

## **Virtualization of Marketing**

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### **ABSTRACT**

For the last two decades, virtualization processes have been considered developing phenomena in management studies, particularly within the context of the creation of inter- and intra-organizational networks, establishing strong relationships with customers and the appreciation of intangible assets in companies. The purpose of this paper is to define the concept of virtualization from a marketing perspective, identify the main directions of marketing virtualization, and to propose a multidimensional conceptual solution for virtualization within the marketing processes. The proposed analyses help to understand the multifaceted impact of the virtual environment on company's marketing and can support the quantitative empirical studies on the marketing virtualization.

Keywords: Virtual Organization, Virtualization, Marketing, Internet Marketing

### **INTRODUCTION**

Although throughout the last decade, the aspect of virtualization has been viewed from many different perspectives, virtualization as a marketing approach seems to be underestimated. Many authors focused their research studies on such aspects as: outsourcing, supply chain integration, and knowledge management. Many studies focused on presenting the potential of virtual organization, its structural and process perspective, but omitting the core issue, which is the effectiveness of an organization and the fulfillment of its aims and goals based on the virtualization processes.

The article looks at the definitions and interpretations of virtuality and virtualization, including context and multifaceted perspective. The broad definition of virtualization makes it applicable in many management studies. Moreover, the marketing approach should be underlined, as it is present in many theoretical papers

on virtual organization where authors emphasize the aspect of interaction with clients (Venkatraman and Henderson, 1998) or consider clients to be the main drive of organizational change (Mowshowitz, 1999). The main idea behind this article is to operationalize the issue of marketing virtualization by presenting the author's own perspective, based on three integral dimensions of virtuality: interactivity (Blattberg and Deighton, 1991), virtual networks (Vlachopoulou and Manthou, 2003) and intangible resources (Sirmon, Hitt, and Ireland, 2007). Such a perspective will be helpful in further empirical studies on the influence on marketing virtualization on a company's performance.

A number of authors, like Costello and Tuchen (1998), Shekhar (2006), Dutta and Segev (1999) or Morris, Marais, and Weir (1997), proposed that their frameworks and models of measuring virtualization from the marketing viewpoint. However their works are either out of date (i.e. omitting the newest contexts and possibilities, such as social media marketing) or limited to a specific perspective of virtualization (i.e. viewing virtualization from the perspective of website functionalities). That is why the new framework of marketing virtualization is proposed. Based on the virtual organization concept, the new framework underlines the issue of interactivity, cooperation, and resource sharing as well as company flexibility as a result of the presence of the network effect.

### **VIRTUAL, VIRTUALIZATION AND VIRTUAL ENVIRONMENT**

The concept of virtualization is derived from the term *virtual*, which can be defined as: "simulated, or carried out by means of a computer or computer network or existing in mind, meaning not real" (FreeDictionary, 2011). The technological aspect of virtuality can be seen in most definitions of e-marketing, which is perceived as adapting traditional marketing techniques and actions to the virtual environment (Chaffey, Mayer, Johnston, and Ellis-Chadwick, 2003), omitting the overall impact on the marketing concept, organization of marketing activities or marketing performance and focusing on marketing mix modification caused by the characteristics of the virtual environment and Internet in particular.

A thorough literature review on virtualization shows that many researchers do not describe virtuality by means of a strict definition, instead tending to focus on its characteristics. They present various perspectives interpreting virtual as electronic (Czerniawska and Potter, 1998), dispersed (Burn, Marshall, and Burnett, 2002), mimicking the real, physical evidence of things (Franke, 2001). Such ambiguity and lack of conceptual focus is described even pejoratively – "virtuality is a huge and yet

semantically empty vessel, which still expects to complete the appropriate meaning” (Hughes, 2001).

