

Current Conceptions of Marketing Activities in European Trade Companies

by

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Abstract. In the past years fundamental changes of the contents and center of gravity in the theory of marketing influenced by changes taking place in the environment of a company have been observed.

New conceptions that are employed by retail trade companies result from the changes taking place in the macroeconomic environment of these companies. Retail trade companies make frequent use of the following marketing conceptions: customer relationship marketing, customer value, multi-channel marketing, mobile marketing, customer social responsibility. The extent to which these conceptions are employed in marketing activities of trade companies varies and depends on, among others, the appropriate knowledge on the part of the companies' managers, as well as on the resources of the companies and the line of business of these companies.

Key words: new media, customer value, multi-channel marketing, mobile marketing, customer social responsibility.

JEL classification: M30, M39

1 Introduction

Trade is a specialized area of economic activity based on planned, professional transfer of material goods, i.e., an interchange of goods. Modern trade is characterized by highly dynamic changes taking place in the environment of retailers who are thus forced to search for new ways of satisfying consumers' changing needs and preferences by introducing a series of innovative measures. The aim of the paper is to present new conceptions which retailers nowadays employ in marketing activities and which result from fundamental changes which took place in their macroeconomic environment in the first and second decade of the 21st century. The following discussion focuses on retailers functioning on EU markets.

2 Transformations of macroeconomic environment of retailers and their implications for marketing of retail trade companies

Changes that have been taking place in the environment of retailers make them face the need to solve problems of so far an unknown nature. As a result of these quickly occurring changes, the principles of doing business very

often become no longer current. The atomization of marketing and searching for new operational marketing instruments are the consequences of changing market conditions. Financial conditions of retailers, as well as their ability to compete on markets, depend on their capability to adapt to these changes in the environment and to implement appropriate adaptive processes (Mazurek-Łopacińska, 2003). The odds to achieve market success are determined by the ability to adapt endogenous factors, dependent on a company, to exogenous factors, which, to a large extent, cannot be controlled. The ability to interpret and make use of the information which comes from the environment has become the fundamental requirement for the existence and development of a company (Otto and Olczak, 2007). The analysis of the main types of transformations and connected with them principal factors determining market functioning makes it possible to isolate fundamental strengths that are sourced from the macro environment of retail companies. These strengths, constituting the driving force behind marketing operations of companies, have shaped trade to a considerable extent, as well as retail trade at the beginning of the 21st century. In the first decade of the 21st century, the following factors had the greatest impact on

marketing operations of companies: trade globalization, the development of new technologies, and changes in consumer behavior (Rudolph, 2009).

Within the last few years, the progress of trade globalization all over the world may be observed. As a consequence of liberalization taking place on markets of individual countries, including the EU member countries, more and more companies operating on international markets have appeared. The end of the 1980's of the 20th century opened a new chapter in international activities of European companies. At this time, the process of globalization accelerated all over the world and fundamental political and economic changes in East-Central Europe took place.

For a company, globalization means the possibility of expansion into foreign markets on one or even more continents. From among companies that take part in the process of globalization, the majority come from European countries (generally from Germany, France, and Great Britain), then from South America (especially the United States), a smaller group of companies comes from Asia (Japan) and Australia. The process of globalization has embraced also East-Central Europe since 1989, where political and economic changes took place. Retail trade in Poland may provide a good example of the changes as, since the mid-90s of the 20th century, it has become a place of economic expansion for many foreign trade companies, the majority of which belong to global German (Metro Group), French (Carrefour), and English (Tesco) trade companies.

Retail trade has been losing its local character. Marketing operations of trade companies have also been losing their local dimensions as a result of the changes described above. Trade companies operating on an international and/or global scale possessing a chain or chains of retail shops conduct marketing operations not only within the bounds of one city, or region, but all over the country or on an international scale. Simultaneously progressing concentration in trade sector manifesting itself in the growth of market power of a small number of trade

companies or a group of trade companies has an impact on the competition on markets. Global companies carry out intensive, large-scale marketing operations and make use of diverse marketing instruments. This situation has a significant influence on quality aspects of marketing operations implemented by trade companies.

