How competent are consumers? The case of the energy sector in France

Audrey Bonnemaizon¹ and Wided Batat²

¹University of Paris Est Créteil (UPEC), Paris, France
²University of Lyon 2, Lyon, France

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Abstract
This paper discussed the notion of value co-creation and the concept of customer competence as suggested by this notion. This led us to consider the competent customer as a social construction related to managerial representations. In order to examine this issue, a longitudinal exploratory research based on participant observation and in-depth interviews with employees of a French energy supplier was conducted to explore whether customers are perceived as competent or incompetent market actors. The data analysis revealed four categories illustrating customers’ profiles coping with the new situation of the ‘Utility X’ group in the energy sector. ‘Utility X’ employees define their customers according to four profiles: myopic, ignorant, uncreative and organizer of company resources. Even if the marketing studies that share the Service-Dominant Logic point-of-view suggest that the customer would be competent at all times, our findings showed that customer competencies are in fact socially constructed and emerge partially from managerial representations. Therefore, the adoption by companies of a marketing philosophy (‘market with’ philosophy), in which the customer and supply chain partners are collaborators in the entire marketing process, seems only possible if they recognize customers’ competencies and identify situations when customers do not activate their competencies or do not have the resources that enable them to develop their competencies.

Introduction
Research on how customers engage in the co-creation processes as envisaged by the Service-Dominant (S-D) Logic paradigm is an emerging topic, and scant research has been published on frameworks for organizations to manage the co-creation process. This topic has opened up discussion and stimulated new ways of thinking around a number of theoretical aspects and related managerial implications.

In the S-D logic, authors underline the fact that companies should focus more on their customers by considering them as social and economic actors. Therefore, companies have to go beyond the philosophy of Goods Dominant (G-D) Logic towards S-D Logic perspective. The purpose of economic activity in the first approach, ‘G-D Logic’, is to make and distribute units of output, preferably tangible i.e. goods that are embedded with utility (value) during manufacturing. The main goal of the company is to maximize profit through the efficient production, distribution and marketing of goods. In this case, goods should be standardized, produced away from the market and inventoried until demanded. In the second approach, ‘S-D Logic’, the service is what is always exchanged (Lusch and Vargo, 2006), and goods become a special method of service provision. This logic focuses on service rather than on goods because the principal idea of economic activity is mutual service provision. Therefore, S-D logic by definition is customer-oriented and relational, reflecting deeper and more complex connections between suppliers and customers. The service mindset driving increased collaboration enables suppliers to have a deeper understanding of co-creating and sharing value with their customers.

The S-D logic of marketing thesis supports the concept of value-in-use, where value is an assessment by participants of direct service interaction and of indirect service derived from interacting with goods. In seeking to apply the refined S-D logic theory to practice, an aspect of particular interest is how value can be co-created with customers in different circumstances. From the customer’s perspective, co-creation of value occurs at the time of use, consumption or experience and is therefore ‘value-in-use’. From the supplier’s point of view, the role that customer plays in this can be an important source of competitive advantage as highlighted by Lush and Vargo: ‘the customer is always a value co-creator’ (Lusch and Vargo, 2006, p. 284). They support the logic of collaborative marketing, which makes the customer a partner in the co-creation of experiences and involves the customer’s competencies in the co-creation process through the mobilization of the ‘operant resources’ (Vargo and Lusch, 2008) that
symbolize a set of knowledge, skills, expertise and capacity (Vargo and Lusch, 2006). Therefore, it seems essential to distinguish between the concept of ‘operand resources’ and the ‘operant resources’. Vargo and Lusch (2004) underlined the main difference between ‘operand resources’ and ‘operant resources’: ‘Operand resources are those on which an action is performed to create value, while operant resources symbolise knowledge, skills, competencies and capabilities by means of which actions are performed on operand resources. This service-centred logic recognises marketing as a social process of mainly dealing with operant resources.’ (Vargo and Lusch, 2004, p. 3). In their paper, Vargo et al. (2009) argued that the S-D logic orientation involves ‘a shift to a focus on the creation and use of dynamic operand resources as opposed to the consumption and depletion of static operand resources’.

These proposals are enhanced by the fact that the new communication modalities from blogs to podcasts and Really Simple Syndication, to message boards and advances in technologies are enabling new types of experiences and enhancing the quality of experiences by acquiring new and digital competencies. As a result, there is an ongoing structural shift in the why, who, what, where and how of value creation (Prahalad and Ramaswamy, 2004).

