Agile Marketing Strategies: How to Transform the Customer-Brand Dynamics in Services

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Abstract
The way businesses traditionally connect with customers has been linear, defined by a purchase funnel while in reality the path to purchase is far from being linear, since customers interact with networks of people, conversations and technologies across, adjacent and within an organisation (O'Driscoll, 2014). These trends push organisations of all kinds throughout the world to learn to adapt and transform in order to overcome rapid increases in complexity, volatility, and uncertainty. The main objective of this paper is to provide and to implement a conceptual model of agile marketing strategies focused on customer-brand dynamics. The conceptual model captures the emerging debates around agile marketing and management. Research questions driving this paper are twofold: 1/ to identify the elements and stages of agile marketing strategies to deal with customer-brand dynamics transformation and 2/ to identify the possibilities to apply agile marketing in services. The research study, based on a survey of Bulgarian companies in the field of services, concludes that there is a gap between what was expressed as a strategy for change by the managers and what was actually implemented. The achieved results are used to suggest and discuss several implications for using agile marketing strategies.

Key words: agile marketing strategies, customer-brand dynamics, services.

JEL classification: M31.

1. Introduction

While business is getting more complex, the environment and markets are becoming more turbulent and unpredictable. Many companies and their managers realize that the world is in a constant and relentless state of change. Despite some doubts toward the efficiency of the strategies for change (Ronnel, 2005) the majority of the academics and practitioners suggest that these strategies should be planned, but managers and employees have to recognize emergence and have the adaptability to change. The shortening of the business model lifecycles in many industries leads to greater frequency of disruption and dislocation (Lindgardt et al., 2009). Both time pressure and capability to change are becoming a crucial factor for company survival, especially in service industry where the service delivery process as a key element in building (or destroying) customer satisfaction is severely affected by digital disruption.

Services are today the dominant form of economic activity. The implicit assumption in the quest for customer satisfaction and service quality is that there is a link between positive evaluation and re-purchase behaviour (Zeithaml et al., 1996). As a consequence, understanding how and what aspects of the service product impact on customers' evaluation is a critical first step. There are a number of service product attributes which have been identified as contributing towards the customer's overall evaluation, these include the service environment (Bitner, 1990), service employees (Bowen and Lawler, 1992), and the impact of other customers (Booms and Bitner, 1981; Langeard et al., 1987).

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2. Service branding, brand value and brand equity

European services are the backbone of European economic and social life. The importance of services sector continues to rise during the last decade (Eurostat, 2016). As the economy has become mostly service-based, researchers now consider the marketing discipline as being service dominated.

2.1. Service branding

It is considered (Lovelock & Gummesson, 2004) that defining services is difficult because of the diversity and intangibility of services inputs and outputs. The most comprehensive and well-grounded view toward the definition of services is given by Vargo and Lusch (2010, 2008, 2004) based on their longitudinal research on evolution of theoretical logic and paradigms lying behind the term "service". They conclude that the diversity of definitions and approaches toward services can be divided into two distinctive groups based on different theoretical logic behind them, namely G-D logic (good-dominant logic) and S-D logic (service-dominant-logic). Such notion implies moving from a product or output-centric focus to a service or process-centric focus in services understanding. The process-centric focus ("how" the service is delivered to the customers) brings up the problem with the management of both 'soft' and 'hard' components of service delivery process which constitutes the core of customer-brand dynamics. While we can prescribe many "hard" aspects of the process, including the sequence of events, the associated behaviours and even the words used, there are also many "soft" elements of the service encounter, which cannot be prescribed and can dramatically alter the way that the customer perceives the service. The "soft" process elements are concentrated on the individual service provider and the interpersonal or quasi-interpersonal exchange with the customer. This aspect of the soft process presents the greatest challenges to researchers as they embody the full range of inter-personal behaviour and also tend to be highly heterogeneous.