It should be pointed out that the consequence of trade globalization is increased competition leading to a high level of market saturation, which makes it more and more difficult for the companies to compete on markets. The increased competition in retailing results also from the fact that producers more often open their own shops (e.g. Tchibo, Sony). Within the last few years, technological changes have had a big influence on marketing operations of trade companies resulting in the development of the so called new media, traditional mass media, as well as in increased competition and problems with getting through to target groups of consumers.

Especially, the Internet, ranking among the so called new media, has revolutionized marketing operations of trade companies. It has become a new very quickly developing medium gaining millions of users (figure 1).

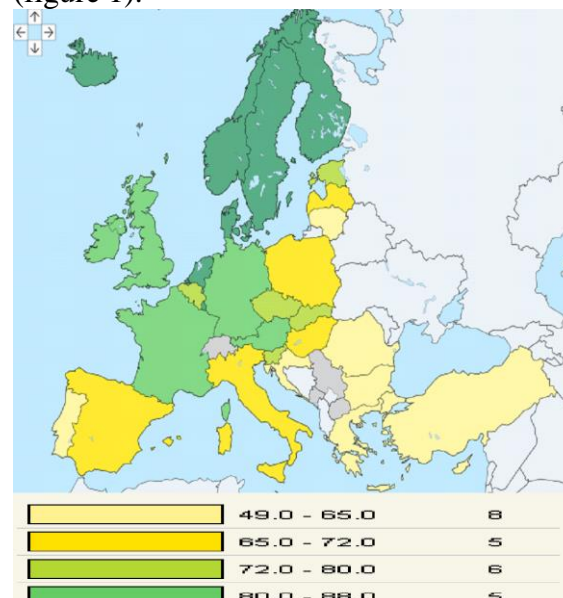


Figure 1. Households-level of Internet access in 2013
Source: Eurostat, *Internet – Zugangsichte-Haushalte - in Prozent der Privathaushalte mit Internet-Zugang*. <http://pp.eurostat.ec.europa.eu>, Accessed 30.12.2013

A rapidly growing number of EU households which have an access to the Internet reflects its importance and possibilities of its use in retailing. The proportion of households with the access to the Internet increased from 41% in 2004 to 79% in 2013 (Eurostat, 2013). For trade companies the popularization of the Internet among consumers opens new sales possibilities, i.e. *e-commerce*. The development of *e-commerce* took place in most of the EU countries in the first decade of the 21st century. The first decade of the 21st century is when mobile Internet, which enables the access to Internet services with the use of portable devices such as mobile phones, PDAs (Personal Digital Assistants), palmtops, acquired significance in many countries. The operations carried out by trade companies based on the use of the Internet, called in specialist literature *m-business* and *m-commerce*, constitute one of its components. In the case of retail trade, mobile Internet enables consumers to purchase goods, obtain information about products before purchasing them, as well as compare the prices of goods. Mobile Internet also opens new possibilities for marketing activities focused on consumers. The Internet, with its potential for market operations of trade companies, has revolutionized modern retail trade. Traditional stationary trade in many developed countries faces the problem with big market saturation, decreasing purchasing power and a decrease in spending on consumer commodities. This creates opportunities for the development of *electronic shopping* which determines new areas for many trade companies to operate in. The Internet opens world markets for companies and consumers, as well. Thanks to the popularization of the Internet, new groups of consumers start to appear. *E-commerce* is expected to revolutionize trade in the coming years. New technologies are introduced into retail trade, and also in retail shops, which enables companies to affect consumers while purchasing. This is effected by means of the use of interactive terminals, which allow consumers to access a wide range of information about goods and services offered by a given retail shop. Also, before purchasing, consumers can

get information about a trade company through the Internet and electronic catalogues. New technologies are also a good way of communicating with customers and taking charge of a customer in a post-purchase phase (SMS, electronic mail). Apart from new technologies, changes in consumer behaviour, influenced by an ageing society in most European countries, an increase in one person households and social stratification resulting from income differences, determine a new direction of marketing activities in retailing. Consumer behavior has become very personalized. Traditional market segments created by large homogenous consumer groups have split into fragments due to greater possibilities of satisfying individual consumer needs and an increase in offer to buy. The majority of consumers, especially in developed countries, are called *multi-optional consumers* (Drzazga, 2012). They are more knowledgeable about the products they buy. They simultaneously play different roles in their lives. They make choices, which give them energy to develop. However, such consumer trends lead to instability in consumer behaviour. *Multi-optional consumers* often change their roles and target groups. They stop obeying permanent principles. Everything has become unstable and relative. There are several characteristic features of *multi-optional consumers*: focusing on experiencing pleasure, desire to take part in various events, attaching significance to leisure time spent in a nice active way, aspiration for comfort, brand products, sensitivity to ecology and prices. On the one hand, retail companies must take into consideration all these characteristics of *multi-optional consumers*, but, on the other hand, consumers feel more and more lost and overwhelmed by the multitude of goods on markets which have become fragmented and non-transparent. What they need is some kind of guidance, which opens new dimensions for marketing activities of retail companies to seek competitive advantage on markets, to make themselves different from competitors and recognizable, to build their own strong market position and unique profile.

