8.

⁵³Various revisions of the definitions of *customer lifetime value* are presented in the works of Hwang et al. (2004) and Estrella-Ramón et al. (2013).

Table 2.1 A list of the technical and relational factors (drawn up by the author)

<u>Technical factors</u>	<u>Personal factors</u>
Competition	Assistance
Cross-selling	Management difficulties
Dimensions	Speed requested
Turnover	Interpersonal relations
Margins	
Policies	
Potential	
Specific sector	
Solvency	

The construction of the loyalty matrix begins with the identification of the company’s main customers and their classification according to an order of importance as perceived by the compiler of the ranking.

This first method appears to be a rather narrow approach insofar as it normally considers the clientele according to only one variable, often the turnover, but does not consider a series of other relevant technical and personal factors and leads to a rather short-sighted view of the performance.

The loyalty matrix offers a holistic approach to the analysis of the customer performance also taking into consideration the technical and personal–relational variables such as those referred to in Table 2.1, for example.

The number of technical and personal factors considered, as well as the importance attributed to them, depend on the specific sensitivity of the company, on the level of investigation required, on the type of competition and so on and, in any case, the choice of factors, their number, importance and order highlight the company’s strategy of valuation, in other words the performance expectations.

For each of the two categories, a limited number of what are considered to be more relevant factors is selected insofar as they represent the company’s strategic choices; the sum of the factors identified may, in fact, be considered as a summary of the company’s strategy of valuation. For each of the factors identified, the customer performance must then be assessed, attributing a score from one to ten each time. The final valuation of the customer is obtained by adding together the performances recorded for each of the factors considered: in this way a new customer “importance” ranking is obtained which often differs from what has emerged from the analysis of the turnover alone.

An element of clear added value when referring to the second customer ranking method is linked to the awareness acquired when evaluating one’s own portfolio of customers. It goes without saying that every company is fully aware of the hierarchical importance of its own customers when such an evaluation is based solely on the contribution in terms of turnover; a simple ABC analysis provides an immediate method for assessing such a level of awareness. An advantage offered by

using the loyalty matrix is that of discovering the true composition of one's portfolio of customers in terms of created value and of considering each customer on the basis of their real and tangible contribution. It also allows tactics and strategies to be adapted to the customer, based on a mix of weighted elements and not only on the volume generated.

An example may help to clarify these concepts. If for a company the value/importance of the profitability/marginality is of great significance, especially if accompanied by solvency and confirmed by the preference of customers who fulfil their contractual obligations within a short time, then these three elements may contribute towards changing the customer's "ranking" compared with another customer who brings a high sales revenue but is weak with regard to the three items mentioned above. This does not change the importance of a customer who generates high sales volumes, but reshapes his position because the company's strategies give preference to a type of customer who brings a lower turnover but offers a greater contribution and speed in credit recovery.

The matrix can be read in its entirety by adding together the data emerging from the technical factors and those from the personal factors and by attributing a single clientele rating or an individual one according to the priorities constituting the afore-mentioned company policies and tactics.

With this double description of the performance *on* and *of* the customer, the analysis of the first of the three elements leading beyond customer loyalty is concluded.

The final part of the model refers to the development of the company's business. The description provided up until now may have given the reader the impression that a specific ad hoc model has been designed for each single customer. If this may appear true on one side (the customer has been considered as the sole protagonist, worthy of all types of attention), it is important to recall the parallelism existing between such an attitude and the product design phase and the setting of marketing strategies. On this matter, suffice it to consider the prototype phase in which the designers' ideas must find the right *fit* to suit the customers' expectations. Another example concerns the sector of highly complex industrial goods in which the design phase is almost always carried out by a team consisting of customers and suppliers, or the sector of luxury goods which are characterised by a high level of customisation.

In the following pages, attention will be given to the development of the business and, although the previously described logic will be maintained, a multiplier effect will be introduced in order to confer important volumes on the company that enable economies of scale to be achieved as well as profitability and important competitive positions.

The path follows four sequential moments:

1. loyalty and enchantment
2. customer penetration
3. clusterization and customerization
4. penetration on the *target cluster*.

2.4 Four Ways of Developing Customer Loyalty

2.4.1 *Loyalty and Enchantment*

Bearing in mind the transitory nature of the situation, this first moment wishes to confirm and bring to fruition the efforts described previously in order to make the customer loyal, given the fickleness of the offers put forward by the competition and the consumers' tendency to be disloyal.

The term enchantment is understood as a process that increases the loyalty of an already loyal and active customer who is confirmed as such for example in consultancy activities with continuative or occasional project-related dealings that are undertaken according to the value of the new offer and the ability to highlight new opportunities for partnership.

The enchantment referred to may be understood as the confirmation of a prior purchase as well as the purchase of a further product or service from the company, again according to the logic previously mentioned. The first lever to be used in this regard is the one reported in the third part of the operative model "C-Beyond": the information-relationship matrix. During this phase of the relationship, it is essential to maintain a lively and active relationship using the most suitable vectors identified beforehand. This activity is subject to costs, including those for database management, for the study and implementation of communication and for contact with the customer who needs to be enchanted. To these must be added the costs for customising the offer in the event of demands that differ from the company's standard ones, as well as the costs incurred for modifying the company's own offers and conditions on the basis of the "fluctuating" ones of the competition which views the company's customers as his *prospects*. However, sustaining these costs represents the most appropriate and the cheapest route to be taken: as Whiteley stated (1992), in fact, "acquiring a new customer costs five times more than making an existing one loyal").

An example of loyalty and enchantment in the service sector refers to the on-line underwriting of civil liability insurance policies by means of the internet. To retain its clients, the company must send out messages periodically to remind them of the expiry date of the policies, updating its offer with new quotations for the vehicle insured and bearing in mind devaluations or modifications proposed by legislation, as well as demonstrating the worthwhileness (whether financial or not) of continuing the business relationship.

2.4.2 *Customer Penetration*

Client penetration is understood here as increasing the amounts purchased by the customer according to a typical definition in distribution⁵⁴: it concerns a *cross-selling*⁵⁵ action for the purpose of increasing the company's presence in the customer's shopping basket. Once the customer has confirmed his or her new choice for the product–service combination offered, the aim is to increase the share of products purchased. This operation should not be confused with simple customer loyalizing.

During this second phase of the process, three *intelligence* activities must be implemented with regard to the clientele:

1. verifying once again the exactness of the mix offered;
2. pinpointing new needs that are not catered for by the competition;
3. defining and proposing the new *delivered mix*.

This approach may be seen in the banking sector for example, when a credit institute offers a customer with a current account an *upgrading* of the same by offering a larger *delivered mix* which can be grafted onto the basic service offered. This can be done by complementing the ordinary operations offered (e.g., cheques, payment of bills by direct debit, cash card, credit cards) other accessories that increase the value of the *delivered mix* such as a “revolving” credit card which provides greater availability of funds linked to the automatic “topping up” of the money available over time, or a direct debit card or an App to use the services offered via a smartphone.

Increasing the customer's purchases denotes two positive outcomes: on one side, as a result of the penetration itself, the marginality of the relationship improves according to the logic typical of the *one stop shop* which means that while the number of customers remains the same, the volume achieved increases. The second positive note concerns the competition and, in fact, as the list of products purchased by the customer increases, a virtual (but effective) barrier is erected preventing the entrance of direct competitors who see the attractiveness of their offer diminish for the very reason that the customer penetration has enriched the initial product purchased by the *prospect*. A further example is given in this case by the world of mobile phones, in which the new performance linked to the speed of transmission, traffic management and ancillary services are more easily understood by someone

⁵⁴The penetration index consists of the share of sales achieved by the supplier to the clientele he serves in his commodity sector; in order to obtain the market share, this index must be multiplied by the weighted average, in other words by the market share of the distributors dealing with the products in question. For further insights, see Lugli and Pellegrini (2002).

⁵⁵By the term *cross-selling* reference is made to “the increase of the range of products sold” (Cozzi and Ferrero 2004, p. 172) to the customer; it must be distinguished from *up-selling* which refers to “increasing the market share with the customer” (Cozzi and Ferrero 2004, p. 172).

who has previously appreciated the type of relationship with his server and places a certain trust in the services offered which leads, as stated beforehand, to the creation of a barrier towards other brands.

2.4.3 *Clusterization and Customerization*

The third moment sees the often cited development of the business playing the lead role. Once the *delivered mix* has been approved by the customer (or by a first type of customer) it becomes a priority for the company to repeat such a model of success by identifying one or more clusters to which it can be offered. The specific aim in this phase is to identify other *prospects* who may appreciate the same *delivered mix*. On this matter, Mattiacci (2000), in his work on niche marketing, states that such an offer is directed “blatantly at fragmented preferences and requirements” which, according to the author, should be satisfied with the same commercial offer once they have been identified.

It is a sort of “industrialisation of the product/service” that is offered exactly as it is to customers who are similar or comparable due to their needs and requirements (e.g., desirability of the “military” sector for an insurance company: army, finance police, carabinieri corps, police force etc.) for which customisation means *fine tuning* the previous offer.

As stated before, this is the phase in which the number of customers grows. In order to achieve a greater level of cost-effectiveness, the company also follows the path leading to efficiency, optimising the costs of checking the process rather than checking development. When the segment identified becomes attractive numerically in assessments of market value, the customisation phase is undertaken by means of *fine tuning* activities linked to the identification of specific needs and, consequently, to the *delivered mix* to be offered.

2.4.4 *Target Cluster Penetration*

The activity performed in the fourth stage is a repetition of what was carried out in the second stage: once the cluster that appreciated the product–service combination identified in the third stage has been pinpointed, it is possible and also desirable to extend the new product–service offer by undertaking *cross-selling* activities, which in this phase are not performed on the individual customer, but on the cluster taken into consideration.

The effectiveness of the idea of repeating the model of success, as referred to previously, is confirmed here: the development of the business is organised uniformly as the type of customer who appreciated the first offer is easier to reach with a targeted communication during the expansion phase. Reference to tribal marketing (Cova 2003; Cova and White 2010; Canniford 2011) is appropriate as the

logic underpinning such a type of development is linked exactly to the founding elements supporting its theories: confirmation of the mix offered is extended, acquiring the status of witness as an active reference (Cavallone 2000) and extending the validity of the choice to its own cluster.

As proof of the statements made above and returning to the example of the bank account to which the “revolving” credit card has been added, if the bank has had confirmation of the first two phases from the sector of architects targeted, it may first extend the commercial offer to all the architects with which it has business dealings or which it knows about from its database. The bank may then integrate this process with a business development by means of a specific activity of direct marketing, once it has acquired information of the names of people belonging to the afore-said professional order. At the same time, the bank may also carry out research activities searching for targets with similar expectations: if, from the marketing analyses, it emerges that with a few modifications to the offer, the sector of surveyors could also be enticed by the mix offered, then the marketing action could be extended to include this cluster, having the forethought to first customise the offer as referred to previously.

Having examined all the building blocks, this concludes the analysis of the strategic action.

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Chapter 3

TES Marketing

Abstract TES, an acronym for The Extra Step from which the book derives its name, is introduced in this chapter and, after a description and analysis of the main principles, the research question investigated is: “Is it possible to create/provide a product/service and at the same time make customers loyal by acting on the delivered mix?” and TES Marketing wants to be the answer. TES marketing materialises as a new way of creating the offer and enables the elements of the existing marketing mix to be examined in order to pinpoint the appropriate lever on which to intervene (one or more “Ps”). The purpose is to make the buying experience such as to combine the provision of goods or services with loyalty, especially in those sectors in which the offer of the direct competitor is similar or comparable to that of the firm. In this chapter is considered the role of consumer involvement. It can be defined as the very essence of TES marketing as, on one side, it represents what inspires the effort of constantly making the *extra step*, while on the other side it permeates every strategic and operative aspect of such an approach.

3.1 The Main Constituents of TES Marketing

In Chap. 2, the themes of customer loyalty were examined. TES marketing focuses on the subject of customer loyalty and develops around the following research question:

“Is it possible to create/provide a product/service and at the same time make customers loyal by acting on the *delivered mix*?”

The research identifies an approach/model (TES marketing), which is particularly valid for the service sector, and enables the firm’s offer (*delivered mix*) to be re-oriented by taking “The Extra Step” in this direction, thus having an impact on customer loyalty as well.

Consequently, loyalty becomes the final output of TES as a result variable in addition to the product/service that is created or provided and, in this sense, it represents the extra step as it allows the measures taken by the company to achieve customer loyalty to be made more effective.

This approach is put into practice by means of the TES marketing mix (see Chap. 4), which is implemented by means of a greater involvement of the customer during the production and fine tuning phase of the product/service.

A first version of the concept of TES marketing was identified by the author in 2008; to reach the result presented here, the existing literature was reviewed and analysed and the steps leading to loyalty were identified. The conditions were then formulated for the new model that represents the final aim of the research: to create/provide a product/service and at the same time make the customer loyal. For this purpose, empirical research was carried out, especially on the elements of the TES marketing mix in order to verify the statements made previously.

In this way, TES marketing materialises as a new way of creating the offer and enables the elements of the existing marketing mix to be examined to pinpoint the appropriate lever on which to intervene (one or more “Ps”). The purpose is to make the buying experience such as to combine the provision of goods or services with loyalty, especially in those sectors in which the offer of the direct competitor is similar or comparable to that of the firm.

As written in Chap. 2 firms implement marketing policies that aim to increase the loyalty of their customers and, to do this, they adopt various strategies and means. In fact, it has been estimated (Whiteley 1992) that acquiring a new customer costs five times more than retaining an old one. The recent literature shows how the “scenario” changed in comparison to the past with an increase of the overall complexity. As a consequence other or new variables must be considered to reach loyalty e.g. customer perceived value (Chen and Hu 2010a, b) customer engagement (Van Doorn et al. 2010; Gonring 2008) employee engagement (Saks 2006) corporate and brand image (Wang and Yang 2010) customer trust (Choi and La 2013) brand experience (Iglesias et al. 2011) rapport between customers and employees (Delcourt et al. 2013) and relational benefits (Chen and Wu 2010a, b).¹

What the author has highlighted over the years of work and studies on the theme of customer loyalty is its add-on nature to marketing strategies. In other words, the firm identifies strategies which are then translated into tactical actions aimed at customer loyalty, although these actions often appear “separate” from the firm’s strategy, draining resources from the purpose at which they are aimed. Examples of this are the attempts at customer loyalty implemented by phone companies when they receive a termination of contract from a user: they try not to lose the customer by relying on discounts, promotions and new and better conditions compared with those that have been offered by the competition and accepted. It is clear that this activity not only represents a cost for the firm, but also has a negative effect on the image of the firm perceived by the customer. Why resort to these extra costs when an appropriate customer management could have avoided them?

This chapter introduces TES Marketing which has as its final objective both the provision of a product or service and the loyalty of the customer who has purchased it.

¹Kandampully et al. (2015).

In 1984, the author began work in Philadelphia (USA) in the marketing office of the First Pennsylvania Bank. The author clearly remembers one day in particular when the director Frank Dynan told all the staff that, “To do things as they should be done, you have to work like Tessy”. A few days later, the author asked who Tessy was and the reply was: “Tessy is not a person, it’s a behaviour that every one of us should adopt in order to go the extra step (The Extra Step, TES leading to the name Tessy) and get to the point, without just carrying out our own duties or doing what is asked of us”. Frank’s teaching still remains vivid in the memory of the author who owes much to him for what he learnt about marketing and for the friendship that still binds them. Even if many years have passed, the author wished to take up his concept once again to confirm the TES marketing approach introduced in 2008, which is examined in greater depth here and enriched by the experiences of recent years. TES continues to be a form of marketing which wishes to go beyond its institutional duty and give tangible shape to its actions by verifying its effectiveness on the customer and on the market: marketing that goes one step more.

So, research has identified a model (TES marketing) that is especially valid for the service sector and which enables customer loyalty to be increased and to re-direct the firm’s offer (delivered mix) by taking an extra step (“The Extra Step”) in such a direction.