As virtuality explains the state of the impact of the virtual environment on a company and its resources, management, etc., virtualization focuses on the dynamics and processes of organizational change. Virtualization can be viewed as a process in an enterprise in which various organizational activities and functions are based on, modified by or dependent on virtual environment. Virtualization means the reconfiguration of a company’s resources and competences, which is a result of ICT influence on organizational and marketing performance (Brady, Fellenz, and Brookes, 2008). The process of virtualization is initiated by the needs and desires of customers (Mowshowitz, 1999). Mowshowitz (1999) argues that virtualization can be defined as:

- the use of network technologies, such as the Internet, extranet, and intranet (application of technology);
- the indication of a strategic role and importance of intangible resources in a company, especially information, knowledge and relationships;
- blurring of boundaries between a company and the environment (the collaborative aspect of the virtualization).

The importance of virtualization is a consequence of the impact of the virtual environment on business. The virtual environment can be defined as a computer-generated, multi-dimensional representation of a setting in which the users of the technology perceive themselves to be and within which interaction takes place (Oleński, 2000). The virtual environment consists of network technologies, hardware and software as well as data and information, creating the virtual potential. The virtual environment can also be defined as a “software environment that emulates some of the features of the real world” (Tomek, 2001).

### **VIRTUALIZATION OF MARKETING**

According to Rayport and Sviokla (1994), as a result of virtualization processes, marketing activity is more and more dependent on computer networks and leads to the reconfiguration of resources and competences of a company. Such reasoning may have an incremental impact on a company, since virtualization

- changes the company’s resources structure – appreciation of information appears as the company is focusing on intangible assets.

- takes advantage of resources belonging to other owners. (The virtualization of marketing means that the marketing of an organization is conducted by more than one entity.)
- increases the speed of activities and the implementation of marketing actions by ICT (responsiveness).
- creates relationships between the company and identities from the environment, e.g. virtual communities.

On the empirical level, increasing the popularity of the virtual environment among customers and companies determines its importance for marketing operations. Among companies influenced by virtualization, most are customer-oriented and multichannel in terms of creating contact with customers (Małachowski, 2005).

### **THE FRAMEWORK OF MARKETING VIRTUALIZATION**

On the basis of the above-mentioned concepts and the procedure for measuring the degree of virtuality on an organizational level applied by Henderson and Venkatraman (1998), a three-stage framework of marketing virtualization is created. Its advantages are

- accounting for the newest possibilities of the virtual environment for marketing (e.g. social media marketing, virtual communities potential);
- looking at the virtualization of marketing from the perspective of its impact on the overall marketing in a company, i.e.: marketing activities, importance of ICT and the organization of marketing;
- responding to present trends in management studies (appreciation of networks and intangibility in value creation, empowerment of customers on-line).

The first level of virtualization assures a direct and permanent contact between customers and the company on the basis of a two-way symmetric communication. The functions of the points of contact are being broadened, especially by means of interactive websites, making use of social media tools (blogs, forums, chats, etc.) (Mazurek, 2009). Customers provide permanent access to the resources of knowledge of the organization, supported by the ICT infrastructure. In the implemented customer-oriented strategy, solutions for customers are characterized by complexity and sophistication as well as access to diverse capabilities and resources. The first level of virtualization comprises the reconfiguration of both tangible and intangible assets around specific tasks and products. The focus on customization and personalization of products is possible. However, it can also be implemented in

marketing communication, pricing or distribution. As for the organization of marketing activities, the first stage of virtualization is expressed by the relative autonomy of marketing strategy establishment and its further implementation and execution. The long-term marketing aims and goals, along with the resources allocated to them come mostly from internal resources. The organization follows a centralized approach towards any marketing decisions.