3 Current trends in the development of marketing in retail trade companies

In the past few years, the theory of marketing has undergone some changes, however relationship marketing still constitutes the central point of modern conception of marketing. According to R. Palmer, A. Lindgreen and J. Anhammer, modern marketing is dominated by relationship marketing, but depending on the changing market situation other comprehensive conceptions are exploited (Drzazga, 2012). Similarly, L. Żabiński claims that the implementation of principal marketing conceptions (transactional marketing, strategic marketing, relationship marketing) is diversified even in developed countries (Żabiński, 2007). Relationship marketing is expected to be significant especially in retailing, which is proved by the research on the directions of modern marketing development carried out by B. Cove, A. Bonnemaizon and M.C. Louyot. The research shows that CRM, communication with different target groups, JVC, the use of new technologies, the increase in the importance of comprehensive customer data and communities constitute the principal operational areas for companies. The result of the research mentioned above agrees with what Ch. Belz and M. Schoegel claim. They differentiate the following innovative conceptions used in marketing: customer relationship marketing, customer value, multi-channel marketing, mobile marketing, key account management, and corporate social responsibility. The above mentioned conceptions constitute the main directions of modern marketing development in retailing (Belz *et al.*, 2007). The nature of main marketing conceptions may be presented as in the following sections.

3.1 CRM – Customer Relationship Marketing

The creation of firm and long-lasting relations with customers should become the main objective of marketing activities for companies whose aim is to meet market challenges. CRM is presented in specialist literature as an

economic and technical process, strategy and also philosophy of company management. CRM is interdisciplinary in character; it is also a field of interest for marketing, controlling, IT, company management and organization (Belz and Bieger, 2004).

According to the CRM conception, companies should concentrate their activities on the market and consumers solving their problems by e.g., satisfying consumers' needs and preferences. This is carried out by offering customers high quality goods, appropriate service and price formation, which constitutes the necessary condition to build mutual relationships leading to a long-term cooperation resulting in trust and loyalty on the part of customers. The nature of CRM consists in creating the access to customers and making use of their potential by a company. CRM means all the company management activities aiming at creating value for customers. The main objective of CRM is to raise value for companies and customers by means of managing relationships with customers pursuant to data bases in order to gain an economic advance. Thus, CRM creates for companies the possibility to generate an economic advance.

In retail trade, CRM is at the initial phase of its development, nonetheless establishing and maintaining relationships with customers is one of the basic objectives in trade. This kind of situation is determined by, *inter alia* : striving to cut prime costs (especially in the period of financial-economic crisis), reducing the staff number, focusing on the activities aiming at increasing the productivity of sales space, implementing in many cases the strategy based on the increase in quantity, as well as a closer cooperation with producers. It happens very often that retailers do not know their customers and do not aim at acquiring knowledge about them, instead relying on anonymous transactions (Köhler *et al.*, 2005). It would be worth mentioning that in spite of the necessity of carrying out activities on a large-scale in retailing, which, eventually, is connected with their effectiveness, the usefulness of CRM in different trade sectors is diversified.

3.2 Value Creation

Nowadays, many researchers in the field of management science are interested in value creation. Customer value is a category commonly used in marketing. Even though the problem of customer value is well known and described in specialist literature, it has become more topical and has acquired new meanings. Customer value, as part of relationship marketing, is strictly connected with customers' satisfaction and loyalty.

Ph. Kotler in his reference to value creation uses the notion of *customer perceived value*. According to him, *customer perceived value* is the difference between a prospective customer's evaluation of the benefits and costs of a product when compared with that of competitors (Kotler, 2005).

