

The Management of Interactions in Marketing

Heer Guo

Shaanxi Provincial Land Engineering Construction Group Co., Ltd., Xi'an 710075, China

Abstract

Interaction is the key point for the co-creation. Two types of interactions are identified, that is, direct and Indirect interaction. In construction industry, both client and construction firms are able to co-create value through interactions. This paper explains a new dominant logic in marketing and demonstrates how interactions are able to be managed in this new logic. A Chinese decoration firm is taken as an example to analyse solutions in managing interactions and both strategies as well as implementation plans are discussed in this paper.

Keywords

Interactions; G-D Logic; S-D Logic; Co-creation.

1. Introduction

1.1. Interaction and Co-creation Value

Interaction, generally speaking, refers to a kind of action that occur between objects, and these objects might have an effect upon one another. In particular, the interaction between clients and firms can be the firm accept the ideas of the clients, then firms will negotiate with clients for producing services. Interacting parties are involved in each other's practices in interactions. In service marketing research the interaction concept is a key construct[2] (Grönroos et al., 2011). Many scholars have their ideas on interactions. For example, Grönroos (2011) stated that interaction can be regarded as mutual or reciprocal action in which two or more parties might involve in and also influence each other[2]. Vargo (2004) identified that marketing is a process of doing things in interaction with the customer. The customer is a co-producer of service[12].

The core of interaction is a physical, virtual, or mental contact. For example, the firm or the supplier can create opportunities to engage with clients' experiences for the sake for influencing the flow and outcomes. The opportunities for interacting might be natural or it can be also created by people like order taking, problem diagnosing or call centers.

Interactions are connected with co-creation value. Guan, Xie and Pi (2017) stated that people could take advantage of interactions to achieve co-creation. Co-creation refers to a mutually valued outcome. It is an economic strategy which bring different parts together for the sake of producing a win-win outcome[15].

The example of both clients and suppliers to co-create value can be: phone stores place their phone in the store for customers to test and provide suggestions for upgrading phones. In the past, supplier determines the product's function, color, usage or appearance themselves. But nowadays, suppliers include the ideas of customers. Specifically, suppliers involve clients into producing goods or services. Suppliers might deal with the problems that customers point out and also use some ideas that customers suggest in the design of products. In this case, customers will be happier because they feel more satisfied with the final products so the value of the product raises. And the value is created by both clients and suppliers but not only suppliers themselves.

2. Management of Interactions

2.1. Background Information

Peter Drucker who was a famous management consultant had stated that the most dangerous thing was not the change but continuing using the old logic during this dynamic economic era. Guan, Xie and Pi (2017) identified that goods-dominant logic was that old logic[15]. For example, Gummesson (1995) stated that the evolution of marketing thought toward a new logic[6]. Gronroos (1994) goods-centered view of marketing blocked the understanding of marketing. After that, Vargo and Lusch (2004) pointed out a new dominant logic, that is, service-dominant logic[12].

2.2. Service Dominant Logic

Table 1. Difference between GDL and SDL

	Goods-dominant Logic	Service-dominant Logic
What	Goods and Services	Servicing and Experiencing
Who	Business and Customer	Actor
Where	Market	Service Ecosystem
How	Manage Marketing Mix	Co-creation

Table 1 shows the comparison of G-D Logic and S-D Logic. Goods-dominant logic is based on the value-in-exchange meaning of value [12](Vargo and Lusch, 2004; Vargo and Morgan, 2005). As for service-dominant (S-D) logic is based on the value-in-use meaning of value[11] (Vargo and Lusch, 2008a). In G-D logic, value can be created by the firm by the exchange of goods, service and money. And, the roles of “producers” and “consumers” are distinct, and value creation can be regarded as a series of activities performed by the firm. Customers will use up or destroy the value created by firm.

However, in S-D logic, the roles of producers and consumers are not distinct, and the value is co-created by the integration of resources. People are able to apply their competence in order to benefit others by service-for-service exchanges. Moreover, S-D logic focus on service steers attention to, for example, process or patterns but not the output. G-D logic pays more attention on the outputs but SDL focus on processes.