At the second level of marketing virtualization the contact between cooperating partners (especially between customers and the company) becomes more intense. Customers become active participants in the value creation process. They are invited to take part in design and production processes, and their role is broadened. They may become company traders (e.g. by means of affiliated marketing activities), brand supporters (customer advocacy) or members of customer service teams. As a result of customer involvement, the product can be more customized in terms of a highly personalized form, context and content. The process of customization creates the need to enhance the organizational structure by the organization. Thus, companies often externalize some marketing tasks. The dynamically developing process of specialization is a result of the fact that marketing processes can be executed and delivered cheaper, faster and at higher quality by external suppliers. This so-called asset reconfiguration can be easily exemplified by the structure of marketing services markets in most developed countries, which is expressed by the presence of such companies as marketing research agencies, interactive agencies, outdoor marketing agencies, viral marketing agencies, consulting and marketing strategy advisors and other types of marketing service companies.

On the second level of marketing virtualization, informational and technological resources of the marketing department are fully integrated with other ICT systems of a company. Such an architecture leads to marketing decisions being more often based on information and knowledge resources, which do not formally come from or are possessed by the marketing department, but also by other entities or organizational departments. This level shows a wide-ranging redistribution of complex marketing processes within the virtual network. Strategic assumptions of knowledge management are shifted “to the extent that knowledge about a specific activity is more important than knowledge about the product itself” (Quinn and Hilmer, 1994).

Table 1 Multi-Level Framework of Marketing Virtualization

Level of marketing virtualization	Direction of marketing virtualization	Description of identified characteristics
First level of marketing virtualization	Interactions with clients	Building asymmetric or symmetric communication between the company and its environment (use of informational and relational functions of the virtual environment).
	Marketing Resources	Marketing department owns most resources dedicated to its activities. Tangible assets are perceived as equally important as intangible assets.
	Organization of marketing activities	Marketing activities are initiated and carried out mostly by the company itself.
Second level of marketing virtualization	Interactions with clients	Adapting products to customer needs, customization and individualization of an offer, customer service (use of the transactional features of the virtual environment).
	Marketing Resources	Information and technology resources are becoming crucial for company's marketing. They are part of an integrated system in the enterprise.
	Organization of marketing activities	Marketing activities are initiated by the company, partly commissioned to comply with other organizational units and external partners.
Third level of marketing virtualization	Interactions with clients	Creation of customer communities in the virtual environment, cooperation with those groups (social media marketing), customers involved in selling processes (affiliate marketing).
	Marketing Resources	Coalition of resources, information and marketing technology of the company with suppliers and partners. Crucial role of intangible assets, especially knowledge and relationships.
	Organization of marketing activities	Marketing activities are developed and implemented by a network of cooperating entities (virtual marketing teams).

Source: Own Research

The third level of marketing virtualization is characterized by the introduction of a new form of customer involvement: the participation in customer communities whose competence is information gathering and the diffusion of knowledge (Hagel and Armstrong, 1997). This stage focuses mainly on the knowledge that the customer possesses and can propagate by means of social media. Within customer communities, customers can share their knowledge, information and experiences concerning hidden possibilities, methods of functional enhancement, or possible defects of products and services offered by the company (Mazurek, 2008). The value creation process is influenced mostly by the knowledge developed within the community (Rowley, 2002). This potential is one of the basic groups of competences of the virtual resource coalitions. Resource coalitions are wide-ranging and dynamic networks of complementary capabilities, where cooperatives are perceived as complex portfolios of capabilities and relationships. A coalition of resources can reduce marketing expenditures, create a synergy effect and help competing in the market by means of networks (i.e. metaproducts or the convergence of products/services).

### **FURTHER STUDIES**

The conceptualization of marketing virtualization seems to be a fundamental issue for providing - in empirical research studies - responses to such key questions as: “does marketing virtualization improve the market position of a company?” or “do marketing virtualization processes really matter?”. That is why future research studies should reflect the needs of the business world, which, being aware of the potential of the virtual environment for organizations and their marketing, should obtain evidence that such incremental changes as the virtualization of organizations, the interaction with clients and intangible resources in marketing can bring better organizational performance, measured by an increased ROI, and not only a widely defined innovativeness or image. The presented conceptual framework sheds light on the potential future quantitative studies on marketing virtualization.

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