If the marketing studies that share the S-D Logic point-of-view underline the importance of the customer participation in the creation of value through the mobilization of various resources (Arnould et al., 2006; Baron and Harris, 2008), the understanding of the factors that facilitate customer participation and involvement is superficial. Indeed, most of these studies and those that revealed positive correlations between the customer participation and the brand loyalty suggest that the customer is always perceived as competent (Sohby et al., 2009). However, these studies do not seem to take into account the fact that the understanding of customer competence is socially constructed and emerges from the marketers’ representations (Dejoux and Dietrich, 2005). The co-creation seems only possible if the company recognizes the customer’s competencies. Indeed, this recognition is a fundamental condition for companies to better understand the learning process of the customers and identify the emerging competencies within their consumption experiences. This paper is based on the idea that all social and market actors are resource integrators, which supposes reciprocity because companies and customers are both resource integrators and beneficiaries. The paper provides the basis for a representation of customer competencies as seen from a managerial perspective. It is based on a longitudinal research undertaken within the French energy supplier ‘Utility X’ group and offers a framework for customer competence representations by the suppliers in the energy sector. Indeed, the energy sector is actually facing major challenges such as environmental problems or customers’ satisfaction that lead firms to rethink their relationships with customers. The key interest in this paper is to understand how customers are represented in the marketing strategy of companies within a competitive energy sector. Are they perceived as legitimate and competent market actors who would be able to co-create value? In order to reply to this research question, the paper is structured in the following way. First, we suggest that the concept of ‘operand resources’ does not seem relevant enough to fully describe the dynamics of the value co-creation process and that the notion of competence seems to be more relevant. The focus in the second part is on the conceptual framework of customer competence. Third, the methodology and techniques used to collect and analyse the data are introduced. Fourth, the customer profiles as perceived by the energy supplier ‘Utility X’ group will be described and interpreted with our conceptual framework of customer competence in order to discuss the possibility of reciprocity, value co-creation and its managerial implications.

The ‘competent consumer’ at the heart of the value co-creation paradigm

The S-D Logic paradigm places the customer and the company at the same level in the co-creation process of value (Vargo and Lusch, 2008): the customer contributes and participates in the creation process of value by activating ‘operand resources’ (Vargo and Lusch, 2006), which ‘are the fundamental source of competitive advantage’ (Vargo and Lusch, 2008, p. 6). This concept of ‘operand resources’ results from the resource-advantage (R-A) theory, which defines resources as the ‘tangible and intangible entities available to the firm that enable it to produce efficiently and/or effectively a market offering that has value for some market segment(s)’ (Hunt, 2000, p. 138). Thus, by differentiating between operand resources (those on which an act or operation is performed) and operant resources (those that act on other resources), marketing should focus on specialized skills and knowledge as the operant resources that provide competitive advantage. While the R-A paradigm would typically describe operand resources as being physical (e.g. raw materials), operant resources are usually seen as human (e.g. the skills and knowledge of individual employees), organizational (e.g. controls, routines, cultures, competences), informational (e.g. knowledge about market segments, competitors and technology) and relational (e.g. relationships with competitors, suppliers and customers) (Hunt, 2004). S-D Logic supporters step away from these definitions and maintain instead that operant resources are mainly composed of the knowledge, skills, expertise, capacity and time of people and relate to both co-creation parties: customers as well as the service organization.

However, it seems that the structure, the contents and the links, which these components maintain, remain relatively vague. The notion of competence seems to be more relevant to re-articulate the diverse elements composing the concept of ‘operand resources’. This leads the researcher to understand deeply the way customers participate in the co-creation process. Two theoretical disciplines that have largely used and conceptualized the notion of competence enable us to support this proposal: science education disciplines and management science. In the science education disciplines, the competence is represented as a device allowing the individuals ‘to deal with complex situations, to create a fitting feedback without seeking a predefined solution’ (Perrenoud, 1999). Thus, we can make a parallel between customers and pupils embedded in a learning process: value creation from the customer point-of-view can be conceived as series of complex tasks requiring some competencies. Some works in management science represent the competence as the result of the mobilized knowledge, the know-how, the skills as well as the activation of all these resources (Le Boterf, 1994). We noticed that this definition of competence leads us to re-articulate the different components of the concept of ‘operand resources’.
According to Cova and Dalli (2009), eight theoretical factors (lead users, meet of service, resistance of the consumer, experience of consumption, consumers’ communities, consumer empowerment, consumer agency, working consumers) shaped the view of the consumer as co-worker. If each of these factors takes a different epistemological, otherwise ontological, point-of-view and distinguish themselves by the aspects of the activity of the consumer analysed (generation of ideas, co-production of the service, immaterial work, production of narrative, etc.), they form, however, a rather complete and composite reading framework. Furthermore, beyond the heterogeneity of these theories, the notion of competence seems to be the tacit common denominator.