2.3. Direct and Indirect Interactions

Interaction is the key point for the co-creation. Interactions have been discussed by many scholars during these years. These scholars came up with various opinions in the management of interactions as well. For instance, whether the interaction is always direct through relationships is discussed by two groups of people. Vargo & Lusch (2008) and Grönroos (2013) have different ideas about whether the value can only be created by direct interaction. Interaction is a key concept in the joint sphere and Vargo (2012) distinguished two types of interactions: direct and Indirect interaction[11].

Vargo (2012) identified that indirect interaction refers to situations when the resources that customer uses or consumes are the outputs of firms’ processes[13]. For example, the customer might use the product that produced by a firm and he interacts with the resources. Vargo identified (2012) that the resources might be multiple different forms. For instance, he stated that indirect interaction could be physical, virtual or mental[13].

Another group of people argued that the interaction must be direct and relatively face-to-face. For example, meeting can be direct interaction. Direct interaction may occur in the process which will simultaneously take place in the use process of customers. Gronroos and Voima (2013) stated that interaction are situations where the interacting parties are included. Providers might create opportunities to participate in clients’ practices for the sake of

influencing clients' outcomes or results through for instance, order taking, logistics, problem diagnosing, etc. Gronroos and Voima (2013) hold the idea that value can be co-created only through the existence of direct interactions. Value cannot be fruitfully co-created if people form a platform for controlling interaction. They thought that if there are no direct interactions, no value co-creation is possible [2][4](Grönroos and Ravald 2011; Grönroos 2011).

In order to manage the interaction, scholars also pointed out different suggestions on the management of interactions. Liu, Fellows and Chan (2014) identified that the relationship and interaction between the client and construction firm determined the quality and quantity of co-created value. Interactions can be managed by establishing an innovative platform or channel, which might be useful for fostering clients to be co-creators as well. In this regard, the concept of client relationship management (CRM) is elaborated to encompass the role of the project client in the provision of business to construction firms. Additionally, Alinaghian and Smyth (2019) held the similar views. They stated that any engagement platform can be an interaction mechanism for the sake of supporting value co-creation. Examples are virtual or real marketplaces and social networks, Alinaghian and Smyth (2019) studied some cases related to value cocreation and interactions, in their cases, actors appeared to take advantages of revisiting like meeting and correspondence[9]. They also identified a set of interaction mechanisms such as meetings, reports, contracts, and project co-location that facilitate institutional work and resource reconfiguration.

There are two examples about the management of interactions. For direct interactions, face-to-face meeting, reporting or visiting could be the solution. For example, if a construction company sets a local office. Then clients can visit the office, make an appointment or set a meeting to get information they want. For indirect interactions, the most efficient way for the firm is to create a platform or channel for the sake of co-creating value. For construction firm, it might create a website to form a platform then actors are able to communicate on this platform.

3. Real example - Decoration Company L

3.1. Decoration Company L

Decoration Company L is a Chinese decoration firm, which is a professional decoration company in the built environment. It is famous for its high-quality decoration. Decoration companies in China do both design and decoration for clients. Normally, decoration companies like Decoration Company L will sign a contract with clients when clients decide to use it as its decoration company. Decoration Company L is a project-based firm and its main economical source is from projects. Decoration Company L receives projects with various requirements from, the residents who have the desire for designing and decorating houses and buildings, the companies want to decorate or redecorate offices.

Nowadays, with the development of the modern society, the decoration industry is faced with more and more diversified needs, in other words, clients' requirements are changing. Specifically, twenty years ago, people in China preferred to follow the others and decorated their houses with identical design for money-saving. In contrast, people now tend to be more individuality due to the raise of incomes and living standards. They have more ideas to innovate and they do not want to be the same with others, so clients now demand to customize the design of their buildings¹. In this case, Decoration Company L finds that the interaction between clients and itself become more frequent. Decoration companies like Decoration Company L consider about the ideas that clients have during design and decoration phase[7]. As a result, Decoration Company L cannot decorate the building or house as usual, because it used to design and decorate the building with the same traditional style.