In this way, customer loyalty becomes the final output of TES as a variable of an additional result, over and above the production/supply one, and in this sense it represents the extra step, allowing, as it does, the actions aimed at customer loyalty to become more efficient.

This step is achieved by means of the TES marketing mix, which involves greater attention to the customer during the product/service construction and fine-tuning phase (co-planning, increasing the value of the offer, effective communication and distribution with dedicated and specific facilities) and customer loyalty is the result variable of this.

TES marketing offers an answer to the dual need for substantiality (reduction of the promised performance—perceived performance gap) and for a real closeness to the customer and to his actual needs both technical, in the sense of performance and relational, for the management of the customer-supplier relationship based on the principle of equality according to the symmetrical interaction method (Watzlawick 1972).

TES marketing considers the customer as a partner and wishes to share the path of mutual satisfaction with him, each party in their own sphere of interest: the business for the company and the personal/self-referred interest for the customer. The partnership with the clientele is a founding element of the logic underpinning TES marketing.

In the light of the introductory statements made on the previous pages regarding the evolution of the concept of marketing and its practical application, some questions have been raised in the company:

- What is marketing today?
- Where is it going?
- What added value does its contribution make to the consumer, distributor, company triad?
- How does it fit in with the relationships between company and society (Fiocca 2006)?

Apart from the clarity of the terminology and the co-existence between the academic world where the term came into being and the business world where it is put into effect, according to the writer (Cavallone 2008), the need has been confirmed nowadays for a new type of marketing called:

TES MARKETING

where the acronym TES stands for *The Extra Step*, the extra step to be taken in order to increase the efficiency of the marketing actions on the market. The final aim is to put forward a proposal for a model which tries to reposition marketing in a very pragmatic way, based on the efficiency of the marketing activity itself and linked with the management of the relations with a company's various internal and external stakeholders.

To test our model, we used a mix methods research approach. This methodology involves qualitative and a quantitative research in a single study or a longitudinal program of inquiry. In particular, in our research we adopted longitudinal approach in order to get a better understanding of the research problem. This methodology allows to obtain variation in data collection and thus leads to a greater validity ensuring to overtake the gap between information and data collected (Creswell et al. 2003).

The data derive from interviews, observations and empirical surveys (from 2008 to 2016) concerning the concepts and tangible effects of the TES approach as evidence to support the research question and are ascribable mainly to:

- 150 insurance agents
- 340 pharmaceutical sales representatives (180 in Italy and 160 in Spain)
- 30 pharmacy owners
- 25 specialists in multinational food/pet food distribution
- 20 SMEs of various sectors operating on international markets.

The methodological approach used is described in the text or in the notes to the specific examples.

3.2 *Step by Step to the Extra Step: The Operative Approach of TES Marketing*

As stated above, the aim of TES marketing is to go an extra step compared to the sometimes unexpressed potential of its role and the consequent performance achieved, for the very reason of its characteristic of being “marketing that goes

beyond” the definition of strategies and operative actions. TES proposes to bring tangible results with an expected efficiency that combines the historical responsibility of the operative role of marketing and continues its activity, dealing not only with the protection of the marketing mix in the wide sense of the term, but also with checking the performance on the market, right up to the end of the sales process and verifying, as stated previously, the efficiency of its undertakings. One of the bases of such definitions is confirmed in the writings of various authors (Gilmore and Pine 2007; Beverland and Farrelly 2010; Napoli et al. 2014; Newman and Dhar 2014), who dedicate their work to the term *authenticity*, analysing the circumstances in which consumers choose to buy on the basis of the real perception of what the offer actually is.²

It no longer concerns a form of marketing which considers its operative responsibility to be concluded with the planning of the strategy and the consequent realisation of the marketing mix and that then entrusts to other departments (such as sales or whoever deals with the provision of a service) the actual performance of the work on the customer/market, and then finally checks that its forecasts have been met. The new function of TES marketing involves the organisation downstream from its own processes, making it more responsible in order to maximise market performance, also in the aim of avoiding conflicting attitudes linked to the lack of clarity or misunderstandings as referred to in the previous chapters highlighting the increasingly frequent gap between marketing and sales, two departments which sometimes seem to belong to different companies, with different objectives or at least non-convergent ones.

On an organisational level, with TES marketing the sales department continues to work autonomously and is backed by a team of “TES retail specialists” who, as will be explained later, work on the point of sale in synergy with the traditional sales network. There is no attempt on the part of the marketing department to annex the commercial and/or sales division: the only aim is to increase the efficacy of the activity dealt with by the department which in this way assumes responsibility for the market performance.

What does TES marketing propose to achieve?

The aim is ambitious: to implement and check the effectiveness of the marketing action along its entire path, from the perception of the need to the sale of the product and customer loyalty. It wishes to reach the key point that the Americans refer to as “the signature on the dotted line”: it aims to make performance concrete, to achieve sell out, in other words to attain the global efficiency of the marketing action.

TES originated as a coherent evolution with the developments of the discipline and proposes a possible further improvement of its philosophy and teaching. In particular, the centrality of the customer and his evolution represent the starting

²Gilmore and Pine (2007) state: “In a world increasingly filled with deliberately and sensationally staged experience—an increasingly unreal world—consumers choose to buy or not buy based on how real they perceive an offer to be”.

point for TES; measuring the performance of the marketing actions on the market for the purpose of checking/increasing their effectiveness, represents one of the ways it is fulfilled.

Various authors (Ambler 2003; Lehmann and Reibstein 2006; Arbore and Busacca 2011; Mintz and Currim 2013) have worked on measuring the performance of marketing activities by means of indicators (*marketing metrics*) referring to the sales force, the product, the return on investment, etc.

On the basis of these first hypotheses, supported by the writings of Fiocca (2006), Hakansson et al. (2004), Vargo et al. (2014) regarding the need to go further and to take an extra step, a secondary objective is to enable the discipline to be re-evaluated in the eyes of the management.

As we explained before, customer loyalty is considered as a strategic asset for the firm. Indeed, customer loyalty has a great impact on profits, the willingness to pay more, word-of-mouth and e-word-of-mouth. In this context, the role of the value that consumers receive is pivotal. As a matter of fact, the intention to continue the relationship with an organization depends on the value received during the ongoing relationship. In general consumers search for economic and psychological value. In this perspective, Dick and Basu (1994), Oliver (1999) and Melnyk et al. (2009) define customer loyalty in terms of attitudinal and behavioral outcomes. According to Luarn and Lin (2003), the perceived value reflects the level of commitment of an organization to its customers, which is an antecedent of loyalty. Sirdeshmukh et al. (2002) highlight that trust is an important factor for loyalty. Trust is the result of two components that impact on value: trust in frontline employees' behaviors and trust in management policies and practices. In this perspective, the concept of trust summarizes a set of beliefs such as safety, competence, integrity and so on. More recently, Kandampully et al. (2015) have conceptualized the evolution of loyalty as a pyramid, at the top of which there are emotionally loyal customers. These customers are related to the firm through an affective commitment realized through trust and delight. This result is consistent with the study by Schmitt (1999) who underlined that consumers are not rational subjects able to evaluate and choose based only on functional elements because they are searching for pleasurable experiences and happiness (Schmitt et al. 2015). Following this reasoning, Lindstrom (2005) affirms that loyalty is the consequence of a sensorial and emotional experience. To illustrate this concept, this author created the "Sensagram" a useful tool to understand the dynamics between customer perception and the five senses. More recently, with the emerge of web 2.0 and the participation of customers in social networks, the control of product/service moves gradually from firms to customers and this facilitates the emotional bond and as a consequence encourages customer loyalty (Gamboa and Gonçalves 2014).

With TES, the aim is also to go beyond the *effective marketing*, and it focuses on the subject of customer loyalty and develops around the following research question:

"Is it possible to create/provide a product/service and at the same time make customers loyal (Fig. 3.1) by acting on the *delivered mix*?"

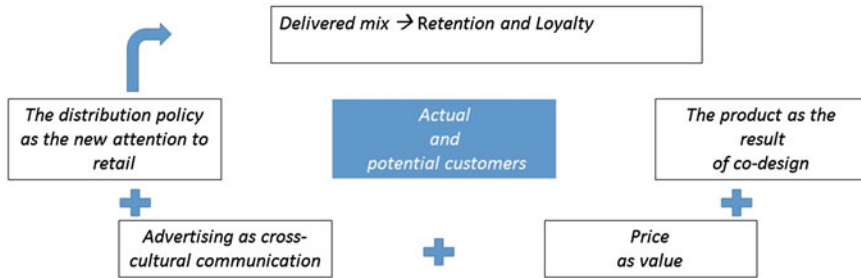


Fig. 3.1 The logical scheme of TES marketing (drawn up by the author)

TES proposes to work on redefining the performance chain (Cavallone 2000), meaning the set of constituent elements of the offer produced by the company and valued in the eyes of the customer, and its disaggregation in order to create an awareness of the location and distribution of the afore-mentioned value. The model presented below also verifies the customers' perceptions in order to consolidate both the value perceived and the tangibility of the marketing action³ and, finally, it considers the feedback actively from the field to the company, in order to measure the effectiveness mentioned various times beforehand.

The extra step is holistic, in other words first as a thought then as operative marketing. From a conceptual point of view, in particular, TES marketing questions itself on its distinctive philosophy, on the ways in which it intends to satisfy the customers and differentiate a company from its competitors, giving rise to the four identifying approaches (Cavallone 2008):

- I CARE
- I CURE
- HIGH CORE
- I CHEER

which are examined below.

I CARE: I care about my customer's satisfaction

This is the strategic starting point of TES. Bearing in mind the contents of Chap. 1 under the heading "Who is the customer?", it is easy to realise that at times the orientation of marketing is, at least in part, only a façade. In the approach presented below "The customer comes first" is not a slogan but a mission.

³This latter activity is analysed by various authors (Schultz 2013; Klaus 2013; Baxter et al. 2014) who share the idea that in today's market context characterised by complexity, hyper-competition and digitalisation, pinpointing the *consumer insights*—to which, as Fiocca (2006) states, must be added the *human insights*—enables companies to develop products, create messages, plan strategies and increase the efficacy of the sales processes.

For TES marketing, the customer is considered to be a partner and a cornerstone of the company with whom to build a common path of mutual satisfaction.

Sisodia et al. (2007, 2014) claim in their work that sensitive firms are able to establish a relationship of an emotional nature based on a strategic alignment of the various groups of stakeholders.⁴

The same authors affirm the importance of introducing a new approach that aims to conquer a “share of heart”, in other words a space in the customers’ hearts (Sisodia et al. 2007), in the aim of obtaining a sort of market share through the customer’s affection which results in a purchase.

I CURE: I take care of achieving my customer’s satisfaction

The second approach is linked directly to the first: if it is true that the customer is a partner, his satisfaction is the company’s satisfaction. The winning logic is the win-win one by which all the stakeholders win. The implication has a practical side insofar as it is linked to the realisation of the product/service being created that must meet the expectations of both stakeholders.

The concept also materialises in the choice of in-house staff, where the turnover of resources is an indicator of such an attitude; the case of Southwest Airlines is a good example of how staff loyalty and the consequent continuity of the relationship with the customers (who become used to the standard of service) contribute towards creating the value of the firm (Sisodia et al. 2007, p. 12).

HIGH CORE: I know where the pivot that differentiates my approach lies

This attitude of awareness enables a company to differentiate itself from the competitors and enhance its distinguishing elements for the active clientele. Once again knowledge of the customer and what he appreciates represents the operative fulfilment of the marketing principles. To build such a wealth of knowledge, the company invests in continual market research and CRM systems for the purpose of increasing the amount of information concerning the customer and what he expects, appreciates and values.

I CHEER: I share the joy of my customer’s satisfaction with him

From the English verb *to cheer* (applaud, encourage, hearten), the last approach represents the active transposition of the win-win philosophy: once the mutual objectives of satisfaction have been effectively achieved, a third *win* is added, the one regarding the competition which will find it more difficult to establish deep relationships with the customers managed by means of the TES marketing philosophy.

⁴The same authors report that “recent research in the field of neurology has confirmed that loyalty is a sentiment that springs from emotiveness and not from rationality”.

3.3 Involvement as the Essence of TES Marketing

Having examined the founding elements of TES and before considering its Marketing mix, it is important to examine the role of consumer involvement. It can be defined as the very essence of TES marketing as, on one side, it represents what inspires the effort of constantly making the *extra step*, while on the other side it permeates every strategic and operative aspect of such an approach.

Involvement⁵ (Cavallone 2000; Tassinari 2003; Collese 2006) is understood here according to two meanings: the first as a result variable, in other words the awareness, a cognitive state through which the customer acknowledges (because he realises it) the value of the offer, which he perceives both as being different to that of the competition and customised to his own needs. The second way of interpreting the term involvement⁶ is with its main meaning, confirming a more concrete idea that leads to action, the building blocks of which are trust generated by experience and the value created by the firm and by the brand, two vectors that are analysed below.

The value of experience has been the object of growing attention in literature over the last twenty-five years and, in this way, it has become, according to the author, an integral part of what is offered. The *goodwill* generated by such a perception has a direct influence on the trust that the customer places in the company as well as in the product offered by the same, by the trademark or by the company he represents.

In Chap. 2, adapting the definition of Bona and Costabile (2004), trust was defined as “a prejudice regarding the company’s ability to offer a value consistent with expectations” and how this is “a flow produced following every interaction that the customer has with the company”. The trust generated by the experience in the way described above, for the very reason that it is experienced through direct perception, confirms the creation of such a construct which, at one and the same time reinforces the perception of what is provided, creates differentiation from the competitors and contributes towards creating a stock of trust that the company can use in the near future, capitalising on what has been done previously.

Although acknowledging the validity of the statement made above, trust created through experience is not considered to be sufficient, but it is essential to catalyse a second constituent element in the business operations: the value created by the company and by the brand.

Firstly the **value for the customer** will be analysed: it is understood as the difference between the benefits delivered (the perceived value; Collese 2006) and the various costs, monetary and non, incurred by the consumer to ensure himself of the offer (Fiocca 2005). Furthermore, literature highlights how the perception of the

⁵Reference will once again be made to the theme of involvement, later on in this chapter, both from the point of view of its centrality in the choice of product, and as the pin for establishing lasting relationships as described and confirmed in literature.

⁶Lagrosen (2005).

value by the customer is based on a comparative evaluation, in other words an assessment made comparing the offers of the competitors, and how it evolves over time (Raimondo and Miceli 2005). Therefore, for the individual company it is important to fuel this value, acting on a level of personal gratification with specific and unique initiatives, aimed at demonstrating acknowledgement, attention and care on the part of the company/organisation, even besides and beyond the consumption or purchase of its products and services (Pratesi and Mattia 2006).

Over the last few years, this concept has, however, evolved, so that today attention is concentrated not so much on the value of the individual offer and the single buying act, but on the value of the relationship in its entirety. This moves and/or draws attention away from the value created by the company for the customer to the value created by the customer for the company, a concept that can be referred to as the *customer lifetime value* (Grönroos 2012), in other words the value that the customer will bring the company over the whole duration of their relationship (Kotler and Armstrong 2006). It should also be placed in relation to the value that the company will be able to deliver to its own customers during the same period of the relationship. Therefore, the perspective becomes one of involving the customers in the company, co-creating value (Grönroos 2012; Grönroos and Voima 2013): according to Prahalad and Ramaswamy (2004), this is where the future of competition lies. The authors believe that in order to be winners, companies must recognise that it is not the products or the services that create (or destroy) value, but the events and the experiences. Consequently, the organisations must transform their way of operating, the management of the know-how and the information technologies, adopting collaborative approaches that enable both the managers and the front office clerks to interpret the business from the same perspective as the customers.