2.2. Brand value and brand equity

Several researchers (Wong and Merrilees, 2007: 385; Mosmans and van der Vorst, 1998) pointed out that a brand should be treated as an important resource of a firm which can serve as a strategic reference point. Urde (1994, 1999) constantly advocates the use of a brand as a starting point in the formulation of a firm's strategy. He coined the concept "brand orientation" which places customers and brands at the core of the process of company strategy development (Urde, 1994). After the 1980s, the approach to brands changed from "brand as identifier" to "brand as a source of added value" which can be regarded as a paradigm shift. Kapferer (1997) proposed that branding and brand building should focus on developing brand value. His point of view to brand value is monetary and he explores brands as intangible assets (Figure 1).

Figure 1. From brand assets to brand equity
Source: Kapferer, 1997, p. 37

In accordance with the aforementioned statement, Davis (2002: 12) proposes brand asset management as "a balanced investment approach for building the meaning of the brand, communicating it internally and externally, and leveraging it to increase brand profitability, brand asset value, and brand returns over time". Based on the concept of brand asset management, a LOGMAN (The logical brand management model, abbreviated the LOGMAN model) model was developed (Logman, 2004) combining some key insights from Kaplan and Norton's balanced scorecard method, BCG's brand value creation method, the path analysis method, and the house of quality method. This notion has been further developed at a global scale by Steenkamp (2014) who stated that "global brands only survive if they are effective in delivering value to the market" and "… while global brands make strategic sense, it is less clear how they create firm value" (Steenkamp, 2014: 5). In order to explore the process underlying value creation, he developed the 4V model (valued brands, value sources, value delivery, and valued outcomes) where the starting point is the type of global brand in question: prestige, premium, fun, or value brand (Figure 2).

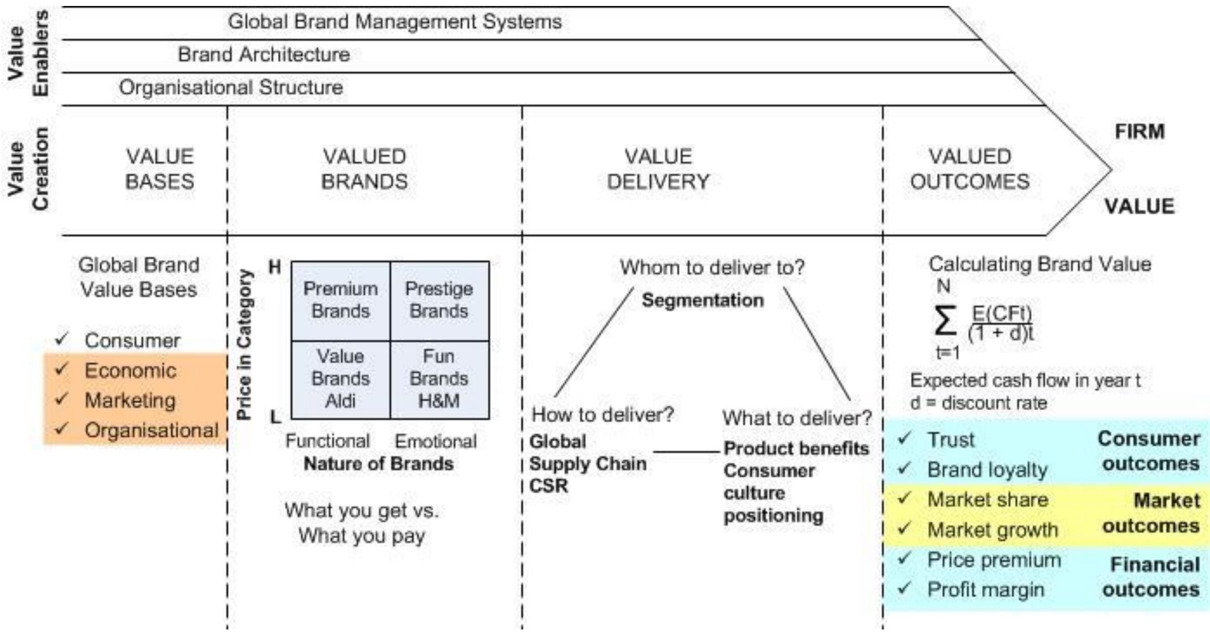

Figure 2. Global brand value chain: the 4V model
Source: Adapted by Steenkamp, 2014, pp. 6–19