Clients now need to join in the both design and decoration processes and offer clients' own ideas on these two phases. The interaction tends to be co-designing. In this case, in order to

address the developing and management of this type of interaction, Decoration Company L devises their new strategy and relevant implantation plan.

3.2. Strategy and Implementation Plans

Based on the changes of clients' needs, Decoration Company L devises their strategy as: change the way of designing and decorating from standard to customized by taking advantages of interaction to co-create value, which might be helpful for Decoration Company L to reach the top 10 decoration firm in China.

Based on this strategy, Decoration Company L comes up with an implementation plan to achieve its main strategy: create a platform online.

3.3. Types of Interactions

Fuentes, Smyth and Davies (2019) stated that there are eight types of interaction within the project process, as can be seen from figure 1[9].

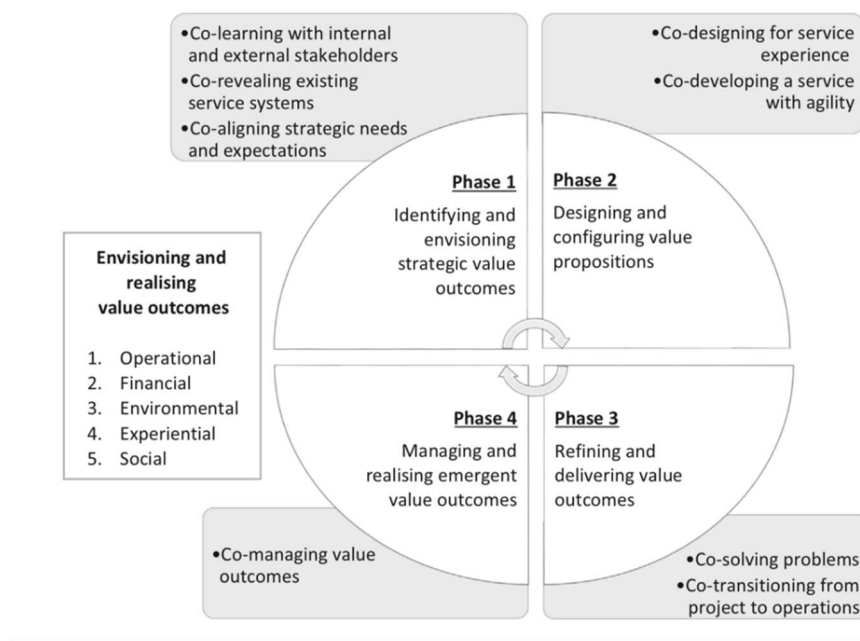


Figure 1. Process of the co-creation of value outcomes in project settings[9].

Co-learning can be regarded as an absorptive learning process between clients and stakeholders (internal and external) like suppliers and end-users. This type of interaction can be found at the beginning stage of complex and uncertain projects. For example, project team A can learn a lesson from pervious project from another client within the same industry. This type of interaction might be found if the client organization was dealing with uncertainty about an existing service system, which would involve processes and service functionality.

Co-aligning: Clients organizations take advantage of this type of interaction to explore a specific good or service, which matches client's strategic expectations with suppliers.

Co-designing: This type of interaction might enable the project team raises the awareness to design the service experienced during the execution and post-completion.

Co-developing: This type of interaction might be helpful if the firm aims to develop a service with agility across the project phases.

Co-solving: Problems are inevitable during the project, and these problems arise during the project execution, which require relevant stakeholders to defend the delivery of value outcomes.

Co-transitioning: People still need to control and monitor during the post-completion phase in case there is emergent value outcomes.

Co-managing: During the operation phase, client organizations usually ignore to manage the emergent value outcomes.