In marketing, focusing on satisfying consumers' needs is deeply rooted. Consumer value and business value, each is created only when a given need is fulfilled. The aim of marketing is not to maximize customer value, as it may take place at the expense of the profitability of the activities carried out. Marketing should aim at creating "double" value. On the one hand, a company should strive to create customer value, and, on the other hand, business value should be guaranteed by means of active price formation (Reinecke, 2006). Thus, in order to create customer value, it is necessary to satisfy customers' needs, at the same time making sure that the activities of a company are profitable.

Customer value creation comprises three basic phases. The first one is the determination of the good points of goods and services of a company, which enables to gain competitive advantage over its rivals. The second one is based on the process of transformation of these good points into benefits for customers owing the company's products. Finally, the third and very important one is to clearly communicate these benefits to customers in the process of marketing communication.

The process of customer value creation opens for retailers the possibility to increase quality and also to compete effectively with rivals who apply low price policy. Customer value in

retailing is understood as important and distinctive additional benefit of products or services which are recognizable by customers and for which they can pay more. The conception of customer value creation opens up the possibilities for retailers especially when customers while purchasing goods or services are driven not only by the price but also by the quality of the offer. The popularization of the conception of customer value creation in retailing makes it possible to avoid price competition and break the paradigm of quantitative increase still popular in retailing.

3.3 CSR – Customer Social Responsibility

In the process of globalization international activities of companies have a great impact on living conditions of people and their environment. It has to do with domestic and international markets where companies take the roles of suppliers as well as buyers. At the same time, more and more consumers purchase goods under the influence of such factors as environmental preservation and growing social awareness. Due to the development of new media and communication technology, consumers and organizations that represent them are able to stigmatize irresponsible behaviour on the part of companies. In extreme cases, companies may be pilloried by the media, thus society, which can bring a lot of harm in the form of e.g. decrease in sales or worsening of the image of a company (Schweiger and Schrattenecker, 2006). Growing social responsibility constitutes the keynote for companies, in accordance with which companies are engaged in strategically planned, doing good activities to different consumer groups regardless of obligations resulting from regulations and a system of law (Mayerhofer *et al*, 2008). The CSR conception is based on three equal principles, i.e., economic, environmental and social responsibility, the so called *triple-bottom-line*. The CSR activities go beyond the scope of the economic area of companies; these make social and environmental aspects of companies' economic activities most crucial (Hansen, 2004). The activities may be carried

out in any way. The borders of CSR activities are marked by the company's institutional frames.

What is crucially important in marketing activities based on the CSR conception is creating customers trust in a company. The cooperation of a company with extra-governmental organizations and the experts' knowledge concerning environmental preservation constitute a good ground to create such trust.

Together with the change in consumers' consciousness and needs a growing readiness to pay more for products having value connected with social awareness of a company may be observed. Thus, in the marketing activities of a company the issue of value is closely related to the conception of socially equitable development. In all the operations connected with CSR marketing communication, conducted in a clear and open manner, plays a very important role. Marketing communication should supply customers with specific values to make them pay more for products offered by companies practicing CSR. CSR has become very important since the beginning of the 21st century. Companies behaving in a socially responsible way respond to the needs of modern consumers.

3.4 Multi-channel Marketing

For several years, the issue of making use of many distribution channels, i.e., *multi-channel marketing*, has become one of the central research areas and subjects of scientific discussions. The problem is closely connected with multi-channel retailing, which means, in the practice of retailers, using and managing different distribution channels, together with a series of processes connected with it (Schobesberger, 2007).

The use of several distribution channels in retailing has been known for a long time. But the development and increase in importance of multi-channel retailing in the first decade of the 21st century was connected with the use of the Internet in market activities of companies. Modern multi-channel retailing is based on the

combination of on-line channels and stationary distribution channels.

At least one distribution channel of a stationary retail company has to be on-line in order to be able to speak about modern multi-channel retailing, not about multi-channel retailing understood in its traditional sense. Modern multi-channel retailing is quite a new and innovative combination of stationary trade and online trading, or also mail-order trade. If a company does not use the Internet as a distribution channel and there are no real on-line transactions (Heinemann, 2009), it cannot be thought of as a modern multi-channel retailer, even if it does possess its web site (Müller-Lankenau, 2007). Retailers who make use of multi-channel distribution concentrate on those channels that they think are most important, but all the channels have to be integrated, which requires quite a lot of effort connected with the organization of the distribution and the use of modern IT systems.

