Electronic Markets on customer-orientation

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Dear readers of Electronic Markets,

It is a popular saying that “The customer is king (or queen)” and most businesses will declare customer-orientation as a major goal in their strategies. Among the claims are to offer the best service to customers and to strive for maximum customer satisfaction and/or experience. The question remains how customer-orientation is actually measured and operationalized beyond being a mere marketing statement. Clearly, customer-orientation is a complex construct that is shaped by many factors. While price is an important determinant in most buying decisions, the overall satisfaction with a seller is influenced by many qualitative aspects as well, i.e. the mood (s)he is in, the time constraints of the transaction, the financial status of the buyer, the interaction with the seller’s representative or systems or the match with the customer’s expectations of the product/service and the like. In addition, marketing literature suggests that each encounter also needs to be considered in a longer relational context, meaning that customers – especially in the business-to-business segment – undertake repeated transactions, which lead to a transaction history and longer-term relationships.

Two concepts of customer-orientation

Early research on electronic markets has strongly focused on the market aspects. For example, Bakos (1991, p. 298) reports that electronic markets reduce the costs involved in

comparison shopping, which help to decrease seller profits and increase buyer welfare. Research has confirmed these effects for business-to-consumer (b2c) transactions, but found these advantages to be less relevant in the business-to-business (b2b) field (Glassberg and Merhout 2007). This follows the argumentation of Clemons et al. (1993), who favor network governance over atomistic market transactions to safeguard partner-specific investments as well as non-contractible issues. In the b2c domain, it has also been the desire of marketing strategists to escape a pure competition based on price by – often only slightly – differentiating their products via additional services or by establishing strong brands (Ancarani 2002). Although these instruments are meant to increase customer loyalty, they illustrate that customer-orientation from the seller perspective is not equal to what buyers regard as customer-orientation. Sellers intend to make comparison shopping more difficult and to “develop” customers in repeated purchases to maximize metrics, such as customer lifetime value. Buyers, however, appreciate transparency in a market and also choose offerings from competing sellers. They might see benefits in becoming locked-in with a specific vendor, but require some additional value, e.g. discounts or improved ease of use, in exchange for the reduced choice.

Both views on customer-orientation have become known as outside-in (buyer perspective) on the one hand and inside-out (seller perspective) on the other (Saeed et al. 2015, Skugge 2011). As shown in Fig. 1, each form of customer-orientation has individual characteristics, which may be distinguished using the differentiation of problem and solution space. This concept is known in the area of software engineering to understand how requirements from the analysis of a specific domain may be translated into the design and implementation of a software system (Berg et al. 2005). It recognizes that problem and solution space apply different artifacts in developing a software. While requirements in the problem space are

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Fig. 1 Two perspectives on customer-orientation

primarily formulated in natural or domain-specific language, design elements in the solution space use more formalized languages, such as UML. Applied to the two views on customer-orientation, the problem space refers to customer needs and the solution space to the offerings by sellers in the market. The differences are rooted in two aspects:

- Many customer needs are not atomistic in nature. For example, the purchase of a car may already be conceived as a solution to a certain mobility problem. Mobility, however, also comprises offerings from other transportation companies (e.g. public transportation, airlines, rental companies, carsharing) and, when linked to a business or leisure trip, hotels and other solutions may be relevant as well. At the same time, complex requirements emanate from the possession of resources (e.g. real estate, cars), which comprise services (e.g. ratings, reviews, price comparison) for decision-making and shopping as well as for solving maintenance issues. Thus, the problem space reveals the complexity of many customer needs, which consist of a bundle of individual solutions from different suppliers. Considerable coordination effort is not only necessary for the configuration of these bundles, but

also for the execution of the individual transactions. Customer-orientation would mean that support is available for reducing this coordination effort.

- Many customers are not familiar with the solution space. Following the well-known information asymmetry between buyers and sellers, the latter typically possess in-depth knowledge about the solution and the possible configuration options. Unless customers are repeatedly confronted with similar solutions – a situation found in the b2b area – they lack an overview on the relevant design elements. For example, customers should not only be aware of the possible instruments (e.g. securities, funds, derivatives) and their parameters when deciding on financial investments, but should also understand how these instruments actually work. The same applies to many other domains, where specialists cultivate their proprietary technical languages. Customer-orientation also means that terminology is available, which customers can understand and articulate. Their language is often qualitative and non-functional in nature (e.g. long-term, low cost and/or risk), while the availability of technical specifics in the solution space allows for more objective and functional descriptions. Thus, providing support for mapping requirements in the problem space to design

Fig. 2 Customer - and service - dominant logic (adapted from Heinonen et al. 2010, 535)

elements in the solution space needs to be regarded as another aspect of customer-orientation.

