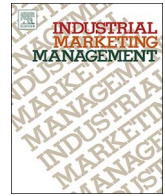




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Unraveling firm-level activities for shaping markets

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ABSTRACT

As the marketing literature increasingly construes markets as malleable entities, research studies of ‘market-shaping’ strategies have gained increasing attention in recent years. Those are proactive, deliberate initiatives which a firm takes with the aim of re-shaping an operating environment comprising direct customers, customers’ customers, and other actors such as its competitors. Our study derives a theoretical framework for market-shaping from the existing literature and an in-depth case study of one market-leading firm in the steel industry, which has been working actively in the shaping of a market. Analysis of the responses of a range of experienced executive staff to unstructured and semi-structured interviews shows, among other things, that in order to shape the market, the firm performed many individual and aggregated activities at three levels of influence – system, market offer and technology – with various actors in the market in focus. These findings are the basis of a proposed activity framework for the proactive shaping of a market: that is, what firms can do in order to shape an existing market, drive growth and create sustainable competitive advantage.

1. Introduction

Market shaping is increasingly being recognized as a viable and deliberate market strategy (for example by [Elg, Deligonul, Ghauri, Danis, & Tarnovskaya, 2012](#) and [Chen, Li, & Evans, 2012](#)), for firms that construe markets as being malleable, and thus possible to ‘shape’ ([Johne, 1999](#); [Kjellberg et al., 2012](#); [Storbacka & Nenonen, 2015](#)). A market-shaping perspective emphasizes markets as elements of ongoing processes, to be influenced and shaped by the actors involved through their own activities, and through the coordinated activities of multiple actors. Market-shaping thus aims to influence a market ([Beverland, Ewing, & Matanda, 2006](#); [Chen et al., 2012](#)) by means of activities aimed at a wider array of actors than just direct customers, such as their own customers ([Homburg et al., 2015](#)), in pursuit of increased and sustainable competitive advantage ([Schindehutte et al., 2008](#); [Storbacka & Nenonen, 2011b](#)). These market-shaping activities can stretch from traditional firm level activities such as sales to activities that involve the entire markets institution e.g. changing the rules of the market ([Kjellberg & Helgesson, 2007](#); [Mele, Pels, & Storbacka, 2015](#)).

Shaping a market can often be challenging, however, especially for incumbent firms in mature markets with established market structures and behaviors ([Kumar, Scheer, & Kotler, 2000](#)) or business models ([Johnson, Christensen, & Kagermann, 2008](#)). For many such businesses, the process of market shaping need not necessarily equate to the creation of a completely new market in what [Jaworski, Kohli, and Sahay \(2000\)](#) refer to as a ‘market-driving’ process; see also [Kumar et al.](#)

(2000) and [Tuominen, Rajala, and Möller \(2004\)](#). Instead, it could resemble an incremental shaping process ([Kjellberg, Azimont, & Reid, 2015](#)) aimed at actively changing the behavior of an existing market ([Johnson, Lee, Saini, & Grohmann, 2003](#); [Storbacka and Nenonen and, 2015](#)), instead of perhaps uprooting the whole commonly accepted structure ([Chen et al., 2012](#); [Jaworski et al., 2000](#)).

In this paper, the point of departure for the discussion of a market-shaping strategy is that a firm under consideration performs various activities in the effort to shape a market ([Araujo, 2007](#); [Chen et al., 2012](#)). The research it reports focused on unraveling and understanding the role of firm-level actions in the process of market shaping process. [Storbacka and Nenonen \(2011b\)](#) propose that future research should look into market-shaping activities related to a variety of market situations and firms. In addition, [Kjellberg and Helgesson \(2006\)](#) describe markets as being constructed by the application of general market practices, related to market-shaping activities. Our own research aims at constructing a framework, at the level of the firm and based on purposeful ‘single’ and ‘composite’ activities, which will be capable of identifying and structuring the actions performed by a business-to-business firm as it develops a strategy for market shaping.

[Elg et al. \(2012\)](#) take a similar activity-based approach but focus on the upstream supplier market rather than the downstream customer side. So too do [Ulkuuniemi, Araujo, and Tähtinen \(2015\)](#) in their examination of the actions taken by the purchaser in its attempts to shape its supplier market. From the same general perspective, [Homburg et al. \(2015\)](#) and [Ottosson and Kindström \(2016\)](#) emphasize the importance

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Table 1
Previous conceptualizations of market-shaping.

Study	Description
Johne (1999)	<i>Market innovation</i> is “concerned with improving the mix of target markets and how target markets are best served. Its purpose is to identify better (new) potential markets; and better (new) ways to serve target markets.” (p. 7)
Kjellberg et al. (2015)	<i>Market innovation</i> “comprises the successful change of existing market structure, the introduction of new market devices, the alteration of market behavior, and the reconstruction of market agents.” (p. 6)
Jaworski et al. (2000)	<i>Driving markets</i> “entails changing the structure or composition of a market and/or the behavior of players in the market.” (p. 47)
Storbacka and Nenonen (2011a)	<i>Market scripting</i> involves “conscious activities conducted by a single market actor in order to alter the current market configuration.” (p. 251)
Nenonen et al. (2014)	<i>Market plasticity</i> is “a market’s ability to take and retain form while acknowledging that, by retaining form, markets can also give form, and that ‘form’ in a market context is not limited to structure alone but involves both structural and ‘functional’ aspects.” (p. 5)
Harrison and Kjellberg (2016)	<i>Market shaping</i> is “made up of five intertwined sub-processes” (p. 6) – namely generating market representations, fashioning modes of exchange, configuring exchange agents, authenticating exchange objects, and establishing market norms.

for firms of actively managing relationships with multiple actors in the downstream market channel in order to stimulate market demand and growth. All four of those studies point to the relevance of employing an activity-centered approach.