Following the logic of the 4V model, we can summarise that virtually all marketing activities – ranging from new product development, to advertising, to retail placement – focus on building strong brands (Aaker and Joachimsthaler, 2000) which, in a situation of rapid globalisation, turns out to be critical success factors for the companies. In line with the branding concept for domestic markets, the development of brands on a global basis offers opportunities for capitalising on economies of scale, developing global markets and pursuing multiple market segments (Barwise and Robertson, 1992; de Chernatony et al., 2013). Hence, the firm has to systematically analyse and leverage the source(s) of value that the global brand in question provides to the company. Based on the aforementioned statements and propositions, we can conclude that it is widely accepted that strong brands enhance business performance primarily through their influence on three key stakeholder groups: (current and prospective) customers, employees, and investors (Rocha, 2012).

As it is shown in Table 1, brand equity is a concept directly linking company marketing activities with financial market impact.

Term	Description	Authors
Customer equity	Focuses on the financial value of customers to an organisation. Customer equity is the total of the discounted lifetime values totaled over all of the firm's current and potential customers.	Blattberg and Deighton, 1996; Dorsch and Carlson, 1996; Rust, et al., 2004
Marketplace equity	Represents the joint result of the investment in brand equity, channel equity, and reseller equity.	Anderson and Narus, 1999
Co-brand equity	Represents the additional value which comes not only from the joint brand relationships, but also from the network of other stakeholder relationships.	Wernerfelt, 1988
Brand equity	The value consumers associate with a brand, as reflected in the dimensions of brand awareness, brand associations, perceived quality, brand loyalty and other proprietary brand assets.	Aaker, 1991
Brand equity	The differential effect of brand knowledge on consumer response to the marketing of the brand. Brand knowledge is the full set of brand associations linked to the brand in long-term consumer memory.	Keller, 1993
Brand equity	Brand equity is: (1) Loyalty (brand's real or potential price premium), (2) loyalty (customer satisfaction based), (3) perceived comparative quality, (4) perceived brand leadership, (5) perceived brand value (brand's functional benefits), (6) brand personality, (7) consumers perception of organization (trusted, admired or credible), (8) perceived differentiation from competing brands, (9) brand awareness (recognition and recall), (10) market position (market share), prices and distribution coverage.	Aaker, 1996
Brand equity	The incremental cash flows which accrue to branded products over and above the cash flows which would result from the sale of unbranded products.	Simon and Sullivan, 1993

Table 1. Definitions and basic aspects of brand equity
Source: Author's work

The additional value or co-brand equity comes not only from the joint brand relationships, but also from the network of other stakeholder relationships. As with service and relational branding, brands symbolically represent trust and commitment in these relationships. Thus the corporate reputation and identity of the marketing organisation play an important role.

3. Methodology and results

Based on the literature review and author's previous research (Vassileva et al., 2009: p.316) a conceptual model of agile marketing strategy in customer-brand dynamics is developed. For the purpose of this paper we assume the definition of agility as "the strategic mix of standardization and flexibility, targeted at those organizational pressure points where they're not only needed today, but will most likely be needed tomorrow" (Browning et al., 2008: p. 5). Four primary values constitute the core of agile management approach ('Agility manifesto', Beck et al., 2001). The first value focuses on the vital importance of processes and tools over individuals and interactions. The second value dismisses the dependence on comprehensive documentation. Relationships between service supplier (product manufacturer) and customers are driven by customer collaboration instead of contract negotiation according to the third value. Fourth value deals with the ability to respond to the change instead of simply following plans.
Proposed conceptual model captures the emerging debates around agile strategies for change and services branding. Anticipating the logic of the model the following research questions are defined for the empirical study: 1/ to identify the elements and stages of agile marketing strategies to deal with customer-brand dynamics transformation and 2/ to identify the possibilities to apply agile marketing in services. The empirical analysis is done on data

collected through representative study among the managers/CEOs of Bulgarian SMEs. Several in-depth interviews with managers from different industries are done prior to questionnaire development. A link to online survey form was sent to representative sample of Bulgarian SMEs in March 2017. A total number of 312 fully completed questionnaires were analyzed. Data were recorded, filled, and processed using SPSS 21.0.