The differentiation of the two perspectives has also been supported by recent research on the customer-dominant logic (Heinonen et al. 2010; Heinonen and Strandvik 2015) (Fig. 2). It argues that although the well-known concept of service-dominant logic recognizes that service providers involve customers in the co-creation of services, this thinking still follows a provider-dominant logic. In turn, a customer-dominant logic sees the customer in control of the services used in his/her (customer) process(es), which reflect problems that emanate from his/her life. Usually, the customer's world involves services from various providers, which traditionally have to be coordinated by the customer him- or herself. Thus, approaches, such as the customer - dominant logic, strive to understand the outside-in perspective and solutions or business models in that direction are only becoming available, e.g. mint.com for financial services or quixxit.de for mobility services. Besides making services compatible regarding their description as well as their input and output formats, these services might also benefit from advances in technologies that support the automation of customer interaction (e.g. recommender systems, chatbots).

Contents of issue

Customer interaction takes place via interaction processes and interaction channels. While the former refer to the actions between various actors (Becker et al. 2013), the latter define the environment in which these interactions take place (Nüesch et al. 2015). Among the channels that have been receiving increased attention over the last years are social media. They enable companies to be closer to the customer than ever before, especially when social media are used on mobile devices. At the same time, social media feature valuable characteristics for realizing the outside-in perspective. For example, customers create their individual social networks, which include relationships to personal and business contacts. Some interaction processes, such as feedback and chatbots, are already supported, while more sophisticated functionalities for facilitating inter-service coordination still await convincing solutions.

From this background, the present special issue of Electronic Markets aims to contribute to the knowledge on the “Dynamics of Customer Interaction on Social Media Platforms”. In their preface, the guest editors Ulrike Baumöl, Linda D. Hollebeek and Reinhard Jung, provide a broader picture on the changing role of customers and businesses (Baumöl et al. 2016). They show that with concepts, such as Social CRM (Alt and Reinhold 2012), open innovation and co-creation, customers are no longer only regarded as “bargain

hunters”, but also as collaborative partners that are more closely connected to the company to obtain more individualized services. The four papers of the special issue will be separately introduced by the guest editors in their preface and Electronic Markets wishes to thank all three colleagues for their effort in putting the issue together.

In addition, the present issue also comprises two general research papers. The first is closely related to the theme of the special issue. Catherine Baethge, Julia Klier and Mathias Klier (Baethge et al. 2016) present a state-of-the-art and future research directions in social commerce based on a systematic literature overview of 116 papers from the IS field since 2007. The authors describe the evolution of the academic discussion and the increasing discussion of social commerce topics. Among the insights are that social shopping and social networking websites are identified as the most frequented social media platform types and that survey and experimental studies are mostly used as research methodologies. The paper closes with a proposition of potential areas for future research themes in six areas.

The second general research paper from Gjoko Stamenkov and Zamir Dika (Stamenkov and Dika 2016) analyzes “Bank Employees’ Internal and External Perspectives on E-Service Quality, Satisfaction and Loyalty”. It neatly ties in with the outside-in and inside-out perspective and shows that users change their cognition as well as their attitude when assessing e-service quality, satisfaction and loyalty. While privacy had the strongest effect from the external perspective, efficiency was found to be the most important factor from the internal perspective. Several management implications are derived from this analysis and promise practical insights for advancing customer loyalty and maybe even customer-orientation.

We hope that you enjoy reading the articles of this issue. This editorial closes with a reference to the last editorial, which discussed the Journal Impact Factor (IF) as an important metric in academic publishing (Alt et al. 2016). In the meantime, the IF for Electronic Markets has been announced and shows an increase of 50 % to 1.404. The entire EM team is proud and wishes to thank all authors, reviewers and editors who have contributed to this success!

Best regards from Leipzig and St. Gallen,
Your EM-Team

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