

The Virtual Value Chain And Experiential Marketing

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Abstract

As markets are getting more complex, the value chain of the single firm cannot be seen independently from the value chains of other actors in the market network. Strategic analysis should focus on the valuecreating system itself within the different players – suppliers, business partners, customers and internal employees should work together to co-produce value. Although value activities are the building blocks of competitive advantage, the value chain is not a collection of independent activities, but a system of interdependent activities. The value chains of different players are related to each other by linkages within the total industry. Linkages are relationships between the way in which one value activity is performed and the cost or performance of another. In understanding the competitive advantage of an organisation, the strategic importance of the following types of linkage should be analysed in order to assess how they contribute to cost reduction or value added.

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All internationally orientated firms must consider an eventual internationalisation of the value chain's functions. The firm must decide whether the responsibility for the single value chain function is to be moved to the international markets or is best handled centrally from head office.

Principally, the value chain function should be carried out where there is the highest competence (and the most cost-effectiveness), and this is not necessarily at head office (Bellin and Pham, 2007). The two extremes in 'global marketing' (globalisation and localisation) can be combined into the so-called 'glocalisation'.

This global marketing strategy strives to achieve the slogan 'Think globally but act locally' (the so-called 'glocalisation' framework), through dynamic interdependence between headquarters and subsidiaries. Organisations following such a strategy coordinate their efforts, ensuring local flexibility while exploiting the benefits of global integration and efficiencies, as well as ensuring worldwide diffusion of innovation. A key element in knowledge management is the continuous learning from experiences. In practical terms, the aim of knowledge management as a learning-focused activity across borders is to keep track of valuable capabilities used in one market that could be used elsewhere (in other geographic markets), so that firms can continually update their knowledge. However, knowledge developed and used in one cultural context is not always easily transferred to another. The lack of personal relationships, the absence of trust and 'cultural distance' all conspire to create resistance, friction and misunderstandings in cross-cultural knowledge management. With globalisation becoming a centrepiece in the business strategy of many firms – be they engaged in product development or providing services – the ability to manage the 'global knowledge engine' to achieve a competitive edge in today's knowledge-intensive economy is one of the keys to sustainable competitiveness. But in the context of global marketing, the management of knowledge is de facto a cross-cultural activity, whose key task is to foster and continually upgrade

By introducing the **virtual value chain**, Rayport and Sviokla (1996) have extended the conventional value chain model, which treats information as a supporting element in the valueadding process. Each of the physical value chain activities might make use of one or all four of the information processing stages of the virtual value chain, in order to create extra value for the customer. That is the reason for the horizontal double arrows between the different physical and virtual value chain activities. In this way, information can be captured at all stages of the physical value chain. Obviously such information can be used to improve performance at each stage of the physical value chain and to coordinate across it. However, it can also be analysed and repackaged to build content-based products or to create a new line of business.

A company can use its information to reach out to other companies' customers or operations, thereby rearranging the value system of an industry. The result might be that traditional industry sector boundaries disappear. The CEO of Amazon.com, Jeffrey P. Bezos, clearly sees his business as not bookselling, but the information-broker business. Regarding the customer value proposition that can be created along the virtual value chain, it is very important to develop a profound understanding of the customer's online experience.

The virtual value chain as a supplement to the physical value chain

Marketers must understand specific characteristics of online channels and the benefits they offer to customers. To help formulate the online customer value proposition (OCVP), we need to consider the special characteristics of the Internet and its online services as perceived by customers using them. Six criteria can be used to determine the sustainability of the formulated OCVP, in order to reach online customers (Chaffey, 2005):

1. Content: online content is rich, which means it provides something that other channels cannot. Often this means more detailed, in-depth information to support the buying process or product usage. However, often online product catalogues simply replicate what is in offline catalogues without adding extra information, images or example applications. Messaging through email and SMS is also key to providing unique content – these media can be used to deliver timely, relevant media to

individuals. As well as text-based content, which is king for business-to-business, there is also interactive content, which is king for consumer sites and particularly brands. FMCG brands now use the Internet to deliver what they term as ‘digital assets’, which support offline branding campaigns.

2. Customisation: in this case, mass-customisation of content (whether received as website pages or email alerts) and commonly known as ‘personalisation’. Of course, Amazon is quoted many times as an example of this, and it actually has a ‘Director of Personalisation’. The ability for a subscriber to an online email service to tailor their messages by selectively opting-in to particular types of message is a further example of customisation.

3. Community: these days this is also known as ‘social networks’. Online channels such as the Internet are known as ‘many-to-many’ media, meaning that your audiences can contribute to the content.

4. Convenience: this is the ability to select and purchase, and in some cases use, products from your desktop at any time: the classic 24/7/365 availability of a service. Online usage of products is, of course, restricted to digital products such as music or other data services. Amazon has advertised offline using a cartoon showing a Christmas shopper battling in queues clutching several bags, to reinforce the convenience message.

5. Choice: the Internet gives a wider choice of products and suppliers than via conventional distribution channels. For example, Tesco.com provides Tesco with a platform to give consumers a wider choice of products (financial, travel, white goods) with more detailed information than is physically available in store.

6. Cost reduction: the Internet is widely perceived as a relatively low-cost place of purchase. A key component of the low-cost airline carriers’ OCVF is that it is cheaper than phone bookings. This simple price differential, together with the limited change behaviour required from phone booking to online booking, has been a key factor in, for example, Ryanair’s online ticketing channel effectively replacing all other booking modes.

Experiential marketing

As services increasingly become commoditised – think of smartphone services sold solely on price – ‘experiences’ have emerged as the next step in how we can provide ‘customer value’. A customer experience occurs when a company intentionally uses products in combination with services to engage an individual customer in a way that creates a memorable event (Pine and Gilmore, 1998). Unless companies want to be in a commoditised business, they will be compelled to upgrade their offerings to the next stage of customer value creation: ‘customer experience’. Experiential marketing is a growing trend worldwide, evident in most sectors of the global economy. Essentially it describes marketing initiatives that give consumers in-depth, tangible experiences in order to provide them with sufficient information to make a purchase decision. It has evolved as a response to a perceived transition from a service economy to one personified by the experiences in which consumers participate. Increasingly, consumers are involved in the processes of both defining and creating value, and the co-created experience of consumers through the holistic brand value structure becomes the very basis of marketing.

Finally, the more a company engages all five senses in the creation of a ‘customer experience’, the more effective and memorable it can be.

Conclusions

Today, the right combination of the product value chain and the service value chain is not a sufficient competitive differentiator. Adding 'customer experiences' and 'experiential marketing' occurs when a company intentionally uses products in combination with services to engage individual customers in a way that creates a memorable event, which can be characterised in one of four groups: entertainment, educational, aesthetic or escapist. Engaging the customer and adding customer experiences is further exemplified by the use of augmented reality (AR), which is a digital way of putting the product in the hands of the users and giving them the opportunity to test the product without paying for it. Consequently, AR is especially effective in the pre-purchase stage of the buying process.

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