In fact, the processing of the value begins upstream from the whole process, focusing on the characteristics of the offer that are such as to be able to offer potential customers actual elements of differentiation, combining aspects of competitiveness (compared with the offers of the competitors) with personalisation of the *customized marketing*⁷ type.

The second phase is linked to the creation of the value, where the main difficulty lies in deciding how to produce the planned value; the various players who interface with each other during this stage of the *supply chain* must always bear in mind the final benefit that is to be offered to the customer and work coherently in that direction. The fourth and the fifth phases refer to the delivery of the value and its assessment and have been examined previously.⁸

The third phase is the one worth examining more closely as it is linked to the communication of the value; here the aspects concerning the brand are found to

⁷By the term *customized marketing*, the need is expressed for some companies to “exasperate” the concept of *consumer marketing* for the purpose of defining a real customisation of the offer (Cavallone 2000).

⁸See the paragraph concerning the *delivered mix*.

which reference has been made. In the definition provided by the American Marketing Association (1960), the brand is “a name, a term, a sign, a symbol, or any other characteristic for the purpose of identifying the commodity or the services of a seller and distinguishing them from those of other sellers”. However, according to Pratesi and Mattia (2006, p. 3), this is not sufficient as reference can be made to a true and proper brand “only when there is an emotional value connected to the offer that goes beyond the specific functions of use and integrates with them”. In this case, the customer places his trust once again in the brand and in the offer of value that it communicates and he behaves loyally. For these functions, the brand becomes an immaterial asset that is fundamental for the company, so much so that it incorporates a stock of value, defined as *brand equity*⁹ (Pratesi and Mattia 2006).

In the models of *consumer-based brand equity* (Keller 2003), this driver may be defined as the differential effect that the knowledge of the brand has on the customer’s response. Besides, brands are everything that the product or service represents for the consumers and they are based on the creation of a sentimental value which leads to their ability to conquer the preference and loyalty of the consumer (Kotler and Armstrong 2006). The most important aspect is that the brand represents the basis for the creation of solid and profitable relations with the customers, based on their mental and emotional involvement. In other words, a strong brand incorporates values and distinctive associations that are able to stimulate customers’ loyalty (*brand loyalty*) and their involvement, differentiating the product from those of the competitors. Hence, as reported by Aaker (1991), *brand equity* is the result of five *sub-drivers*: brand loyalty, brand awareness, the quality perceived, brand associations and other assets. Moreover, according to the author, a high *brand equity* enables a positive circle to be set up that also leads to the improvement of the value for the customer and the overall value of the firm. Finally, *brand equity* not only increases the probability of buying existing products, but it is also a vehicle for launching new products in the form of brand extension (East 2003).

3.3.1 The “Information—Relationship” Matrix

The “Information—Relationship” matrix is an instrument with which the marketing actions linked to customer involvement can be gathered and attributed as it identifies both the four main types of customer present on the market and the possible behavioural approaches to use with the same.

The matrix, shown in Fig. 3.2, is built on two axes that represent, as said, the information and the relationship and according to the degree of involvement of these elements, they identify four quadrants.

⁹Concerning the concept of *brand equity* and its evolution see the recent works of Ahmad and Thyagaraj (2014) and Matthews et al. (2014).

RELATIONSHIP	High	Orientation towards relationship 2	Orientation towards partnership 4
	Low	Orientation towards transaction 1	Orientation towards information 3
		Low	High
		INFORMATION	

Fig. 3.2 The information—relationship matrix (drawn up by the author)

From the combination and from the afore-mentioned degree of propensity for the two factors analysed, four main types of customers are identified that can be oriented towards the transaction, the relationship, information and lastly, the partnership.

The first type of customer shows both a low orientation towards the relationship as well as towards information and is positioned in the first quadrant of the matrix. Defined by the term *transactional*, these are customers who are very aware of the economic transaction and expect only what is provided for by the synallagmatic relationship from the firm's performance. The information requested is limited to the ways in which the product works (instructions and method of use), rather than aspects regarding the guarantee or spare parts and, as far as the relationship is concerned, these customers require the bare minimum allowing the contact and expression of such attributes. The main lever of this cluster is the economic aspect: in fact, whoever belongs to this group pays great attention to discounts, final prices, special offers and *bargain* buys; the priority of the transaction lies in obtaining a certain commodity at the best possible economic conditions. It is evident that not only is it difficult to make this customer loyal to the firm, but also that he is not really of interest to the firm in this sense. If reference is made again to the loyalty matrix provided earlier, it may be assumed for example that under the heading marginalisation—profitability this type of customer would obtain low scores due to his bargain hunting nature and, at the same time, he will not be very disposed towards involvement, whether spontaneous or induced. On the contrary, acting on *switcher* mode, he will continue to move towards companies willing to offer better conditions whenever a specific need arises. It is easy to relate this type of customer to those consumers who forgo their brand or product loyalty in favour of a last minute offer (one example is given by the pre-registered “new” cars available in car showrooms), as well as those who dedicate a lot of time to shopping, visiting different points of sale and then buying the product which for them appears to be the cheapest (for example white and brown household goods). From the company's point of view and the perspective of loyalty, not only is this customer uninteresting in the short term (unless the firm finds itself in an economic situation that is such as to have to increase its sales volumes very quickly), but not even in the medium term

as the customer is unlikely to evolve or appreciate elements such as information or relationship, for the very reason that no price can be assigned to them.

Moving on to the second quadrant, we find a customer who is not very interested in information, but very keen on the relationship. In this case, the customer appreciates the methods used and the efforts made to establish a contact.¹⁰ It is considered worthwhile here to make a theoretical excursus on the concepts related to communication as identified by Papavassiliou and Stathakopoulos (1997). The authors introduce the concept of *continuum* and affirm that the process of communication in international marketing takes place by means of continuous methods linked to continuous processes of standardization and adaptation. In addition, the author is convinced that the relationship with the customer must be achieved with such *continuum* methods, according to a “strabismic” logic understood both in quantitative and qualitative terms. This approach materialises in a planned *ab origo* relationship which, as such, disregards spot or *una tantum* methods or forced relationships (e.g. recalls by firms of faulty products or parts as often occurs in the automotive sector) and customer-made *unicuique suum* relationships that are customised according to specific expectations of method and content. Post-purchase interviews, satisfaction questionnaires, contacts to give explanations about the products or the guarantee are some examples of such behaviours which can also be interpreted as “pampering”, as referred to by George and Stanton (1997). It is easy to imagine that the moment the company comes into contact with the customer it also provides information (and asks for it too), but the main aspect is and remains linked to the contact, to the interest in discovering opinions and to make the customer understand that the company cares about what the customer experiences and what he thinks. On this matter, it should be remembered that in order to implement such an action it is important for the company to have at its disposal hetero-referred staff, in other words who are well disposed towards others and willing to dedicate their time to handle the contacts.

The third quadrant sees the presence of a clientele that pays great attention to information¹¹ but very little to the relationship: he prefers those aspects of contact with the company that are for the purpose of finding out about elements that bring value and which are linked to them as people, to the purchased product and to its management. One example could be linked to the financial sector, in which some customers, once the investment has been defined (for example a pension fund), are pleased to receive specific information (and not standard or periodic information) from the institute because they appreciate personal contact linked to the obtaining of specific data (gathered from specialised press reviews or data sought especially from specific sources used by financial brokers). For other customers, the speed with which the information reaches them is a priority and they perceive this

¹⁰Compare the references to relational marketing quoted previously. On the subject see also Grönroos (1994, 2000).

¹¹By information reference is made to all the data that increase the value for the customer and which may vary from continuative to sporadic, from in-depth (i.e. complete) to simple news that the customer then investigates personally.

reduction in time in supplying it as a service of added value and sometimes, it is even considered to be an element that attributes importance to them. The information may concern both the products they have purchased and the personal sphere of interests of the person concerned; particular passions and various hobbies and interests. These can be identified by whoever speaks to them when drawing up the relational case history as primary data which, if handled using methods of *database marketing*,¹² become true and proper drivers of value attribution. It is clear that both the attention applied to the relationship as well as that referred to the sending of information are tools for gaining customer loyalty.

The fourth quadrant is the one that is most sought-after by companies as it contains those customers who are most interested in the relationship and, at the same time, in information. In this section of the matrix, for the very reason of the keenness shown for both vectors, the attitude linked to partnership is developed. When the customer perceives (and, consequently, values) the fact that both his expectations regarding information and relationship are satisfied, the specific concept of involvement,¹³ which has been mentioned several times, materialises and increases his level of loyalty, leading him to become a partner¹⁴ of the firm.

In order to confirm and demonstrate the ways of using the matrix, two practical examples are given here below of the application of the involvement actions in the Pharmaceutical (Fig. 3.3) and Banking (Fig. 3.4) sectors.

From an analysis of the headings stated in the four quadrants, the situations as well as the relative behaviours appear to be clear. In the first case, the behaviours of 340 pharmaceutical sales representatives who present cough medicine to doctors on the Italian and Spanish markets were examined (180 in Italy and 160 in Spain). From an analysis of the evidence that emerged, it was seen that with a doctor who is oriented towards transaction, involvement is limited to programmed periodic visits for a presentation—reminder of the characteristics of the product, the ways of administering the medicine and the specifications of the patients who could be interested in it. In the case of orientation towards the relationship, in view of the recent regulations, the importance of the care for the “quality of the meeting” aspect emerged which makes a difference, again on the basis of what the doctor is told about the product in question. This means having dedicated time during the meeting to considering topics that differ from those linked specifically to the medicine which, in some cases, may even fall into second place, for example, during periodic visits that do not provide for the presentation of new products. With the orientation towards information, specific background work is noted on the part of the sales representative in order to collect information that is of interest to the doctor (minutes of conferences, scientific papers, research) which is then catalogued,

¹²Blattberg et al. (2008).

¹³In this way, involvement, as examined previously, materialises: the customer feels at one and the same time that he is cared for on a relational level with behaviour showing an active presence, as well as enriched by means of specific information that is also of value.

¹⁴On this matter see the contents of the previous chapter.

RELATIONSHIP	High	<p><i>Orientation towards relationship</i></p> <p>Advice/Consultation Dinners (each person pays for themselves) Knowledge of the doctor and his professional reality Identification and solution to problems Very close working relationships</p>	<p><i>Orientation towards partnership</i></p> <p>WIN WIN philosophy Need for relationship and information Long-term partnership of mutual benefit</p>
	Low	<p><i>Orientation towards transaction</i></p> <p>Product samples Participation at conferences Requests for gifts Working dinners offered by the pharmaceutical company Convenience and ease of administering medicines Quality of the product and awareness of it</p>	<p><i>Orientation towards information</i></p> <p>Training on the product and relative trends Articles, papers, reports, minutes of conferences Information on the doctor's "business" (transfers, news etc). Summaries of complex information</p>
		Low	High
		INFORMATION	

Fig. 3.3 The information-relationship matrix in the sector of scientific medical information about medicine

summarised and “delivered”. Acting in this way, it is possible to create a concrete difference between those who suggest prescribing the medicines they represent and those who understand more deeply the orientation of the doctor.

The second case which was the subject of observation was the banking sector which was analysed by means of a survey with direct interviews of a sample of twenty SMEs dealing with international markets (in particular Europe and Asia).

From an analysis of the replies from the cluster interested more with the transaction, a cold approach emerged linked to the exasperated search for the cheapest conditions for the same service offered by the competitors. This behaviour on the part of the customer is comparable to a “shopper” of banking services which, once perceived, leads to an attitude of “the cheapest price” in other words standard information taken from data available on the basis of the list of conditions in order to minimise the costs of management.

In the second case, (orientation towards the relationship), the trust created by the quality of the relationship with the contact person leads to a different type of involvement compared with the usual contact model between the bank and the customer, even leading in some cases to the request of a person’s presence during important financial meetings regarding international markets. The frequency of the contact either in person, by telephone or by email, in this case is very high.

<p style="text-align: center;">RELATIONSHIP</p> <ul style="list-style-type: none"> - “Holding hands” method; - Presence of Relationship Manager required at important meetings; - The customer often comes to the bank; - High level Customer/Operator/Branch manager contact; - Rates/price leverage almost completely immaterial; - Customer margins high and stable; 	<p style="text-align: center;">PARTNERSHIP</p> <ul style="list-style-type: none"> - Rate/price as a component of the service; - Acknowledgement of the skill of whoever provides the service; - Customer’s acknowledgement of successful operations; - Very high Bank/Customer satisfaction - Loyalty of the relationship
<p style="text-align: center;">TRANSACTION</p> <ul style="list-style-type: none"> - Cold, detached approach; - Rates and service price leverage fundamental; - Short request response times; - Comparison with other credit institutes for every request; - “the cheapest price” approach always necessary ; 	<p style="text-align: center;">INFORMATION</p> <ul style="list-style-type: none"> - In-house training necessary; - Precise data and sources required when producing documents; - Rates and price leverage important but not the sole driver; - Importance of the presence of the product specialist during meetings; - Quality of the communication important

Fig. 3.4 The information-relationship matrix in the banking sector

In the third quadrant (orientation towards information) in addition to the specific product and market documentation, involvement occurs by means of a request to transfer knowledge comparable to a training procedure.

The types of information which have shown to be of greater value to the Bank customers are related to the following:

- legal aspects;
- cultural differences;
- methods of payment;
- methods of transport;
- necessary documents;

matters that worry businessmen and which create doubts regarding the choice—path towards internationalisation, for the very reason that they are SMEs with

in-house resources that are limited as far as such skills and information are concerned.

Thus, the author wishes to give proof by means of these two concrete examples verified on the field, of the importance of involvement and how the matrix includes behaviours and results that are expected from the steps taken with the customers.

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Chapter 4

The TES Marketing Mix

Abstract The TES marketing mix is examined in this chapter which recommends moving from customer provisioning to customer loyalty combining the supply of products/services with customer loyalty. In particular, the variables identified (“Ps”) have been checked against reports in literature to support the theoretical contents of the monograph and as a further link with business reality. The Tes marketing mix is provided with some practical examples: • Product: co-design (training programme for pharmaceutical sales representatives); • Price: breakdown of the value drivers (insurance sector and pharmacies); • Advertising: cross-cultural communication (examples from the automotive sector, etc.); • Distribution policy: Tes Retail Specialist (food distribution). Interviews, observations and empirical surveys have been carried out regarding the concepts and concrete effects of the TES approach to support the explanation of the research question. At the end of the chapter the “Information—Relationship” matrix is presented. It is an instrument with which the marketing actions linked to customer involvement can be gathered and attributed as it identifies both the four main types of customer present on the market and the possible behavioural approaches to be adopted with the same.

This paragraph describes and analyses the TES marketing mix.

To be coherent with the past and as the author is firmly convinced of the topicality of the concept of marketing mix both for the synthesis that it represents and for its characteristics as a “dashboard” or a recapitulatory *tableau de bord*,¹ the TES marketing mix confirms the model of the Ps introduced by McCarthy (1960) and its evolution. In TES, the Ps are proposed again and interpreted according to the specific contribution that they offer to the model. The other operative implications, such as, for example, the aspects of emotional or rational creativity, coexist in the P of input and contribute towards defining the TES marketing mix by means of the specific customisations referred to the individual businesses. It must be specified that, although every single variable is designed so that it is meaningful, borrowing

¹Valdani (1991, p. 133).

the mathematical concept of absolute value, when the elements come into contact with each other to form the marketing mix (in Mc Carthy's definition the marketing man is a "blend of ingredients") a sort of "chemical reaction" is actuated, a cross-fertilisation which makes each one lose its own autonomy and independence, achieving both the true and proper marketing mix² as well as broadening the meaning of the individual variables.

This "con-fusion" makes it more difficult for the customer to separate the components of what he is buying, both for the reasons described above and for the self-referred processes of perception and/or self-poietic processes of attribution of meaning. The individual elements are taken into consideration and analysed below.