The good sides of the use of multi-channel strategy are the following: optimal attachment of customers, the possibility of getting information about customers, great possibilities to reduce expenses, appearance of new business processes. Modern multi-channel retailing, however, has its weaknesses, such, e.g. as: limited possibilities of the use of some of the distribution channels and a lot of effort put into the synchronization of activities and considerable capital spending (Grimm and Röhrich, 2003). Multi-channel retailers carry out activities described as multi-channel marketing. Multi-channel marketing is understood as strategic marketing activities based on getting in touch with customers in various ways. The aim of the activities is the integration of company's distribution channels, on-line shops, stationary units, mail-order sales in such a way as to implement integrated multi-channel strategy, which in consequence results in the increase in sales. Multi-channel strategy is also a way to win customers.

3.5 Mobile Marketing

In the first decade of the 21st century, mobile

marketing has become a new area for marketing activities of companies. Mobile marketing makes the access to Internet services possible by means of portable devices, mainly mobile phones (among others smartphones), and also PDAs (Personal Digital Assistant), palmtops, netbooks, etc. (Holland and Bammel, 2006). It is a medium joining the flexibility of stationary Internet with the main advantage of a mobile phone, which is the access to its owner at any time and in any place. Business activities of companies which are based on mobile Internet are called *m-business*. They comprise all communication processes as well as the exchange of goods and services carried out by means of portable devices. The most common form of *m-business* is *m-commerce*, i.e. selling goods and services by means of mobile Internet. M-commerce includes all monetary transactions carried out by means of mobile technology (e.g. mobile phones, etc.), which are or may be connected with the use of mobile Internet. *M-commerce* is also described as a new communication and sales channel. Only those interchange processes that are carried out with the use of mobile technology distinguish *m-commerce* (Horster, 2002).

At the end of the first decade of the 21st century, it has been observed that the number of companies making use of mobile Internet increased. Retailers usually create web sites (WAP) and make appropriate applications available for mobile phones users. The activities that are most often used by means of mobile Internet to communicate with customers seem to be the following: the possibility to communicate with a company, the possibility to find the closest company's shop, the possibility to learn about the company's assortment, information concerning special offers or new arrivals, etc., mobile shops, enabling writing shopping lists, and the possibility to get access to community portal. Together with the growth of mobile Internet and its use in companies, marketing activities referred to as *mobile marketing* started to be carried out by companies. *Mobile marketing* connects a company with its customers (in an appropriate place and time) through the distribution of information by

means of a portable device. What is required as a necessary condition for such active interaction is the customer's agreement (Dushinski, 2009). What is also very important is the fact that portable devices enable to get access to customers irrespectively of time and place, in a specific, individual way, guaranteeing at the same time immediate interaction. *Mobile marketing* makes it possible to carry out a dialogue with customers through, among others, mobile phones irrespectively of time and place, in a specific, individual way. To top it all, it is by means of dialogues customer value is created. *Mobile marketing* may be used with reference to all marketing instruments, but its very nature predisposes it to be used in marketing communication of a company with its customers

4 Conclusions

In marketing of retailers, in the first and at the beginning of the second decade of the 21st century, several new and/or modified conceptions rooted in relationship marketing appeared. They are the following: customer relationship marketing (CRM), customer value, multi-channel marketing, corporate social responsibility and mobile marketing. It would be worth mentioning that some of the conceptions enumerated above may be used by a company independently. Some of them may complement each other to create the effect of synergy (e.g. creating customer value and corporate social responsibility, or multi-channel marketing and mobile marketing). It is worth emphasizing that the use of the conceptions mentioned above as practiced by a company depends on financial reserves, human resources, store of appropriate knowledge represented by managers of companies. The exact degree of the use the conceptions described in this paper depends on the individual companies and in their marketing activities. Big companies, especially global ones, tend to use these conceptions in their practice more often than smaller ones with limited reserves. It may also be observed that big companies more often use several and even all marketing conceptions in

their marketing processes. Concluding, it should be also emphasized that the degree of the use of the conceptions discussed above may vary according to different trade sectors, as well as the different nature of retailing.

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