The questionnaire consists of three sections and a demographic part. The first section explores managers' attitudes toward company strategies to change. The second section focuses on the personal perceptions of managers toward internal management processes. The attitudes toward adaptation to changing customer needs are investigated in section 3 of the questionnaire.

3.1. Conceptual model

This section presents the Co^{3}Brand model (co-creation, co-ordination, co-operation) which is developed as a framework for incorporating agility as an embedded element of customer-brand dynamics. The aim of the model is to help businesses to implement agile marketing strategies to manage customer-brand dynamics.

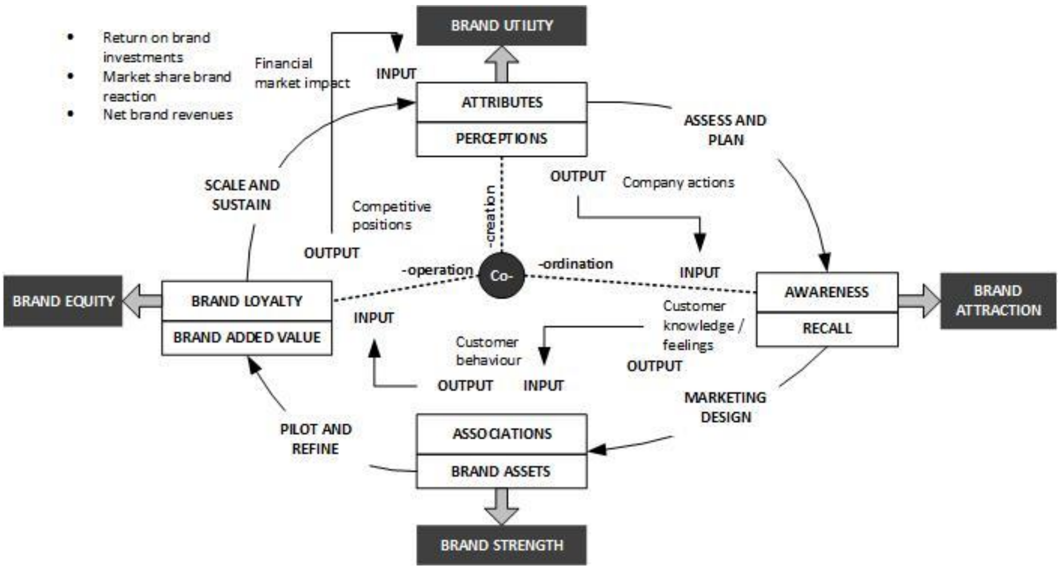

Figure 3. Agile marketing process for customer-brand dynamics: Co^{3}Brand model
Source: Author's work

The model reflects agile marketing transformation process for brand development. The model reflects the systemic perspective (Wiklund, 1998: 23) and connected experience paradigm. For the purposes of the model we accept the relationship-oriented definition of the brand launched by Grönroos (2007, p. 330) – "a brand is created continuously developing brand relationships, where the customer forms a differentiating image of a physical product, a service or a solution including goods, services, information and other elements, based on all kinds of brand contacts that the customer is exposed to", because of the crucial role of customers in service brand development. This definition is grounded on an interactive perspective of branding (Brodie, 2009) which represents the core of the Co^{3}Brand model.