4.1 The Product as the Result of Co-design

Referring to the product in the strict sense of the word, that is the object produced or the service provided by the firm, the path that identifies TES is based on the concept of co-design. With this term the aim is to identify the highest level of closeness and partnership with the customer and represent an element of coherence with the TES mission: in other words of being able to work in close contact with one's customer to define what he expects from the firm to the point of becoming its co-designer. Many authors have expressed their ideas on this customer orientation, including Prahalad and Ramaswamy (2004), Ferrero and Savelli (2006), Cova and Cova (2012), Cavallone and Cassia (2012),³ Hilton et al. (2012), Grönroos and Voima (2013), Jaakkola and Alexander (2014).

The industrial goods sector has always been accustomed to working in this direction: when producing a multispindle turning machine, in order for it to respond exactly to what the customer expects it to do (in the same way for example as the production of a guitar neck or the door of a kitchen unit), it cannot be imagined unless it is co-designed with the customer and according to the specific indications of the "customer's customer".

This is the aim to be reached with TES: to go beyond the customisation of the design to achieve co-design, a practical expression of the partnership considered to be the basis of TES.

As far as the method with which to achieve co-design is concerned, this depends on the sector and can be reached by means of broadened customer-marketing-sales

²When a product is made, for example a cake, at the beginning of the process the ingredients are separate and have their own autonomous meaning, but the moment they are used/mixed in order to create the finished product, they lose their original characterisation, blending and forming the final product, from which it appears more difficult to attribute the value to the single contribution made by each of them as they all contribute at the same time to determine the global value.

³Some of the concepts described in this paragraph refer to such assumptions.

focus groups, backed by the analysis of market data. This operative method cannot be adopted for each category of commodity or sector; it goes without saying that sectors such as the pharmaceutical one and all that concerns pure research follow a self-referred direction, even if it is addressed to the solution of specific pathologies. The customer (in this case the patient) does not participate first hand or individually in the co-design, even if the health needs gathered by the firm direct the research towards a solution for the specific physical or mental problem analysed.

4.1.1 Market Research as a Forerunner of Co-design⁴

The definition of the co-design concept may be linked to that of market research and its evolution. In their works, Cooke and Nick (2008) report the different phases that have led from the first market research to the current on-line type.⁵ Of the latter sort, an example is given by company blogs (such as those of Burton, Salomon, Fiat, and so on) to obtain updated information promptly from their consumers who give their opinions, impressions and comments in a spontaneous or induced way. Research⁶ allows reliable “first hand” information to be obtained from the consumers about their expectations; however, this process is not enough on its own to give rise to what can be defined as co-creation: one more step is needed to move from the collection of information to the co-creation of knowledge and, by anticipating what will be examined in detail later, from knowledge to needs, and from solutions to value. In fact, market research is a useful tool that is used to obtain consumers’ opinions; this is part of a necessary phase for the scheduling of co-design which is not only oriented towards obtaining data and opinions, but also to set up a unitary path by using the skills and know-how of both parties. In other words, there are two different paths, the traditional one and that of co-design; they are parallel in part but the difference is that in research, the direct contact with the consumer ends (as a “dead end”) at the end of the data collection, while with co-design the consumer-company relationship continues.

The concept of co-design also overcomes the concept of “insight” defined by Schieffer (2005, p. vii) as: “the intimate and shared understanding of the target’s expressed and hidden, present and future needs” and allows the inductive, deductive and abductive methods to be adopted (Barile 2008). In this way, co-design may be considered as an evolution and partly a derivation of market research.

⁴This paragraph was published in Cavallone and Cassia (2012) and it is here reproduced with kind permission from the editor.

⁵The potential ethical problems linked to the performance of online research should be remembered here, linked for example to the consumer’s awareness of having his behaviour “observed” by means of *cookies*.

⁶For further information, refer to Cavallone and Di Marco Pernice (2013).

4.1.2 *Co-design: Definition and First Theoretical Assumptions*⁷

Lusch and Vargo (2006) report in their works that the co-creation of value is a superior element containing (like a series of concentric circles) the co-production that they also identify in co-design.

It is possible, at this point, to make a first, important distinction between the conceptual assumptions of what is proposed here: Lusch and Vargo (2006) speak of the variables of result and introduce co-design in the creation of value; according to the author, such a definition refers more closely to the concept of process, that is a sequence of phases in which firstly the co-design takes place with the consumer and then, as a result variable, value is created.

Although underlining the limits in Vargo and Lusch's position, Grönroos (2009) admits the importance of the interaction between the company and the consumer in order to optimise the production of value that will be exchanged later. He distinguishes the two phases of creation and capture of value. These two concepts are also expressed by Collese (2008) who eagerly supports the clear-cut distinction of the roles of the consumer (who can accept to take part in the co-creation) and of the company (the only one who is able to physically produce the goods and services).

When defining co-design, it is important to bear in mind the neo-Marxist theories according to which the collaboration between company and consumer leads back to the concept of exploitation of the weakest (in this case the consumer, understood as an individual or a community), who provides his contribution and is not always compensated for it. Although the possibility that this negative situation could arise⁸ must be acknowledged, the following compensation may be considered for the co-designer consumers:

- the basic (or main) compensation, in the sense of the satisfaction at the act of purchase (the customer buys what is specific for him, because with co-design he has stated what he expects from the product/service itself);
- economic compensation (petrol vouchers or discounts are examples);
- emotional compensation, defined as self-realisation that the customer achieves for having been able to provide his own "authoritative opinion".

According to the author's point of view, the co-design process starts from two distinctive roles (the role of the company and the role of the consumer) that tend to approach each other in order to achieve mutual benefit due to a cross-fertilisation/blending of ideas until they become one in the co-design phase. Once the creative

⁷This paragraph was published in Cavallone and Cassia (2012) and it is here reproduced with kind permission from the editor.

⁸On this matter, reference should be made to the gift theories and, in particular, to that of Marcel Mauss, explained below.

inputs have been exchanged, the two parties involved return to their respective fields: the company to the physical realization of the co-planned product or service while the consumer awaits to obtain what has been created thanks to his contribution with the consequent expectation of a higher or at least more interesting “value proposition” compared with a less customized one.

Among the advantages of co-design, there is the possibility to discover hybrid products (Ancarani et al. 2009), that were not conceivable at the beginning of the work and which create new categories for example, the Energizer-Wilkinson “Quattro Titanium precision” razor which, besides shaving, can also be used as a moustache and side-whisker trimmer; or “Danacol Danone”, which is a product with both alimentary and dietary benefits (to counter cholesterol).

On the basis of the above-mentioned assumptions, the meaning attributed to the term “co-design” may be divided into the four groups as described below:

- a. **co-design true and proper** (co-creation, or creation in pairs between the consumer and the company): according to this method, co-design takes place before the start of the life cycle as the product does not exist yet and, on the basis of such input, it is then created in mass quantities or for defined target clusters, but not as a sole example. For this first type, it is possible to speak about active *you and me* involvement;
- b. **partial co-design** (*on the go*): in this case, the relationship between the consumer and the company for the purposes of co-design takes place in order to resolve a partial success of something that was launched previously on the market; this gap may manifest itself, for example, in lower sales volumes than those expected by the company due to a reduced performance compared with the potential one. In this case, it is also possible to refer to a *fine tuning* of co-design;
- c. **one co-design for one customer**: this type of co-design is not aimed at creating a product for mass production; on the contrary, it can be compared to the situation in which a tailor co-designs the style and fabric of what the customer requires, producing a garment that remains unique and cannot be reproduced for other customers for the very reason that it has been “made-to-measure for him”. This method is often noted in the industrial goods sector, in which the company and the customer co-design by uniting their specific skills, in other words their know-how and expertise and the awareness of their own specific needs and expectations;
- d. **custom-made personalisation**: it concerns specific niche markets (for example, when a tailor makes a suit by copying a model already made by a designer). This typology includes the so-called *co-option*, that is the choice of options from the possible alternatives leading to the personalisation of the product being purchased (a typical example is the car industry). Obviously, these examples do not represent cases of co-design because the basic product-service already exists, but it represents a case of evolved customisation.

The distinctions between the four categories described above must be clearly pinpointed otherwise the impression may be that they are very similar and overlap each other: if this occurs just the first type, that is co-creation or customer-company creation in pairs is considered as being the only type.⁹

4.1.3 *The GIFT Theory as the Basis for Co-design Construction*¹⁰

The theme of gifts and rewards is strictly linked to the co-design approach; for this reason, it is analysed below from the point of view of how it is experienced by the two target typologies (customer and company).

As Füller et al. (2004) point out however, it is necessary to state that “Managers, who think that customers can be motivated to participate solely because of monetary incentives, like the awarding of bonus points, drawing prizes or even giving shares of the product success, are mistaken in most cases”. Furthermore, he agrees with Grönroos¹¹ when he states that the created value is to be exchanged with the captured value and that this represents a sort of prize for what the customer has been able to create.

It is possible to express the topic in words by considering the “gift” and “reward” theories. The founder of the gift theory, the Frenchman Mauss (1954), affirms that the relationships linked to the gift act can be of three types:

- a. **generalized reciprocity**: a person does not give a present in order to receive something in return and if reciprocation for the present occurs, it happens subsequently and without the need for monetary correspondence between what is given and what is received (*do ut not des*);
- b. **balanced reciprocity**: reciprocation for the gift is expected in a short time and of the same value (*do ut des*);
- c. **negative reciprocity**: those who give a present tend to maximise their own advantage at the expense of others (*do ut mihi des maximum*).

As far as the reward is concerned, the author believes that the transactions between the company and the consumer are based on the concept of mutual equilibrium (equity of the benefits received or partnership)¹² and if this is lacking, one or the other of the parties will lose the contributions emerging from the

⁹Payne et al. (2008).

¹⁰This paragraph was published in Cavallone and Cassia (2012) and it is here reproduced with kind permission from the editor.

¹¹A free interpretation of some of the concepts reported by Prof. Christian Grönroos in his presentation at the 14th Biennial World Marketing Congress of the Academy of Marketing Science which took place in Oslo from 22nd to 25th July 2009.

¹²On this subject, see also the contribution of the games theory. For this purpose, compare *inter alia* Burger (1963) and Dutta (1999).

co-design relationship, making the path undertaken meaningless. Thanks to the reward, the mutual compensation for what has been given and received can be estimated, monetised and defined. This also enables temporary relational imbalances to be guaranteed and compensated for by the certitude of the final compensation¹³ (*do ut des*). These relational imbalances can determine a greater power on the side of the company in some cases, as well as of the consumer/community of consumers in other cases: Cova (2008) underlines, for example, how the communities sometimes claim the same rights as the management, “hijacking” the company brand. For this reason, Longo and Cova (2007) conclude that the involvement of the communities could be both a threat as well as an opportunity for companies with a brand.

It goes without saying that, if in the short term a possible inadequate compensation may be accepted (similarly to the way in which a bank allows a consumer to be momentarily overdrawn), in the medium-long term it is unacceptable because the party that feels “minus abens”, i.e. not sufficiently rewarded for what was given, breaks off the agreement and/or gives up the co-design activity. This long term balance is a necessary condition for the co-design activity to be sustainable and bring benefits to both parties.

In conclusion, co-design represents an *extra step* in getting closer to the consumer and in the wish to produce something that is nearer to his expectations: it obviously implies a double cost both in terms of money and of acceptance of third parties’ proposals, but the advantages are equally evident.

Co-design,¹⁴ moreover, can be a determinant factor of differentiation in the methods of product conception: it allows the “final” product expected by the consumers to be identified from the start, reducing the costs for subsequent adjustments as well as the loss of share (or the temporal shift of the same). At the same time, this behaviour seems innovative to the eyes of the consumers; those following this method, anticipate insights into the product itself for the very reason that they are presented beforehand and co-created.

A significant example in this sense is represented by the reality of an important Italian company dealing in the pharmaceutical sector. Realising the difficulty of gaining a high level of attention from doctors during the meetings with their pharmaceutical sales representatives, the management of the company’s human resources drew up some training modules, co-designing them with the sales representatives. Having gathered data concerning difficulties and expectations in a first phase, the company then proceeded, again in collaboration with their colleagues in the field, to design some specific modules. One particular characteristic of this work was the identification of the doctors’ attention drivers which were divided into four clusters: orientated towards transaction, towards the relationship, towards information and towards partnership. The behaviours to be maintained and to be avoided

¹³The same topic has also been considered by Godbout and Caillé (1992).

¹⁴Sanders and Stappers (2008).

during the meetings with the doctors were described and identified for each type of orientation. The customisation was specified, highlighting the differences between the Italian and the Spanish markets.

4.1.4 *The Case of Nissan IDx*¹⁵

An example of the matter referred to above is the co-creation path of the new model IDx (<http://www.caranddriver.com/features/2018-nissan-idx-feature>) belonging to the Japanese car industry Nissan which presented the new IDx *concept car* in the two versions Freeflow and Nismo, at the end of 2013, at the Tokyo Motor Show. The design of these two new models, which are expected to be launched in 2017, saw the keen involvement during the product development phase of a community of young “digital natives”,¹⁶ for the precise purpose of getting them to design the car that they would then want to buy.

The two cars (IDx Freeflow e IDx Nismo) were the result of the co-design activity and both have very different technical and design characteristics and their own personality, while being coherent with the expectations and the values sought by the co-designers. The name that the company has attributed to the two new *concept cars* refers with the ID prefix to the term “identification” and echoes the expectations of the individuals, while the X stands for the new values and dreams that have emerged from this form of collaboration.

The example of Tokyo has opened up a new road in Nissan’s design. The Japanese car manufacturer has explained that the way in which cars are purchased is changing and it is no longer enough to be able to choose just the colour of the car with matching wheel rims. In a society in which the car reflects the person, as well as being the door to access the buyer’s lifestyle, the way of creating the models of the future has to be revolutionised.

One particularity of the co-design process lies in the tools used thanks to AKQA¹⁷ a firm which, by means of a visor called Oculus (a tool worn like a normal pair of glasses), has reproduced a virtual platform on which the car can be customised according to one’s intuitions and personality, following a path that has been pre-defined by the company.

Finally, it can be said that this is a *retro co-design* process insofar as the style of the new *concept cars* is based on a Nissan model dating back to the 1970s called the B210, produced under the Datsun tradename.

¹⁵Further information is available on the website of the Japanese car manufacturer: <http://www.nissanusa.com/future-and-concept-vehicles/idx>.

¹⁶Palfrey and Gasser (2013).

¹⁷<https://www.akqa.com/work/nissan/idx/> AKQA The imaginative application of art and science to create beautiful ideas, products and services.

4.2 Price as Value

The approach proposed by TES is to **sell value**, in the sense of reconstructing the customer's logical path by evaluating all the elements that create value for him and separating them on three levels: product, company and the person providing the service/product.

4.2.1 Introduction to the Value

Philosophy, art, religion and economics are some of the disciplines that refer to the concept of value. According to Napoleoni, in the economic field, value “is not only a part of the science, but the principle from which all science evolves” (Napoleoni 1976, p. 7). What makes this concept so interesting is its multi-disciplinary and complex nature, although this renders its exact definition and interpretation more complicated.

Many companies nowadays are moving towards satisfying a growing need for substantiality. This means concentrating on the individual and on the firm, analysing the concept of value from a more specialised point of view and fitting it to the footprint of the individual company disciplines, including marketing.

One of the first business economists to investigate the concept of value in depth was Guatri, who believes that it is the subject of the so-called *Total Quality Management* (Guatri 1991). On one side, this business approach focuses on quality management in the production processes, in the supply of services and in research and development (Guatri 1991), on the other on the centrality of the customer within these very processes (Valdani 2011).

The customer becomes increasingly central in the definition of the concept of value and, in general, in the marketing approach. According to Busacca and Bertoli, “companies exist to produce goods and/or services that are able to generate value and, therefore, satisfaction for the customer” (Busacca and Bertoli 2009, p. 85) In its turn, “the ability to create value for the customer increases their satisfaction and their trust in the company, enabling the latter to increase its intrinsic value” (Busacca and Bertoli 2009, p. 85). It is precisely by virtue of this linear dependence between value for the company and value for the customer that Busacca and Bertoli define the latter as the relationship between the “benefits sought in the product” and the “acquisition costs of such benefits” (Busacca and Bertoli 2009, p. 91).