Our own investigation starts from an in-depth single-case study of a successful and established firm in the steel industry that is working actively on the shaping of a market. Ulkuniemi et al. (2015) assert that “markets can be examined through actors ... and their actions” (page 55). The firm we studied, a world leader in its market and its industry, and in the market niches it serves, is an example of what Simon (2009) calls ‘hidden champions’: small but highly successful companies often not known to the wider business community. Given its status, this firm faces increasingly saturated traditional markets, as well as potentially declining growth. To address this challenge, it has been working continuously to realize a market-shaping strategy, the foundation of which has been the shaping of previously unserved market niches into new market segments susceptible to a changed, sometimes radically different, technology. In many potential segments, the technology was not proven and had not been previously used, which required the firm under study to shape the market in such a way as to create opportunities for future market offers.

To that end, it carried out a range of single and composite activities at three levels and involving various actors. The levels could be defined as: ‘system’, concerned with a system of actors in the process; ‘market’, relating to more tangible customer-supplier relationships; and ‘technology’, focused on the more fundamental aspects of building the whole operation. The actors involved would thus include both direct and indirect customers as well as other stakeholders. The findings of our research are the foundation for our proposed activity framework for identifying what firms can do to shape an existing market, in order to drive growth and create sustainable competitive advantage.

2. Theoretical framework - shaping markets through single and composite activities

Attention has increasingly been drawn in the literature to the context in which firms and individuals act (see for example: Kjellberg et al., 2015; Storbacka & Nenonen, 2011b; Ulkuniemi et al., 2015) since that can influence the particular actions taken by both parties (Vaara & Whittington, 2012). We have already noted the consensus among authors that firms act on markets and shape them, with such other stakeholders as suppliers and customers, as opposed to merely targeting selected existing segments.

Whereas studies of market shaping in practice have tended to focus on the system level (e.g. Frow, McColl-Kennedy, & Payne, 2016), ours applies the perspective of what Storbacka and Nenonen (2011a) call “a market actor wanting to influence a market configuration” (p. 247). Jaworski et al. (2000) likewise place emphasis on the actors in discussing how their market behavior can be influenced by means of different incentives. Focal actors can thus influence markets – both new as well as mature markets – not only by persuasion of existing targets via

such conventional marketing activities as selling and promotion but also by learning and developing their knowledge of both the market itself and the other actors within it (Kjellberg et al., 2015), in a market-shaping process.

It is thus possible to discern a move away from the dominant marketing metaphor that emphasizes markets as pre-existing, to be targeted and acted upon, to one that treats them as elements of ongoing processes, to be influenced and shaped by the actors involved through their own activities, and through the coordinated activities of multiple actors. Markets are thus being continuously shaped and reshaped, and our understanding of the market-shaping processes involved can be enhanced by examining the activities in those markets. A growing stream of research, for example studies by Storbacka and Nenonen (2011a) and Ulkuniemi et al. (2015), increasingly acknowledges the importance of that knowledge in understanding how markets are being shaped today.

Researchers in the field have introduced various concepts into their discussion of proactive market shaping. Table 1 lists and defines *market innovation* (Johne, 1999; Kjellberg et al., 2015), *market driving* (Jaworski et al., 2000), *market scripting* (Storbacka & Nenonen, 2011b), *market plasticity* (Nenonen et al., 2014) and *market shaping* (Harrison & Kjellberg, 2016). These concepts describe processes involved in the formation of markets and in changes to the market structure and market behavior. Such market changes can be seen as a response to actions, practices or ongoing activities (Chandler & Chen, 2016). It has previously been suggested that norms and institutions affect individual behavior, but activities are increasingly also seen as vehicles for shaping a system (Vaara & Whittington, 2012) or a market (Jaworski et al., 2000).

In our research, we have chosen the term ‘market shaping’ to describe the composite activities involved in shaping markets, including active and conscious choices aiming at shaping the market structure and shaping market behavior. In market shaping, a broad range of technological, exchange-related and institutional activities are deployed by the main actor in the process (such as our case company) to influence and shape a target market.

2.1. Market-shaping activities on three levels

Market-shaping activities cover a broad range: some have an operational firm-oriented focus, such as in individual selling situations, while others have a strategic, long-term and network-oriented focus, such as the changing of market norms and the way business is done in a particular market (Kjellberg & Helgesson, 2007; Mele et al., 2015). They thus can act on a multitude of levels, spanning such activities as negotiating prices and conducting sales meetings, to increasingly systemic activities performed with long-term objectives in mind. In other words, market-shaping activities can take place and have their effect at different levels of influence, which we define here as ‘system’, ‘market offer’ and ‘technology’.

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