The assessment of the status quo comprises the first stage of the model. It is important to clearly define the state, uniqueness of product/service attributes of the brand(s) and to set up marketing goals for customer perceptions. This stage represents the co-creation interaction "company – employees – brand – customers" which involves market opportunity identification and its transformation into organizational brand development capabilities. At this stage companies should embed customers as co-creator in service brand development (Skaalsvik & Olsen, 2014:

1213). They should focus on development of proper metrics corresponding to the type of the brand (see Figure 2) and brand market share. At the second stage of the model – Marketing design, it is vital for the company to define a proper set of brand metrics to measure brand awareness/brand recall (TOM (Top-of-mind), SOM (Share-of-mind), level of indifference, preference, relevance). Coordination interaction within the brand triangle "company – customers – employees" is vital at this stage. That is why, the selection of metrics for customer knowledge/feelings and customer insight (see Figure 3) should be detailed and specified as it serves as an input for the next stage. It focuses on customer brand associations and behaviour. Performance metrics – associations, price determinants, customer acquisition, customer retention, are important to be monitored at this stage. Brand performance creates a background for 'brand awareness + image + perceived quality + familiarity, etc.' (see Figure 1) transformation into brand assets. During marketing piloting and refining stage brand assets are converted into brand added value which generates brand loyalty through cooperation interaction within the brand triangle "company – customers – employees". By scaling and sustaining brand equity a company can elaborate sufficient financial market impact measured by net revenues, and/or brand market share, and/or return on brand investments.

3.2. Results and discussion

The predominant generic strategy of investigated Bulgarian SMEs according to the interviewed managers (51.2%) is growth and improvement of their competitive position. More than half of analysed companies (58.5%) implement change strategies targeting 'product – costs – investments' relationship, 31.7% of SMEs intervene the 'product – market' dyad, and only 9.8% focus on 'market – technology' dimensions. The overall intention of interviewed managers to integrate their cost-based strategic focus with specific marketing activities by target markets presents a sound background for implementation of agile marketing strategies. Unfortunately, most of Bulgarian SMEs (40%) are trying to decrease costs per product unit instead of seeking product differentiation (17.5%) which is more suitable when the strategic focus is placed on 'product – market' dyad.

Quality-based competitiveness is the leading driver for Bulgarian SMEs regardless the industry and type of the market. Price is ranked on the second place by the respondents from the light industry, chemistry and services. Respondents from the services sector rated on the second place the implementation potential of the company. Level of technological innovation is ranked by them on the third place. Predominant attitudes of respondents about their company management are rather positive (Table 2).

Statements	**All industries**	**Services**
The staff is informed about expected work.	3.82	3.44
There are conditions for regular discussions.	3.32	3.69
Conflicts in our company are identified on time.	3.18	3.12
Our company's focus is based on results.	3.91	3.75
The change is spread throughout the company instead of forcing it from the top.	2.87	3.56
Top management develops a shared vision for achieving competitiveness.	4.11	3.75
Top management monitors and adapt the strategies as a reaction to market changes.	3.42	3.92

Table 2. Basic attitudes toward company management, mean

Note: Scale from 1 – Fully disagree to 5 – Fully agree; Sample size = 312 respondents

There is a slight difference between services sector and the whole sample regarding direction of change initiatives. Top management in services sector is more willing to have regular discussions with employees and to launch change initiatives using bottom-up approach. Interviewed managers are confident about their obligations, skills, and capabilities to allocate tasks (Table 3).

Statement	Yes, %	No, %
I am aware about my obligations	99.5	0.5
I prefer routine tasks	37.4	62.6
I am not willing to take greater responsibility	46.8	53.2
I am not willing to correct others' mistakes	12.9	87.1
I feel concerned to be responsible for the team decisions	13.4	86.6
I feel concerned about authority	16.3	83.7
I am able to identify the right person for a particular task	89.6	10.4
I am sure about my skills and capabilities to allocate tasks	91.6	8.4
I am able to monitor the results and to achieve standards	86.0	14.0
I am able to delegate rights	81.7	18.3
I am able to take greater responsibility	49.8	50.2

Table 3. Basic attitudes toward personal management responsibility
Note: Sample size = 312 respondents

Respondents feel certain about their activities on monitoring results, achieving standards, and delegating rights. Unfortunately, the team spirit is not widely spread among them. Only 13% of respondents feel concerned to be responsible for the team decisions. Such situation might trigger the successful implementation of agility principles since they require collaborative working, fluid priorities, interdependencies between stakeholders across internal and external boundaries, and responsiveness. Since agilility can transform culture, not just processes, it demands for top management long-term vision and high engagement to change.
Agile diagnostic tool developed by PwC (O'Driscoll, 2014: 6) is applied to assess the readiness of managers to launch an agile transformation (Table 4).