According to such an approach, during the decisional process, the customers bear in mind various types of costs—purchase costs, informative costs, evaluative costs, costs of use and repurchase—and of benefits—functional, psychosocial and experiential (Busacca and Bertoli 2009). The idea of Kotler (2000, p. 11) is similar, defining the trade-off value between costs and benefits as identifiable with the following equation:

$$\text{Value} = \text{Benefits (functional benefits + emotional benefits)} / \text{Costs (monetary costs + time costs + energy costs + psychic costs)}$$

Grönross (2002), however, pinpoints another way to create value: the relationship. The company can create value for itself and for its own customers by means of a relational approach based on a promise. Knowing how to keep the promise is fundamental in order to satisfy the customers, keep them loyal and establish a beneficial and long-lasting relationship with them (Grönross 2002). This approach enables the customer to perceive an added value that can be defined as the ratio between the costs of relationship that he has to sustain and the benefits perceived from the added service, in other words from the very relationship developed.

Another constituent element of the value is the one defined by Rullani (2004) as the *immaterial*, that is “those meanings that individuals assign to experiences they have had, linked to the emotional involvement, the interpretation and the recognition of identity achieved during an engaging experience” (Rullani 2004, p. 32).

Awareness service, immateriality and all other intangible resources have in fact become the assumptions for a turning point in the conceptions of marketing and in the creation of value: the service-dominant logic. The *S-D logic*, as it is defined by Vargo and Lusch (2004, 2008),¹⁸ is a perspective no longer based on material goods and tangible resources, but on intangible service and resources. By service, reference is not made to intangible units of output, but to a dynamic process which, using immaterial resources, starts the value creation processes (Lusch et al. 2007).

However, the value can be considered both from a “dyadic” and a “systemic” perspective. According to Golinelli, “creating value means guaranteeing the necessary conditions of convergence and competitiveness that allow the company system to maintain a long-lasting equilibrium” (Golinelli 2011, pp. 534–535). The proposed perspective extends the radius within which the value is generated and perceived.¹⁹

On the basis of what has emerged, it is possible to pinpoint various drivers from which the generation of value starts:

- the **production process**, where the value is created thanks to the combination of material quantities and work;
- **usefulness**, in the sense of “the ability of the products to contribute towards the satisfaction of consumers’ desires, needs and requirements” (Jevons 1871, p. 35);

¹⁸Already in 1990, Cavallone, in his book, “*Il Marketing dei servizi*”, introduced some of the concepts that today Vargo and Lusch consider to be the cornerstones of *S-D logic*: “The sectors of the economy boil down to just one: the service sector, which regulates all the production activities within the system itself”; “The services are, from this point of view, the centre of accomplishment of everything that is produced and served in the economic sector” (Cavallone 1990, p. 19).

¹⁹As stated by Marino (2007, p. 139) “A general attention towards the customer is not enough” but “it is essential to share this type of approach with all the main partners and suppliers of any department, required to produce real value for the customer with a view to being proactive”.

- **scarcity**, in other words the limited availability of a product;
- the **customer**, meaning the maximisation of the ratio between benefits and sacrifices;
- the **relationship**, meaning the sequence of reciprocal interactions between the company and the customer based on the keeping of a promise;
- the **immaterial**, in other words the set of values, symbols and meanings capable of offering an engaging experience;
- **co-creation**, meaning the process by which the company and the consumers work together in order to generate products and services that create value for both sides;
- the **systemic value**, according to which the company must involve all the members of this network of value to start a holistic process aimed at creating value for the customer.

In conclusion, the company can create value for its own customers, for itself and for its own system by establishing relationships with its stakeholders aimed at co-creating a *value proposition*²⁰ that is as close as possible to the customers' expectations of value.

4.2.2 Value According to TES Marketing

As anticipated at the beginning of the paragraph, the approach proposed by TES is to sell value, reconstructing the process followed by the customer in the analysis and disaggregation of the components that contribute towards creating it. With the expression “disaggregation of the performance” (Cavallone 2000) reference is made to the breakdown of all the individual elements constituting the performance and which, initially, must be identified and then given value in the “customer’s eyes”, as shown in Fig. 4.1.

The figure provides a graphic representation of the disaggregation of the value by means of a separation of the three macro-vectors constituting it: the person (meaning the contact between the company and the customer in the broad sense), the product and the company. In their turn, the three macro-elements are detailed and analysed to pinpoint all the aspects that create value for the customer, so that they can be given value in the customer’s eyes. If the purchase of a household appliance is considered, the value realised by the company may be evaluated bearing in mind the contribution provided by the name/trademark, the company background, the presence on the market and the investments in communication that have been made over time. If the customer taken into consideration is a distribution company, under the heading product the value creating drivers could be the turnover that it achieves, the margins that it acquires, the *cross-selling* that it generates.

²⁰Emerson (2003).

person	product	company
-training	- certification	- name / trademark
- experience	- turnover	- presence on the market
- personal skills	- margins	- ethics
- sales skills	- assortment	- investment in research
- specific know-how	- brand	- investment in communication

Fig. 4.1 The disaggregation of the value of the offer (elaborated from Cavallone 2008, p. 134)

The sum of the evaluations of the components of the three drivers establishes the holistic value of the offer.

The description given above may be clarified by means of an example referring to the insurance sector. Over 150 agents of an Italian insurance company were interviewed and were asked about the value creating drivers that they consider; in the specific case, the disaggregation of the performance offered to the customer resulted from the most voted headings²¹ of three drivers:

Person, in other words the agent who creates value by means of:

- technical expertise
- ability to listen
- organisation of the work in the agency
- post-sales presence
- trouble-shooting skills.

Company, in other words the Firm that can contribute towards increasing the value thanks to:

- a tradition of solidity
- a high capitalization
- independent company
- insurance agent as main shareholder
- keen attention to respecting the rules.

Product (e.g. house insurance), which contributes by means of:

- protection in case of a risk of damage
- protection of the estate
- personal assurance by delegating responsibility to the Company
- protection of the bank in the case of a mortgage.

²¹From the point of view of methodology, a first individual task was performed to collect all the headings perceived to be creators of value (subdivided for each of the three clusters), then in each session the five headings considered to be of priority were voted by each person; the headings given are the result of the weighted votes of all the sessions (ten to fifteen agents each).

For each of the three elements, therefore, the value created for the customer is highlighted so that all the topics can be introduced in the sales conversation in order to shift attention from the price or the discount to more qualifying elements, in order to make the customer appreciate what is being offered that is different from the competitors, as well as the firm's own unique characteristics.

The same procedure was applied to identify the disaggregation of the value created in the chemist's shop. In this case, the ability of the chemist has little or no impact on the value created by an industrial product, as the product has already been defined by the manufacturer. The analysis performed involved thirty owners of chemist's shops in the provinces of Bergamo, Brescia, Chieti, Ferrara, Florence, Foggia, Genoa, Milan, who expressed opinions and gave replies concerning more than one hundred chemists. The methodology adopted was the same as that described previously and, in this case, for each heading the first ten value creating elements are given which emerged from the work of disaggregation as referred to.

The chemist who creates value: the abilities of the chemist

1. Ability to listen
2. Exudes calmness and confidence
3. Shows willingness and interest
4. Understanding of the problem
5. Remembering the pathologies or medicines used
6. Clarity of the explanations
7. Knowledge/effectiveness of the advice
8. Knowledge of languages
9. Specific knowledge e.g. nutrition
10. Preparation of customised medicines.

The value created by homeopathic products

1. Suitable for everyone
2. Fewer side effects when used together with other medicines
3. Suitable for those following several therapies
4. Easy to take
5. Quick administration
6. Fast acting
7. Natural
8. Customised for the patient and not for the symptom
9. Cures deep down and not only attacks the symptom
10. Brand awareness

The value created by the chemist's shop

1. Specialisation in natural products
2. Welcoming (the customer feels at home)
3. Open on Saturday afternoon
4. Clear display

5. Advice corner with sliding door
6. Additional services (pulmonary function test/urine test/blood test/food intolerance test)
7. Visible medicine laboratory
8. Easy access for the disabled
9. Home deliveries
10. Numbered queuing system.

To clarify further how the value can be created and enhanced, an analysis is made of the purchase of a second hand car from a car showroom.

Usually considerable differences can be found between the prices stated in the leading car magazines and the prices asked by car salesmen for the same model. At first glance, this difference may be considered as the “income” of the car showroom and the sales price offered as an example of mark up for exchanging the car.

The example of a Fiat 500 is given:

- Model: Fiat 500 Lounge
- Colour: Red Passion
- Cylinder capacity: 1200 c.c.
- Fuel: Petrol
- Km on the clock: 44,000
- Price in the Quattroruote car magazine: 6900 euros
- Price in the car showroom: 7800 euros.

At first sight, it could be claimed that the 900 euros difference between the two prices are attributable to the car dealer’s mark up (which is true), but this difference may be analysed and proposed to the potential customer by means of the value disaggregation analysis, described below and subdivided into three phases.

Phase 1: Disaggregation of the value created

By applying the method of value disaggregation, two particular aspects can be highlighted: the difference between the purchase cost and the value created and the classification in the three value sub-families (product, person and company).

The difference between the value stated in the car magazine and the price set by the car dealer represents, according to the TES approach, the attribution of sense and value to the modified elements from the time the car is collected by the car dealer to the time it is sold to the new owner. The added value may potentially be broken down and described as follows:

- **Car dealer’s name:** it is linked to its background, to the presence on the market, to the number of employees, premises, etc.;
- **Guaranteed used cars:** an additional guarantee providing one year (or more) coverage on the operation of the car purchased;
- **Buy back:** the promise that the vehicle will be bought back by the car dealer after a certain period of time;
- **Availability:** the car is ready for immediate collection;

The value drivers: an example

Engine servicing €130	Name of the car dealer € 100	Spray painting € 200
FIAT 500 Lounge		Availability € 120
Colour: red passion		Buy back € 150
Cylinder capacity: 1200 c.c.		
Km. on the clock: 44,000		
Price in “Quattroruote” magazine: € 6,900		Guarantee on used car: € 200
Price of car dealer: € 6,900 + (€130 + €200 + €120 + €150 + €200 + € 100) = € 7,800		

Fig. 4.2 The disaggregation and enhancement of the created value (drawn up by the author)

- **Car reconditioning:** removal of small dents, polishing, washing and sterilisation of the car interior, etc.;
- **Engine servicing:** a complete check up of the engine (e.g. changing the oil, filters, spark plugs, checking the levels of the car fluids, etc.).

Phase 2: Enhancing the created value.

The value created by the car dealer by means of the elements described above is enhanced and transformed into a “monetary” language, as shown in Fig. 4.2.

Phase 3: The reaggregation of the value in the three main drivers

Lastly, the contribution of the individual components can be reaggregated in the three macro-drivers, bearing in mind

- the **Person** as the credibility and skill of the salesman, his name and his background in the sector, the uniqueness and innovation of the services offered;
- the **Product** as the purchased car, what the brand and the model represent;
- the **Company** as the car dealer and all the value creation activities linked to it.

In order to estimate how much the value is worth in economic terms, the individual headings can be reaggregated as described below using the TES model:

- **Person:** name of the car dealer (100 euros) + buy back (150 euros)
- **Product:** car (6900 euros)
- **Company:** guarantee for the used car (200 euros) + availability (120 euros) + car reconditioning (200 euros) + engine servicing (130 euros).

The example wishes to demonstrate how the value given by the guarantee covering the purchased item, by the reliable used car system or by the car servicing offer²² can be recognised and captured. The difference between the price suggested

²²It should be added that the car dealer does not incur all these costs *in toto* because he adds a margin of mark up to them or enjoys concessions reserved for him (for example on the spare parts, insurance, etc.).

by the car magazine and the one applied by the car dealer is, thus, the created value; the difference between the created value and the costs incurred represents the company's gross profit.

Finally, it can be affirmed that the price of the car itself coincides with the one shown in the magazine: the car dealer has added a value equal to the difference between this price and his selling price, showing his ability to create an added value that is perceived and appreciated by the customer.

It goes without saying that if the customer perceives, recognises and attributes the right importance to such value, he will opt for the purchase, otherwise he will have to look for some alternatives, for example by looking at personal ads on the internet where cars can be found at even lower prices than the official prices given in car magazines, but without any further guarantees being provided by the seller.

4.2.3 *The Case of Bossong s.p.a.*²³

The following is a further example of the disaggregation of the holistic value created. Founded in 1937 by Carl Bossong in Bavaria and specialising in the production of nailing and fixing machines, the company went on to extend its production range, completing it with the most modern solutions in the field of mechanical fixing and chemical anchoring with products certified CE-ETA. Today, the *core business* lies in fixing systems for the building sector, with a range of products that are amongst the most complete and highly qualified on an international level. The Research and Development activities today constitute the feather in the company's cap as it is able to study innovative solutions for both mechanical and chemical fixing systems. Thanks to this know-how, the company works in collaboration with its customers providing technical and planning support for the choice of the most suitable fixing products for the type of application required and assistance with the laying phase, even studying made to measure solutions for particular or complex situations.

The value model proposed by TES marketing in Bossong may be broken down as follows:

- **Person:**
 - The value attributed to the Bossong employees.
- **Product:**
 - the value of the CE mark on the products;
 - the value of the Research and Development;
 - the value of the Made in Italy label: production on national territory.

²³The author wishes to thank Dr. Michele Taddei and Dr. Paola Soavi for their willingness to publish the application of the TES value model to Bossong; for further information on the company, see <http://www.bossong.com/>.

- **Company:**

- the value of Bossong technology;
- the value of the trademark and tradition;
- the value and reputation of Bossong on a national and international level;
- the value of communication.

In some cases, the items' perceived value and created value are very close, for example the obtaining of the CE mark requires the ascertainment of the required conditions in order for it to be issued and, at the same time, being able to communicate it to customers confirms the value that the same represents. The same double value can be applied to the work done by the Research and Development office.

By way of an example, a description is given of the value created by the Bossong technology in the world of restoration.

Over the last few years, Bossong has focused growing attention on restructuring, on the wealth of existing buildings and on work that aims to preserve architectural heritage, whether the buildings are of high architectural value or whether they belong to the category of traditional buildings. For the restoration of existing buildings, Bossong has patented a new strengthening system that works directly inside the masonry: this technique has met with great success both in Italy and abroad for work such as the stitching of cracks, chains or reinforcement rings set in place to contain the action of pushing elements such as arches and vaults, the insertion of tie-rods inside the masonry in order to increase the resistance or to improve the overall behaviour of the structures, including anti-seismic functions.

The work on the value chain undertaken by Bossong has enabled the company to grow, despite the unfavourable economic climate and has allowed it to face its competitors not only as far as prices are concerned, but also with more articulated *value propositions*.

4.3 Advertising as Cross-cultural Communication

In TES, advertising is understood as **cross-cultural communication**: the extra step is connected to the creation of advertising messages that are acceptable to the different cultures present simultaneously on the market (Cavallone 2007).

The migration of people as a result of a search for better economic conditions and an improved lifestyle has meant that nowadays different cultures live together in the same environment. The evolution of the social structure of individual countries and the consequent multiculturalism have recently encouraged studies by various researchers, both international (De Moojie 1998, 2005; De Mooij and Hofstede 2011; Gannon 1994, 2001; Herbig 1995; Michiels 2010; Reinoza 2011) and national (Mantovani 2004; Semprini 2000; Donati 2008; Musso 2010; Cavallone 2012, 2013a, b).

The author believes that set against this new and dynamically changing background, marketing must lay new conceptual bases that refer to a dual customisation, founded both on satisfying consumers' technical needs (performance/functionality) and cultural needs (respect for regulations and values). According to this dual method, it becomes possible to satisfy, at one and the same time, the needs linked to the *core* performance of the goods and services as well as the needs connected with the compliance of the same to the self-referred cultural values of the target in question.