3.4. Firm L's Actions

Based on the sector 3.3, in order to address the management of interactions to co-create value for Decoration Company L. Decoration Company L plans to create a platform named 'customized Decoration Company L' to manage the interaction.

3.4.1. Function of the Platform

The main function of this platform is to manage the interaction during three phases: design phase, decoration phase and after-service phase.

During the design, both clients and Decoration Company L are vital. This platform' Customized Decoration Company L' is designed to address client's diversified needs when they design and decorate their houses or buildings. Client is able to upload the 2D building plans, home plan or house plan online to create a 3D floor plan.

Then the client can use the 3D floor plan online to design their dream house, the platform online provides different color of wall paper based on previous clients' choices, different design and decoration styles and also, client is able to calculate the budget of their building on the platform as well. For example, if the client aims to design and decorate the building he has, he can choose how many floors the building has at first. And then what kinds of style the client prefers, the old and traditional one or the unique and customized one. He might select what kind of wallpaper and materials he would like to use for the building and so on. At the same time, the staff of Decoration Company L can see clients' choices in their system and communicate with clients to provide professional ideas on the design. They will do the design together. Meanwhile, staff may offer clients the demerits of the previous clients who use the same design style (because staff is able to see what clients have designed so far online). By doing this, the clients can get the maximum satisfaction during the design phase (because the design was mostly based on the client's idea). Additionally, Decoration Company L is able to fully understand what client needs. Decoration Company L designs the room with clients together, which avoids the miscommunication in design phase and also if there is some strange design the decoration process cannot do Decoration Company L can point out in time (during the design phase) to avoid the conflicts in the future.

During the decoration phase (construction phase), clients can leave any messages about the decoration. For example, they may want to change the material of wallpaper or the color of floor, which are changeable within considerate time period. Both design team and decoration team will communicate on the platform about the process on decoration. Meanwhile, Decoration Company L could provide an opening day per month for clients to site visiting. Clients may find the weakness of decoration and then provide suggestions or just point out what they have seen (not satisfied) on the platform.

'Customized Decoration Company L' is useful in the after-service phase as well. Clients are still able to give feedbacks on the decoration of the buildings or houses such as how they feel about the decoration when you live in the new house - is everything good, what is the demerits about your design and decoration and so on. In this case, the new following clients may be clearer what they are going to do, and what they will not do if they adopt same design and decoration styles. For example, new clients might also get more information about green wallpaper cannot match the grey floor; this kind of materials is not the best choice for this type of decoration due to its short service life.

3.4.2. How to Operate This Platform

In order to operate this platform smoothly and efficiently, there are several suggestions:

- 1) Good time management.
- 2) Employ specialized staff to design this special platform.
- 3) Set up teams for both operating and maintaining the online platform.
- 4) Training both design team and decoration team (construction team) to handle this platform skillfully.
- 5) Continue to innovate new ideas to manage interactions.

Firstly, Decoration Company L is required to manage the time of creating this new platform. For example, it might set a date on the agenda to start and how long this scheme will take until this platform can be used in reality. Decoration Company L might consider they need 3 months to create this platform, 2 months to test, and so on.

Secondly, employing a group of experts to create this platform is significant, which might reduce the maintaining cost and time in the future if the work is done by specialized staffs.

Thirdly, Decoration Company L needs to set up two more teams for the management and maintain of this platform. Due to two more teams added in Decoration Company L, Decoration Company L may change its organization structure for the sake of achieving higher working efficiency and communicating efficiency.

Meanwhile, both design and construction teams are required to reply on the platform. Sufficient training on how to use this platform is vital.

The last but not the least, this society is changing fast so this platform may change as well. Decoration Company L must continue working on innovating methods for the management of interaction to gain co-created value.

4. Summary

Service-dominant logic will be explored further by more researchers, an increasing number of industries will take advantage of it to co-create value within various fields. Many industries start to look at interactions between different parties to co-create value, which might maximize the product or the service quality and customer satisfactions. Additionally, people might come up with more innovative methods to co-created value.

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