Statement	Yes	No
1. We hear, internalize and respond to our customers' needs	92.6	7.4
2. We are able to attack problems head-on and show progress quickly	68.3	31.7
3. Our vendors integrate well with the internal team and are aligned to our objectives	58.8	41.2
4. We are able to take action on our metrics, consistently improving our programmes	57.2	42.8
5. Our clear focus on customer needs enables us to break down internal silos	54.6	45.4
6. Our teams are actively engaged in defining the scope and timing of their work	78.4	21.6
7. We learn about our customers' needs quicker with each update to their experience	65.7	34.3
8. We learn from mistakes faster each quarter	65.4	34.6
9. We can easily prioritize issues as they arise	75.5	24.5

Table 4. Readiness to begin an agile transformation, %
Source: The scales are adapted from O'Driscoll et al., 2014, p. 11; Note: Sample size = 312 respondents

The overall result from the agile diagnostic tool is 3.5 corresponding to agility consideration level which means that the situation is manageable but implementation of agility principles could improve company performance especially regarding customer orientation. Investigated companies still lack customer-centricity focus (statements 5 and 7, see Table 4) while service branding requires not mere response to customer needs but customers involvement in company operations as brand co-creators. Such transformation is not an easy task to be competed since it implies a fundamentally rethinking the overall flow of service processes and its underlying assumptions. Furthermore, agile relies on continual measurement which represents another opportunity zone for agility implementation (statement 4). It enables continuous refinement of brand performance.

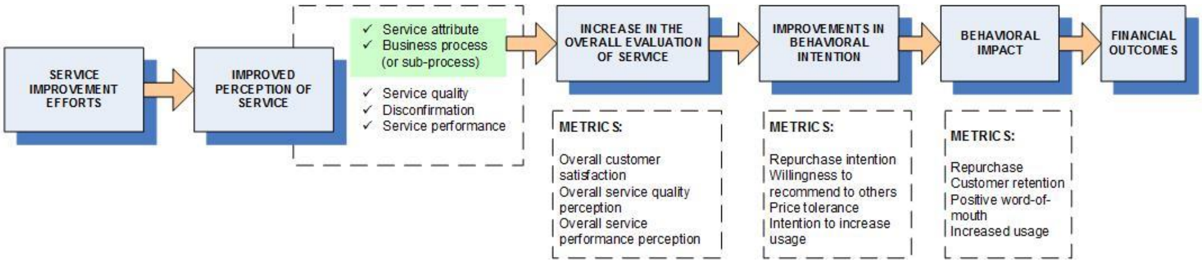

Figure 4. Key metrics in service improvement measurement
Source: Author's work

Figure 4 presents a set of key metrics which could be applied during service improvement process as a part of agile branding process (stages "Assess and plan", and "Scale and sustain", see Figure 3). These metrics support the process of continuous refinement which must be sustained during agile implementation. Since the service brand is not a static entity but is subject to changes gathering feedback from customers and various stakeholders is vital for agile implementation.

3.3. Conclusions, limitations and implications for future research

Nowadays companies are facing a growing number of both market challenges and business opportunities. To survive and thrive in the new digital age, organisations will have to be courageous to embrace the changes by transforming their business processes, business models, and even the way of thinking.

Implementation of customer-brand dynamics as presented in Co^{3}Brand model requires a transformation of marketing system and re-engeneering of marketing organisation. It is grounded on agile principles which require a strategic mix of standardization and flexibility, enabling leadership teams to efficiently anticipate change, execute quickly, and create brand value not just for a single experience (O'Driscoll, 2014: 6), but for the company as a whole, e.g. corporate service brand (Grönroos, 2007). The main conclusion is that in each case service companies need to integrate their customers in their branding development processes.

The results from the study should be further refined by a follow-up study with representatives from service companies, including in-depth interviews to specify the roadmap to build brand equity through agile marketing strategies.

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