4.3.1 *The Manifestations of Culture*²⁴

Hofstede (1991) distinguishes four manifestations of culture: symbols, heroes, rituals and values.

Symbols are the words, gestures and images to which a specific meaning is attributed and that is only clear to those who share the same culture, as if they were codes (one might call to mind, for example, the words of a language or of a particular jargon, clothes, hairstyles, status symbols or individual products like Coca-Cola or Nike trainers); these symbols are also easily identifiable by those who do not have the same cultural background.

Heroes are represented by people, sometimes only imaginary, who possess a certain visibility and recognition (a football player, a singer, an actor) within a specific society, and who, therefore, become models of behaviour for its members.

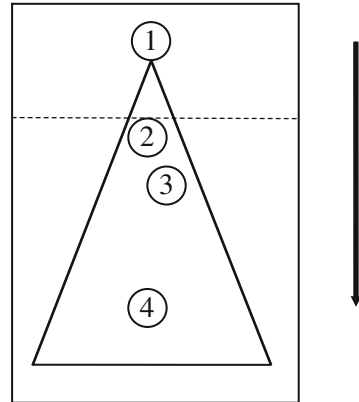
Rituals are defined as collective activities considered socially essential in a culture; this category includes the ways in which one greets others (timeliness, warmth, aloofness), consideration for one's neighbour or the various situations linked to social occasions or religious practices.

Finally, set at the centre of culture are *values* which Rokeach (1973) defined as permanent convictions which lead a person to choose between one way of behaving and another. If, as suggested above, symbols are easily recognizable even to the eyes of those who are not from the same cultural background, the recognition of values appears more uncertain and problematic even for people who are the direct bearers of them, as they reside in people's subconscious mind.

Although rather dated, the example given by means of the iceberg diagram (shown in Fig. 4.3) remains an effective tool for describing the sequence of the process of cultural analysis. The symbols (1) gather around the tip of the iceberg (*above the water-line*): they are the manifestation of the parts of culture more susceptible to influences from other social-cultural groups, as well as what is more

²⁴This paragraph was published in Cavallone (2013a, b) and it is here reproduced with kind permission from the editor.

Fig. 4.3 The iceberg of the manifestations of culture



clearly visible to the researcher. Going deeper down (*below the water-line*) we see in succession the heroes (2), the rituals (3) and the values (4): the increasing protection “offered by the water” is a barrier not only to contact and cross-fertilisation from other cultures, but also to the very detection work of the scholar.²⁵

4.3.2 *Communication as the Lever of Cross-cultural Marketing*

In previous studies (Cavallone 2007, 2012, 2013a, b),²⁶ by analysing communication directed at a multi cultural public it has been possible to identify three distinct paths: *translation only*, culturally customised communication and cross-culturally customised communication.

Believing the *translation only* method to be too restrictive, as it is limited to just translating a standardised advertising message into the language of the reference public, two main alternatives were pinpointed for designing communication targeted simultaneously at reference audiences belonging to different cultures. The first considers the changes that the company of the country must put into effect when referring to people belonging to cultures other than its own. The second, on the contrary, concerns the changes to be made to a company’s communication when the company decides to export its products and services targeting a public with different cultures to its own.²⁷

As far as the examples given below are concerned, as they deal with a new way of understanding communication, an effort has been made to trace the founding

²⁵As reported by De Mooij (1998), “The central values of a culture are stable and often what is presented as a new trend is, in actual fact, a central value in a new packaging”.

²⁶Some of the concepts described in this paragraph refer to these works.

²⁷Theodosiou and Leonidou (2003).

concepts of the approach presented to the existing examples of communication, reinterpreting their meaning.

4.3.3 *Culturally Customised Communication*²⁸

The path of culturally customised communication aims at a specific customisation of the message on the basis of the cultures present in the market and it multiplies and differentiates according to them.²⁹ The advertising messages of Western Union on posters in the underground networks are an example of this. The company informs the various targets, in their mother tongue, about the services for transferring money to their country of origin. Produced in several versions, following a common theme, the messages show people with physiognomies and clothing that can be associated with different ethnic groups and a translation of the *pay-off line* in the corresponding language. This customisation is cultural and not cross-cultural insofar as it is specific and customised for a target group, but does not exploit elements that are common to other cultures present in the context. From the point of view of economics, the return on investment in communication may seem quite low as it is concentrated on an individual target, without taking advantage of the cross-cultural economies of scale that arise when the same message is used for several targets/cultures.

The matrix shown in Fig. 4.4, explains the description given above graphically: it analyses the different targets present in a multicultural market, for the purpose of making the most of the differences and maximising their value. Therefore, apart from considering the messages (old and new), also the different targets on the market are taken into consideration, subdividing them into *Aboriginal people* (traditional residents) and *Indigenous people* (migrants), where the terms resident and migrant are understood both in their geographical sense (origin or foreignness to a nation) and in their cultural sense (belonging or not to a culture).

To clarify how the process works, it is supposed that the culture of the *Aboriginal* target is characterised by displays “a”, “b”, “c” and “d”, and that of the *Indigenous* target by displays “a”, “z”, “v”, “d”. It is already clear that “a” and “d” are common to the two cultural groups. A first hypothesis of communication directed at the two targets is linked to the idea of an undifferentiated message A, which is optimised without paying any particular attention to the cultural aspect. This option, ascribable to mass marketing, tries to “rely on an “average” communication—which, therefore, satisfies and dissatisfies everyone—defining a wider spectre of coverage of consumer demands and preferences” (Mattiacci 2000). Alternatively, it is possible to accomplish a cultural customisation of the communication, fitting it in the two

²⁸This paragraph was published in Cavallone (2013a, b) and it is here reproduced with kind permission from the editor.

²⁹Mattila (1999).

	Undifferentiated message	Culturally customised message
Aboriginal people (displays of culture: “a”, “b”, “c”, “d”)	A	A1 = f (“b”, “c”)
Indigenous people (displays of culture: “a”, “z”, “v”, “d”)	A	A2 = f (“z”, “v”)

Fig. 4.4 The matrix of culturally customised communication

versions A1 and A2 that are made according to the cultural expressions characterising and distinguishing the two targets, that is to say expressions “b” and “c” for the *Aboriginal people* and “z” and “v” for the *Indigenous people*. In this second case, the work is performed according to the logic of highly concentrated, niche marketing which “refers excessively to fragmented preferences and needs” (Mattiacci 2000).

This method, which may appear limiting and obsolete if a heterogeneous and multicultural target public is taken into consideration, represents the established procedure which has been used until recently to create advertising campaigns. Such a method refers to the classic *in country* communication, where the cultural customisation is linked to the values of the *Aboriginal people*.

A further alternative emerges in the situations in which the same message is customised in a “foreign” version, introducing modifications linked to the nation in question. In the Greek version of the Aspirin advertisement (Bayer), the use made of specific symbols is clear, for example, in the television commercials reference to the colours white and light blue of the Greek flag are clearly noted; the same can be perceived in the Korean version, where the colours red and blue of the local flag abound. The alternatives highlighted by the matrix enable a form of contact adopting different methods to be studied, based on the context and on the type of culture present within the specific target.

Holistic communication with the market considered is, therefore, a function of the choices of segmentation and, consequently, of the decision to communicate alternatively with one or more targets at the same time: for this purpose, following the model described above, the company customises and adapts the message according to the number of targets pinpointed that are of interest to it.

4.3.4 Cross-culturally Customised Communication³⁰

The second communicative method is more complex to implement, but is more strictly referred to *cross-cultural* philosophy. In cross-cultural communication, a single message is created which is capable of crossing various cultures, based on

³⁰This paragraph was published in Cavallone (2013a, b) and it is here reproduced with kind permission from the editor.

	Culturally customised message	Cross-culturally customised message
Aboriginal people (cultural manifestations: “a”, “b”, “c”, “d”)	A1 = f (“b”, “c”)	B = f (“a”, “d”)
Indigenous people (cultural manifestations: “a”, “z”, “v”, “d”)	A2 = f (“z”, “v”)	B = f (“a”, “d”)

Fig. 4.5 The matrix of cross-culturally customised communication

their common elements in order to be understood by all the cultural targets considered. This does not mean a return to mass marketing, but a niche marketing which, becoming aware of the accentuated cultural fragmentation within the individual countries, aims to pinpoint wider and more profitable segments. There again, size and niche are not always antithetical: “the transnational multiplication of the segment to which one refers actually allows those large volumes to be achieved that only appear to be precluded from the product expressly for the niche market” (Mattiacci 2000).

To explain the statement made above, reference is made to the previous matrix once again.

Rather than culturally customized communication, the company can opt for a cross-cultural customisation, producing just one message B which is based on the cultural manifestations shared by the two target audiences, in other words expressions “a” and “d” (Fig. 4.5).

An example of cross-cultural communication is represented by the Coca Cola³¹ “Applause” commercial in Argentina and in Italy which is broadcast in the two countries with just a change in the translation of the script from Spanish to Italian. In the film, which has a fast pace, various scenes of daily life are depicted and interspersed with the applause of an “ideal” public watching the events. With its cultural significance of approval, the applause seems to confirm the goodness of the choices made and the situations experienced. According to the author, this commercial is cross-culturally customised as it proposes rituals, symbols and values which both Argentineans and Italians can appreciate; therefore, the commercial can be extended to all those countries, which are not necessarily Spanish-speaking, but where such values are present and recognised.

The obvious difficulty of such a method of communication lies in studying the various cultures present in the country and identifying the common elements to be transferred to the different targets using the same messages. Consequently, it does not only concern a difficulty of a creative nature, but also depends on the availability of researchers who know and are able to recognise the different cultures.

In addition, it should be considered that the approach adopted by companies is often of an ethnocentric type: research into a culture is planned and carried out by

³¹<https://www.youtube.com/watch?v=Qf93eezfHWI>.

people who belong to it and who often do not know or ignore the others, leading to an interpretation of the results only on the basis of self-referred rules and values.³²

To extend the effectiveness of cross-cultural communication, an extra step must be taken leading from a static analysis of the elements shared amongst the cultures to a dynamic one which involves a double updating. Such an updating should be achieved using the same methods both with regards to Aboriginal and Indigenous people and must consider the social changes and the lifestyles influencing their behaviour: in other words, the various targets have to be examined bearing in mind their evolution, linked also to cross-fertilization and to emulative stimuli (Veblen 1899).

4.3.5 *Some Cases of Culturally and Cross-culturally Customised Communication*³³

The desire to move on from a *culture free* (Cuomo 2006) type of communication to a *culture bound* one (Herbig 2003), has encouraged the author to imagine a more customised method of communication based not only on technical needs but also on the cultural needs of the consumers belonging to different ethnic groups from those of the host country.

Here below is the analysis of two commercials presenting products of Italian companies. The research was performed by means of focus groups with homogeneous groups to whom the translated script of the commercial was shown before the actual commercial itself, then their impression and comments were collected.

In the first case, the aim is to show how difficult it can be for people from different cultures compared to those of the residents to perceive an undifferentiated message.

The Mulino Bianco “Pan di Stelle” commercial

The commercial³⁴ begins with an adult (father/grandfather/uncle) who is with a child on a landing stage and together they start fishing. The child falls asleep on the adult’s legs and to wake him up the adult holds a fragrant “Pan di Stelle” snack under his nose. When the child turns the snack towards the sky, by magic it becomes full of stars; the commercial ends with the adult and the child arm in arm, eating the snack and staring at the starry sky, when a shooting star draws a letter S, and a voice-over says, “Pan di Stelle, dreams become goodness”.

³²On the topic, see also Costa (1995).

³³The FIAT 500 Abarth section was published in Cavallone (2013a, b) and it is here reproduced with kind permission from the editor.

³⁴<https://www.youtube.com/watch?v=3LKvtJ3eYy4>.

The analysis of the Mulino Bianco “Pan di Stelle” commercial has highlighted various elements shared by the different cultures:

- the value of the family;
- the value of the handing down of values and teachings from one generation to another;
- the ritual of sharing an open air activity between father/grandfather and son/grandson;
- the ritual behind the gestures of care and attention;
- the ways of expressing love;
- the symbol of the stars as dreams;
- the grandfather/father considered as heroes by youngsters.

To connect the commercial to the four elements identified by Hofstede, under the item **values**, although it does not have any verbal expressions that are completely superimposable, it is easy to recognise the common meaning of the “bond and love between father and son, family” and the positiveness that they transmit. A general agreement emerges amongst the three ethnic groups concerning the items **heroes** and **rituals**, where everybody agrees both about the value of the father figure and the ritual of going fishing. The same can also be affirmed as far as the **symbols** are concerned, where the stars are seen as having a common meaning.

No culturally unacceptable or incomprehensible aspects are found; however, some specific comments were made by each target for the purpose of making the message more significant for their particular culture. In particular, for the Albanians

- use of paternal grandfather (instead of the father) would be more effective because in Albania the paternal grandfather always lives with the family of the youngest son;
- fishing is a rare activity, it would have been better to set the commercial around a fireplace as this is where the most important moments take place in Albania (for example, the guest is honoured by offering him a seat next to the fire).

On the contrary, the Chinese people interviewed mentioned that

- it would be better to replace the fishing with a picnic and use a park as the setting for the commercial;
- usually in China, the whole family goes on a picnic (this advertisement leads the audience to think that the father in the commercial is separated or divorced);
- the father and son could be replaced by a grandfather and granddaughter or a grandmother and grandson (Fig. 4.6).

The second case analysed using the same method concerns the case of an Italian company offering its products abroad and having to adapt its message (in this specific circumstance focus groups were carried out with Italians and Americans).

	Italians	Albanians	Chinese
Values	Father-son (or grandfather-grandson) bond and family members in general Closeness Complicity Trust (falling asleep in the father's/grandfather's arms) Respect for nature Affection	Affection <u>Love between father and son; presence of the parent</u> Sweetness Make viewers dream Tranquillity Assurance	<u>Family</u> Nature Flavours
Heroes	<u>Father/grandfather who teaches</u> , takes care of the son/grandson and is the ideal to be achieved	<u>Dad</u> (in Albania the father figure is stronger and more authoritarian than in Italy)	<u>Dad</u> (it is not a grandfather)
Rituals	<u>Going fishing</u> Sunday outing Time spent with the family <u>Having a snack together</u> Father/grandfather teaching the son/grandson Gazing at the stars	<u>Going fishing</u> Teaching new things, passing on things from father to son <u>Eating together</u>	<u>Fishing</u> <u>Having a picnic</u>
Symbols	Hugs, embraces and cuddles (affection, emotional involvement, physical contact) <u>Sky and stars (symbol of dreams)</u> Fishing rod (conviviality) Landing stage/lake (reflection and tranquillity) Music*	Fishing rod/fishing (tranquillity) <u>Stars (dream)</u> Fragrance of the snack (food that has just been cooked)	<u>Bright star</u> , symbol of the future River, symbol of life that continues Countryside Evening

Fig. 4.6 Cross-cultural analysis of the Mulino Bianco commercial (the elements underlined mark the main convergences) (♫ Soundtrack of the film *Forrest Gump*, recalls the importance of taking care of oneself and of others)

The Fiat 500 Abarth commercial

In the Fiat 500 Abarth commercial,³⁵ destined for the North American market, the scene is a city street on a pavement lined with a row of large cars. An attractive girl can be seen, trying to adjust her sandal in a provocative pose and there is a young office worker during his break, who cannot take his eyes off of her. The girl turns to the boy and reproaches him in Italian for looking at her. The young boy is totally captivated by the beauty of this stranger and when she finally seems to show some interest in him, he comes back to reality: instead of the girl, he finds himself standing in front of a Fiat 500 Abarth in black and red, the same colours as the dress of the passer-by. The commercial ends with some driving sequences and a voice-over which says: “*The Fiat 500 Abarth. You’ll never forget the first time you see one*”.

³⁵<http://www.youtube.com/watch?v=fMjavRu4v5c>.

	Americans	Italians
Values	<u>Appearance</u> <u>Sensuality</u> Style Luxury	<u>Beauty</u> <u>Sensuality</u> Passion for the woman and for the car Power, Performance, Energy Transgression, Temptation Melodramatic nature
Heroes	<u>Protagonist “average man” (ordinary man)</u> <u>Attractive woman</u>	<u>Protagonist ordinary man, good boy</u> <u>Provocative woman, temptress, unreachable</u>
Rituals	<u>Coffee</u> <u>Seduction</u> Ordinary man courting an attractive woman	<u>Cappuccino</u> , <u>Coffee break</u> <u>Breakfast</u> <u>Seduction</u>
Symbols	<u>Scorpion</u> <u>Colour of the dress</u> (mystery, elegance, passion) <u>Coffee</u>	<u>Scorpion</u> <u>Colours</u> (elegance and passion) <u>Cappuccino</u> Attractive, provocative woman Automatic gears Italian language

Fig. 4.7 Cross-cultural analysis of the Fiat 500 Abarth commercial (the elements underlined indicate the main convergences)

Comparing the results that emerged from the focus groups with Hofstede’s theory of cultural manifestations, it can be affirmed that both the American and the Italian interviewees pinpoint appearance, beauty and sensuality as **values**; the Americans also perceive the values of style and luxury, while the Italians identify passion, both for a woman and for a car, power and energy, temptation and transgression.

The groups concur in their identification of the **heroes**: both groups identify the young man as being ordinary, quite nice but not particularly good-looking, in other words a rather “*average man*”, while the woman is very attractive and a seductress. Under the heading **rituals**, both the American and the Italian interviewees identify drinking coffee, which was defined and interpreted as having a break and also as having breakfast. The second ritual pinpointed by both groups is that of seduction: the girl’s behaviour has been interpreted as an attempt to seduce the male protagonist. The **symbols** mentioned are the scorpion tattooed on the girl’s neck and the Abarth logo together with the colours of the woman’s dress and the car (red and black), interpreted by both groups as a metaphor for passion, elegance and mystery (Fig. 4.7).

4.3.6 *The Extra Step in Cross-cultural Communication*³⁶

Following the path of cross-cultural communication, a possibility is reached of standardising “the return”, linked to the fact that the efforts of cultural and cross-cultural adaptation made upstream may be accepted by a different target to the one for which they were originally created, resulting in an economic benefit for the company.

This is the case of the Fiat 500 Abarth commercial: having created the message specifically for the American market enabled it to be effective in that country; the subsequent cultural and cross-cultural assessment carried out by means of focus groups in Italy confirmed that the convergence of some of the elements contained in the commercial made its use possible in another market, with an obvious economic benefit deriving from the fact that the commercial had already been produced and that the only changes to be made were to modify/translate the text of the voice-over which was what actually happened in Italy where the commercial was used to advertise the Fiat 500S. This leads to the concept of the positive cycle of culturally customised communication (Cavallone 2013a, b) or the “return” standardisation, which is illustrated graphically here (Fig. 4.8).

The process begins with the decision to adapt the message according to the specific requirements of the foreign market taken into consideration (1. Adaptation) which, apart from the aspects linked to the language, also takes into consideration elements such as the culture of the country (2. Cultural adaptation). From an assessment of the convergences and divergences amongst the different cultures (3. Fit between different cultures) cross-cultural adaptation is achieved (4) which, with fine tuning linked to the language of the country, leads to return standardization (5).

Starting from an adaptation of the communication represents the first step towards approaching the technical and communication needs of the foreign market. Cultural adaptation represents the *The Extra Step* which, once it has been checked as being acceptable to other ethnic groups/countries, enables what has been created to be re-used. There are at least two economic benefits linked to this type of behaviour: firstly, the costs incurred to produce an adapted commercial are lower than the costs incurred in the case of an incomplete acceptance of a standard message, to which must be added the figurative costs resulting from the damage to the company’s image as well as those for the production of a new advertisement.

The second benefit derives from the positive cycle of cross-culturally customised communication, in other words what has been defined as the return standardisation and which enables a message created for a specific market to be used in another country too.

³⁶This paragraph was published in Cavallone (2013a, b) and it is here reproduced with kind permission from the editor.

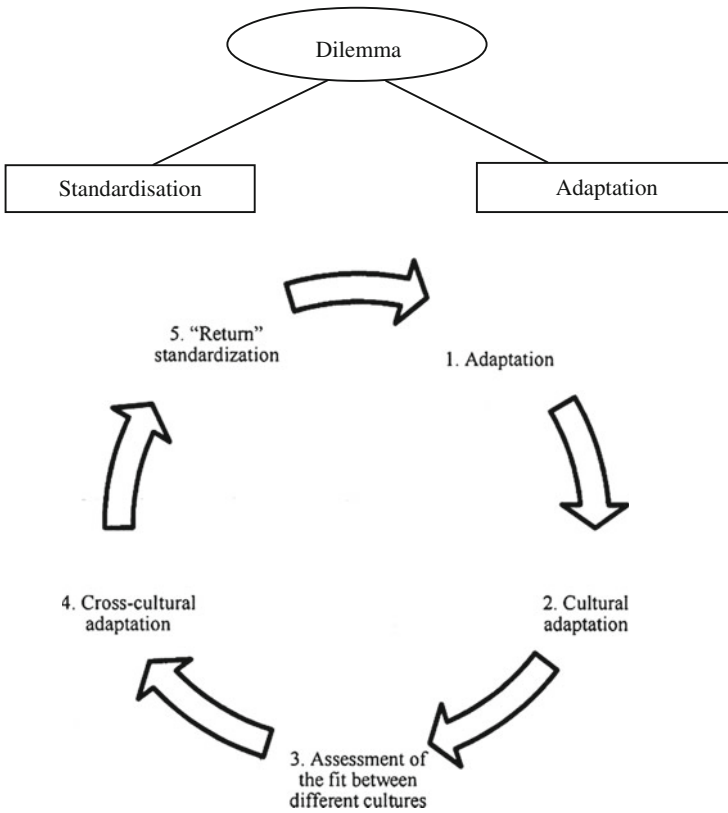


Fig. 4.8 The positive cycle of cross-culturally customised communication

4.4 The Distribution Policy as the New Attention to Retail

4.4.1 What Is Changing in the Relationship Between Industry and Distribution?

Before analysing the fourth and last “P” of the TES marketing mix, it is considered worthwhile reporting on some of the elements that have emerged from the observation of the distribution scene and the comparisons made with experts in the sector.³⁷ It can be affirmed that today there is a tendency to seek an ever closer collaboration between industry and distribution for the personal satisfaction of the parties *in primis* and of the end consumer as the final objective. At the same time, it

³⁷The author wishes to thank in particular Dr.ssa Chiara Zappella and Mr. Marco Berloni for their contributions and for exchanging their points of view and information regarding the distribution scene.

emerges that this approach is not generalised, as the industry has perceived a tendency to concentrate the partnership projects on some key chains in distribution chosen according to

- a real propensity on the side of the counterpart to cooperate;
- their actual capacity to implement the operations;
- *food* potential;
- number of sales points involved.

This approach is implemented by means of projects dedicated to the individual chains, which can be of various types. For the companies of the industry specialising in *category management*, partnerships are set up for revising the assortments of whole categories and *space allocation* operations for the relative shop shelves. At the same time, the partnership projects focus more and more often on initiatives with a lower impact (and fewer skills required by industry), such as

1. exclusive offers of new products for testing before being launched on a national scale (e.g. Misura White Fibre Pasta³⁸);
2. exclusive products for specific chains, which are often variations on the original recipe/blend;
3. dedicated packaging for products already on sale (e.g. Nestlé Nesquik³⁹);
4. dedicated consumer offers, which may be:
 - linked to the quantities of product (e.g. 4 free portions of RisosuRiso Galbusera Crackers);
 - offers which, by purchasing a mixture of products of the industry, a pack of the distributor's private label product is given free (e.g. by buying 2 packets of Gran Turchese Colussi, 1 litre of milk of a private label is given free);
 - competitions (increasingly present);
5. entertainment at the sales point, such as the setting up of stands with advertising materials, the presence of hostesses, games, purchasing schemes with gadgets.

The two main reasons for these choices lie in the search for further differentiation from the competitors and to escape the comparisons made based on the final price offered. As reported below, in distribution, more and more actions are witnessed that aim to strengthen the defence of the sales point by implementing the initiatives as stated above with dedicated employees such as the Sell Out Manager. Sometimes such activities are entrusted to external agencies in order to avoid absorbing other fixed costs and to make use of the opportunities offered by new technologies. In the meantime, the commercial facilities of the National Key Accounts are consolidated with verticalisation projects, so as to follow up some of the dedicated projects described above.

³⁸<http://www.misura.it/prodotti/fibrebianche>.

³⁹<https://www.nesquik.it/prodotti>.

Table 4.1 Number of linear references (drawn up by the author)

Brand	Number of references
PRIVATE LABEL	43
BARILLA	36
DE CECCO	20
DELVERDE	20
GAROFALO	18
VOIELLO	12
AGNESI	10
LA MOLISANA	8
LE VENEZIANE	5

is necessary because often between the strategies of the industrial company and those of the distribution a misalignment of interests may occur, as mentioned previously, and the demand of the end consumer may be influenced by specific levers used on the sales point, some of which may be shared by the two subjects referred to and others are decided autonomously by the distribution (Lugli 2007). The distribution policy represents the variable of the marketing mix which is the most involved in the process of differentiation as it represents the extra step for the testing the efficiency after the sale and it requires a team which the author has named the *TES retail specialists* (Cavallone 2008).⁴¹ The extra step consists of adding, downstream from the sales process, a new role (the afore-mentioned team of *TES retail specialists*) who go to the sales point and check the congruity of what has been implemented with what has been studied and proposed, in order to optimise the marketing action organised upstream. Therefore, it concerns the management of the marketing mix or the trade marketing mix at the sales point, performed by a person belonging to the marketing department of the manufacturing company who interfaces with an alter ego of the distribution company, such as the manager of the supermarket, a person in charge of an aisle or of a department. To proceed in this way, it is necessary to have a specific team that creates a further level of activity and which checks, optimises and communicates any distortions between what has been agreed and what is actually displayed. This work group reinforces the importance of the pluses of the product or of the promotion which may have been “miscommunicated” at the specific time or subsequently forgotten.

How does this element of the TES marketing structure work?

The report is the result of the evidence that has emerged from the outputs of twenty-five specialists of a multinational operating in the food/pet food sector.

The main operations that this new figure must perform in order to guarantee the afore-mentioned protection are:

⁴¹This figure should not be confused with and is distinct from the Sell Out Manager.

- (a) check, optimise and communicate any distortions of the marketing mix (understood as the offer);
- (b) reinforce the importance of the pluses of the elements of the *canvas* (e.g. “the cut price product of this month is needed to increase the turnover of the product, which enables the overall margins to be improved”);
- (c) help to focus on the ideal trade marketing mix for the sales point where the work is being carried out;
- (d) communicate all the discrepancies and suggest the corrections to keep on course in real time;
- (e) analyse the sales and the effectiveness of the overall marketing action;
- (f) inform the customer of the importance of his consultation carried out on the level of partnership.

The objective of effectiveness, therefore, involves a high level of cooperation between marketing and sales and, according to the author, in order to achieve it, a team needs to be set up of young people (graduates) who have a vocation for marketing and management control and a keenness to stay “on the field”. It is obvious that this facility has some costs, because it is achieved by creating a new network which integrates with those already in existence downstream from the salesmen (merchandisers, hostesses for in-store promotion, rack jobber, sell out manager etc.) and affects the margins of contribution; the confirmation of its value lies, however, both in the delta of the turnover that it manages to optimise (the difference between what would have been and what occurs thanks to the action of the team), and in the induced relational value linked to the protection of the sales point (Fig. 4.10).

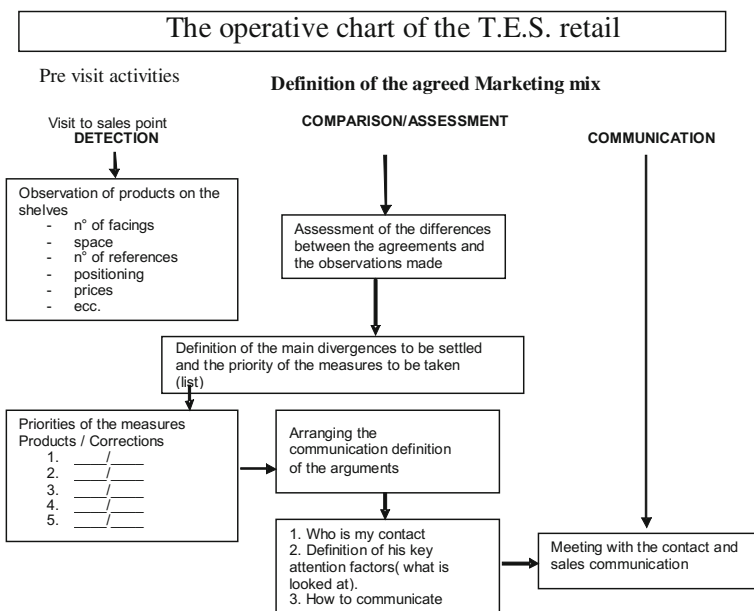


Fig. 4.10 The diagram of the TES retail specialist team

4.4.4 *E-Commerce and E-Tailing*

The potential of the web and the growth of e-commerce represent an increasingly real possibility for companies to implement *effective marketing* strategies. E-commerce worldwide grew in 2015 by about 20.9% reaching a quota of around 1600 billion dollars⁴² and represented 6.7% of the total retail sales; furthermore, according to the European B2C E-commerce Report 2014,⁴³ even the year before the significant threshold of one billion *e-shoppers* was exceeded.

These numbers, which cannot leave anyone indifferent, are attributable to various factors, including

- the increase in the frequency of on-line purchases in the more advanced countries;
- the growth in the number of users in the emerging countries and those “lagging behind”;
- the increase in the number of users with access to the internet;
- the spreading and use of mobile devices such as smartphones and tablets.

In this scenario, Europe boasts 700 thousand e-commerce shops⁴⁴ and more than 264 million *e-shoppers*, for a value of more than 363.1 billion euros.⁴⁵ The more advanced and better performing countries are Great Britain, Germany and France, whilst Russia, Spain, Italy and Poland feature amongst the emerging countries. In the first set of countries, the share of digital consumers is about 50%, with an average expenditure which goes from 1512 euros in France to 2613 in Great Britain. The second set, on the contrary, has a share of *e-shoppers* of about 20% and an average expenditure of less than 1000 euros. The obvious divergences in terms of the diffusion of e-commerce are caused by both structural and cultural problems. The fact that Nordic countries, including Scandinavian countries, have an internet penetration of about 90% leads to a greater familiarity with technological tools and, consequently, a greater propensity to purchase on-line. Added to this is the fact that e-commerce is considered as a rational and uninvolved buying channel, which does not correspond with the South European buying habits which are well-known for being linked to more experiential and emotional patterns of consumption. However, this barrier can be overcome thanks to the convenience of the channel and the ability of companies to exploit the web support tools or, better still, to use them as an integral part of their business.⁴⁶

⁴²E-commerce in Italy 2015 compiled by Casaleggio and Associates is available on the website <https://www.casaleggio.it/wp-content/uploads/2015/04/Focus-E-commerce-2015-Web.pdf>.

⁴³Europe B2C E-commerce reports 2014 is available on-line at the address <http://www.adigital.org/sites/default/files/studies/european-b2c-ecommerce-report-2014.pdf>.

⁴⁴Ibidem.

⁴⁵<https://www.casaleggio.it/wp-content/uploads/2014/04/Rapporto-E-Commerce-in-Italia-2014.pdf>.

⁴⁶Chen, Z., & Dubinsky, A. J. (2003). A conceptual model of perceived customer value in e-commerce: A preliminary investigation. *Psychology & Marketing*, 20(4), 323–347.

As far as Italy is concerned, in 2014 e-commerce reached a quota of 24.2 billion euros, with a growth of 8% compared to the previous year. Despite the crisis, growth was sustained by a good rate of penetration of internet which reached 82%, and the growth in the number of users of smartphones (+30%) and tablets (+156%). These numbers clearly show how much *e-tailing*, that is the sale of products and/or services on-line, is becoming increasingly relevant in company strategies both on an international and a national level.

In order to take an extra step, not only are numbers important, but also the analysis of the structure in order to understand the dynamics and implement an *e-trade marketing* that is able to improve the companies' performance. E-commerce, in fact, defined as the sale and purchase of products and services via internet, can be of different types, according to the subjects that take part in the transactions:

- **Business to Consumer**,⁴⁷ which concerns the sale of goods and/or services from the company to the end buyer. It represents the most relevant share of the market and includes:
 - *Specialised e-tailers* (e.g. Zalando);
 - *Generic e-tailers* (e.g. Amazon);
 - *Click and mortar* (e.g. Zara);
 - *E-business* (e.g. Sogni di cristallo);
 - *E-outlets* (e.g. Vente-privee);
- **Business to Business**,⁴⁸ which concerns the sale of goods and/or services from one company to another;
- **Consumer to Consumer**,⁴⁹ which concerns the sale or exchange of goods and/or services between private individuals (e.g. Ebay, Couchsurfing);
- **Consumer to Business**,⁵⁰ which concerns the exchange of information and/or knowledge between individuals and companies (e.g. Crowdspring).

In this scenario, *e-tailing* represents a true and proper distribution channel and, as such, has developed transactions of a direct and indirect type. In the direct channel, the manufacturers sell to their buyers by means of their own internet website thanks to an e-commerce section. The products are displayed as if they were in showcases with images, information, prices and everything that is necessary for buyers in order to make a purchase. In this case, the manufacturing companies, called *click and mortar*, not only have the possibility to sell directly to their own customers, but also to give and receive information. Apart from the sales, the website becomes a place where the customers can obtain all the information

⁴⁷Gefen and Straub (2004).

⁴⁸Raisch and Foreword By-Gartner (2000).

⁴⁹Lu et al. (2010).

⁵⁰Aljifri et al. (2003).

necessary to carry out their shopping in the strict sense and where companies can obtain useful data for commercial and marketing purposes. In this category we can include manufacturing companies such as Zara, which combines on-line with off-line sales and various *e-businesses* such as Sogni di cristallo, a company manufacturing Murano glass which, right from the start has sold its products exclusively on the on-line channel. This channel can be useful to manufacturers who have a sales network off-line belonging to them: this enables them to avoid conflicts with the intermediaries and keep absolute control over the marketing policies.

In the indirect channel, on the contrary, manufacturers sell to their customers by means of digital distributors who may specialise, such as Zalando, or be multi-product, like Amazon; these on-line platforms are known as *e-marketplaces* and represent virtual places of intermediation between supply and demand. On these websites, all the information can be found concerning a product or a service and the purchase can be made. The experience is comparable to going into a supermarket or a department store, except that there is no need to leave the house. The experiential dimension of the purchase does not represent an obstacle insofar as it is recovered by visiting the sales point before taking the final decision; this buying process, known as on-line/off-line/on-line, is one of the cardinal factors in the growth of this new type of intermediation, which is being appreciated more and more by consumers, one reason being for its growing credibility. In certain cases, this type of *e-tailer* is used by the manufacturing companies not just for normal sales, but also to eliminate stocks of unsold products, as often occurs in the *e-outlets* such as Vente-Privée, or as a means of communication/promotion, as in the case of Groupon.⁵¹

The *e-tailing* strategies may differ according to company objectives, however, thanks to their interactivity they enable positive effects to be achieved on the relationships with customers (Wang and Head 2007) and on the satisfaction of the same (Yoo et al. 2010). Of particular importance is the company's ability to create an e-commerce website or to rely on an *e-tailer* who encourages a two-way communication between the company and the customer and an interface that is easy to use. The possibility to interact directly with the company or with the opinions of past customers overcomes the consumer's distrust, encouraging him to make the purchase.⁵²

⁵¹Some problems may occur when a manufacturer who off-line relies on an indirect channel wants to start an e-commerce on his own website. In this case, the strategy would be sustainable if the website were to be studied in such a way as to justify, thanks to extra content and information, a premium price compared with the sales point so as not to compromise the distributor's profits.

⁵²The same applies for the ease with which the website and the buying methods are understood: an increasingly important topic amongst companies is how to improve the *user experience* on their website in order to eliminate virtual barriers that may prevent visitors from purchasing and guaranteeing, as a consequence, more conversions.

4.5 A Pioneer of TES Marketing in the Textile Sector: Angelo “Jack” Zaninoni of Jack Set s.p.a

To conclude this text on TES marketing, the author is keen to report an example of how he sees and understands this philosophy and does it by presenting what he has seen and learnt side by side a Bergamask businessman⁵³ who he had the opportunity to know and follow for one year: Angelo Zaninoni.

After working as the production manager of Brunik—when it manufactured winter sports clothing in particular for prestigious international brands such as Mistral, O’Neill, K2 and others, Angelo Zaninoni⁵⁴ (known as Jack), decided to set himself up as a businessman and founded his own company.

Jack, a very practical person, realised immediately that in order to improve the profitability of the products offered and not to fall into the trap of the price war⁵⁵ he had to introduce some innovations with a high added value, which, in the author’s opinion, recalls the logic of TES marketing.

The business process involves companies that are trademark holders sending drawings and paper patterns of the products to be made each year from the United States (and not only), in other words, they request the production of what they have created. Jack decided to employ a fashion designer and when he met the American designers, he offered as an alternative or in addition his own models which were different in form and colour and featured a strong element of *Italian design*. This choice took the owners of the trademarks by surprise and they agreed to put the offer to the test, adding only a few of Jack’s garments to the collection. The market confirmed Jack’s intuition and six months later he was entrusted with the creation of the whole collection. This is the first element of added value that was introduced, the first example of TES. Jack repeated the approach with all the trademarks with which he worked, and in a very short time a large part of the collections were being created by his in-house design studio.

In the meantime, in Great Britain he patented the *Brethentech* fabric, which is breathable while maintaining the body’s heat, like the market leader GORE-TEX^{®56} but with a lower weight and cost. He repeated the procedure that he had followed for the design, and in this case too, he managed to add to the collections some products made using his own breathable fabric.

⁵³The author wishes to thank Dr. Pia Locatelli, wife of Angelo “Jack” Zaninoni, for having reviewed and approved this section dedicated to her husband’s managerial approach which recalls the philosophy of TES Marketing.

⁵⁴Angelo Zaninoni (Vertova, 18th July 1944—Bergamo 13th August 1998).

⁵⁵As is well known, there is always someone on the market who is willing to make the same product at a lower cost, suffice it to mention the Chinese firms that operate nowadays at far lower costs using the same technology (one example being the looms made by ITEMA, a Bergamask company and leader in the sector) and they are able to offer the same output at lower prices.

⁵⁶<http://www.gore-tex.it/>.

However, in the author's opinion, the example that is closest to the TES marketing philosophy implemented by Jack was the creation of his own brand. The garments, even those that were not chosen by the leading brands, became part of the collection developed by the company named *On the edge*, which conveys the idea of a young and aggressive spirit.

Jack decided to set up a sales network abroad, strong in the knowledge of his creative ability, of the fabrics belonging to the company and of the fascination of the Made in Italy design; he took part at the ISPO trade fair in Munich where he presented his *On the edge* collection and here he sought and chose distributors of winter sports clothing, setting up a network all over Europe. Twice a year he invited the distributors to Italy to choose the models and select the garments to be ordered for their own retail customers (sportswear shops). In the showroom, the products were presented on the floor, to offer a different perspective and to make the people bend down in order to check the details. The chosen products were then set aside and formed the customized collection for each individual importer who was free to buy only what he wanted and it was produced for him in the quantities considered to be the most appropriate.

The clearest example of TES took place during the fitting test. Every importer went to the meeting with his or her own models in order to check the correspondence of the sizes and to see the product worn by people from their own nationality. When the Swedish importer asked his models to try on the ski suit, he found the sizes were not right. Size M (medium) was right for the upper body, but too short in the legs,⁵⁷ the L (large) was perfect for the lower limbs but too big for the upper body; as a result, the Swedish importer decided not to order such a product.⁵⁸ Jack asked a colleague to take the guests out to lunch and to tell the Swedish importer not to leave without having said goodbye to him. When the guests returned from their lunch, Jack asked the two Swedish models to try on two ski suits which fitted perfectly and which convinced the importer to confirm the purchase. During lunch, Jack had asked his seamstresses to "take apart" two ski suits in size M and two in size L and to arrange the parts so that a new size was invented, ML (medium for the upper body and large for the legs), which was a perfect fit for the customers with physical features similar to those of the Swedish models.

To facilitate the importers' logistics, Jack had the individual customers' orders sent to him (which were obviously made anonymous for obvious reasons of confidentiality) and had packs made up for them which were then delivered to the importer who sent them directly to the sales points saving him from having to put together, order by order, the various garments purchased by each customer.

⁵⁷The physical build of people of Northern countries differs to that of the rest of Europe and is marked by having lower limbs that are longer than those of other populations.

⁵⁸The problem does not apply to anoraks and trousers because the two separate garments can be purchased in different sizes.

This was not enough for Jack and, in view of the fact that the products made during the winter period (especially windcheaters similar to the famous K-Way^{®59} type) had a low sales price and, therefore, a reduced margin for his company, as a great lover of travel he created a collection that he defined as “working clothes for travellers” which he called *The Oregon trail*, taking his inspiration from the 2000 miles or more covered by the pioneers to conquer the West. The collection was 100% “natural”: no plastic parts were used (the buttons were made of bone, the zips in metal), the colours were muted (sage green, brick red). The catalogue did not show photographs, but drawings of the products and descriptions, which Jack himself dealt with, and it made it possible to re-live the experience of that journey.⁶⁰ Every detail was the subject of careful attention, the garments were delivered in recycled sepia coloured cardboard boxes and each one was accompanied by a wooden coat hanger bearing the hot branded *The Oregon trail* trademark. He created a range of accessories which also included a key-ring with a compass. As time passed, many brands (for example *Camel Trophy*, *Marlboro Country*) were inspired by the collections of Jack, who, in the author’s opinion, remains a far-sighted inventor.

As stated at the beginning of the chapter, the author had the opportunity to work together with Jack for a year and follow him in subsequent years, observing his approach and behaviour, perceiving his enlightened vision projected towards the future, always creating something that added value: it can be said that he was a brave entrepreneur and innovator who understood that in order to be the favourite on the market, it is necessary to take an extra step.

Jack, on his part, took many extra steps!

4.6 Conclusions

With regard to the research question of this work, in other words whether it is possible to create/provide a product/service and at the same time make customers loyal by acting on the delivered mix, the evidence emerging from the empirical observation has provided the feedback reported below.

In the case of the pharmaceutical company, it was seen that the co-design of the training modules aimed at pharmaceutical sales representatives, as part of a wide development scheme, has acquired, on the Italian market and on the Spanish one, greater interest on the part of the doctor in the presentation of the company’s products, both with regard to the amount of time dedicated to the meeting and for the quality of the questions asked concerning the components and expected benefits for the purposes of prescribing them. The use of the possible alternative behaviours

⁵⁹<http://k-way.ca/en/>.

⁶⁰“You won’t be cold tonight wearing the Portland jacket/a glimpse at the sunset/a last sip from the hip flask/goodnight/you know that tomorrow you will be riding your horse towards a new adventure” (from *The Oregon trail* catalogue 1990).

suggested and reported in the information-relationship matrix was useful for establishing the doctor's orientation and for re-directing the way the meeting and relative conversation are arranged, enabling in this way, a more precise understanding of the behaviour both on the part of the same pharmaceutical sales representative and his Area Manager.

With regard to the value drivers reported in the example concerning the Insurance Company, it emerged that the awareness of the value created by the Agent has enabled the overall relationship with the customer to be reinforced as well as the relative loyalty. This occurred showing that the coverage (or assumption) of the customer's real risks (not only those known or perceived) is worth more than any difference in premium and that any negative delta (lower premium) asked by the competition becomes a greater cost in the event of damage that is not covered by the "cheaper" or badly underwritten policy.

The statistical returns regarding the performance results linked to the value disaggregation approach in the pharmaceutical sector had not yet been concluded at the time of publication of the book. The data obtained from owners of chemist's shops by means of interviews with the customers confirm the positive perception of greater attention to the customers both under the headings linked to relational aspects and to the perception of the overall value of the offer. These data, linked to the creation of value relative to the headings "Person" and "Company" are held to be positive and correlated with the development of customer loyalty at the sales point, bearing in mind that the chemists cannot influence the quality of the industrial products.

The interviews with the twenty SME bank customers interested in becoming international confirmed great interest in the relationship and even more so in the quality of the information received, pointing to the quadrant of partnership. The trust in the figure of the Provider, their contact, as a result of specific consultancy activity and due to information of value being provided that was not in their possession, were decisive factors for the continuity of the relationship and the consequent customer loyalty.

The results of the empirical analyses performed on the theme of communication and aimed at highlighting the efficacy of cross culturally customised communication have shown that the products and services advertised using methods that do not take cultural needs into account lead to a refusal of the offer and the negativity of the brand. By not proceeding to purchase, customer loyalty becomes unthinkable.

As far as the impact of the Tes Retail Specialists is concerned, the main evidence was collected from the recognition (before and after the operation and documented by photographs taken at the individual sales points) of a better display, turnover and marginals of the products as a result of making them "fit" in the sales points. Consequently, it can be affirmed that actual benefits were obtained both by the retailer and by the manufacturer and that this operation led to an improvement in the relationship between the two protagonists and, in a wider sense, to loyalty. It can be confirmed that in this case the manufacturer's objective was to make the retailer loyal and not the end customer.

In order to be able to confirm this final aspect of the research question linked to the relationship between the TES Marketing approach and proof of the levels of

customer loyalty, further systematic surveys of the phenomena observed are proposed in order to acquire new empirical evidence to support the argument.

The author is convinced that the customer and his centrality remain the starting point for every marketing action; in this book an approach is described that proposes to rearrange some elements that the author considers to be fundamental in order to continue or to go back to being competitive on the market in which one works and to keep one's own customers active.

Obviously, it is necessary to believe in the possibilities offered by the discipline and to be willing to get into and/or get back once again into the game. This may require an effort, especially when having to abandon the old winning solutions, products, services, operative methods, markets, segments and relative marketing mixes that had proven for a long time to be the "signature dish" of the business and which today, due to the great changes under way have lost or are losing their performance capacity and need to be re-interpreted or re-invented.

The main managerial implications are related to a new way to build the marketing mix implementation and its variables. This means to settle since the beginning the four "Ps" as described:

The product as the result of co-design

Price as value

Advertising as cross-cultural communication

The distribution policy as the new attention to retail.

To do so, the marketing managers should do "The Extra Step", rethink and deploy each single variable. They should verify, evaluate and if necessary innovate operationally the previous successful models.

The purpose is to make the buying experience such as to combine the provision of goods or services with loyalty, especially in those sectors in which the offer of the direct competitor is similar or comparable to that of the firm.

To be effective on today's market means making a significant and different type of effort in financial, intellectual and personal terms compared with the past. Future research steps could consider to test the TES model in e-loyalty contests and in industrial goods sector.

Owing to the shadow of doubt that it casts on the successful logic of the past, the mental effort is hard to accept and perhaps the most difficult to be tackled. However, the future lies ahead, as always.

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