Studies around the notion of competence and its managerial implications have been carried out recently to better understand the prior concept of ‘knowledge marketing’ argued by authors in marketing (Curbatov, 2003) or more recently, by a research focusing on young consumer competencies, which describes 12 dimensions linked to the young consumers usage of new technologies (Batat, 2008). According to these authors, the competence that customers bring with them is a function of the knowledge and skills they possess, their willingness to learn and experiment and their ability to engage in an active dialogue. Therefore, competent customers are considered as innovators who are more likely to create and share value with companies than incompetent customers (Batat, 2008). Consequently, companies should focus more on the customers and try to get a deeper understanding of lead users’ behaviour by exploring their consumption experiences as well as the competencies emerging in the use of digital technologies to improve their purchasing and consumption. Batat (2008) described in her study of young consumers 12 dimensions of creative competencies related to the use of media and new technologies. She defined the concept of the ‘consumption competence’ according to 12 dimensions: (1) good managing of pocket money; (2) making good decisions; (3) using the Internet and blogs to improve consumption skills; (4) dealing with salespeople; (5) seeking appropriate assistance and advice; (6) comparison shopping; (7) controlling impulsive purchasing; (8) innovation by consumption and usage; (9) ability to transgress; (10) Internet risks consciousness; (11) consumer’s moral consciousness; and (12) ecological consciousness.

Although marketing researchers consider the customer in terms of his or her competencies and not only in terms of his or her needs, the concept of the ‘customer competence’ has not been conceptualized in the consumer behaviour field (Macdonald and Uncles, 2007). Consequently, the first question that came to our mind was about the conceptual definition of the notion of ‘consumer competence’.

A conceptual definition of the ‘consumer competence’

As it has been shown before, it is necessary to distinguish between the competence as a ‘result’, a particular alchemy, a specific combination of a set of relevant resources to deal with a given situation and the competence as a ‘process’ of mobilizing different resources. In other words, the definitions of the competence as presented in the management field and education science disciplines lead us to conceive customer competence as:

1. the mobilization of consumer’ personal resources (Baron and Harris, 2008; Vargo and Lusch, 2008). Arnould et al. (2006) provided a very helpful categorization of consumers’ operant resources. They are physical resources (physical and mental endowment: energy, emotion, strength), social resources (family relationships, consumer communities, commercial relationships) and cultural resources (specialized knowledge/skills, history, imagination). Some authors pointed out the communicational and the notional resources (Courtois and Thomas, 2003; Motter, 2007). This mobilization might be declined into various and diverse behaviours linked to the situation where the customer is involved in his interaction or not with the company.

Those competencies in action include the following:

1. **The cognitive competence**: which is linked to the capacity to decode the discourses and the advertising messages of the companies (Macdonald and Uncles, 2007) as well as to the cognitive efforts emerging in the purchase process: the information-seeking process, the creation of meanings and the awareness about customer rights and duties (Alba and Hutchinsim, 1987; Passebois and Aurier, 2004). We can find out about this kind of competence in the education science disciplines under the vocabulary ‘cognitive competence’ and the notion of ‘informational competence’. These two concepts are defined as the capacity to identify the nature, the impact and the available sources of the required information. Furthermore, both terms reflect also the efficient way to search information and efficacy through reading, understanding and memorizing information. The cognitive competence of the customer is therefore represented by the customer capacity to read, interpret, memorize and organize the information about the company offers (product and service).

2. **The instrumental competence**: in consumer research, the instrumental competence is viewed as the client’s capacity to manipulate the tangible products before, during and after the consumption process. These tangible products are the tools that constitute an integral part of the consumer environment such as computers or a software, online tools such as social media YouTube, social networking sites such as Facebook and Twitter or the tools provided by the companies such as interactive platforms and Internet web sites that allow him or her to create his or her own product. This definition joins the definitions proposed by some researchers in marketing who privileged a broader approach. According to their conception, the instrumental competencies of the customer emphasize the coordination of the usages, the mastery of a technique or technology and the knowledge needed to complete a task (Lüthje, 2004). The instrumental competencies may also emerge using a number of social resources such as friendships, professional and social networks or online networks (Macdonald and Uncles, 2007) to achieve a given objective.

3. **The competence linked to the product/service or media usage**: these competencies allow the customer to express himself and give his feedback on the media, the product and the service provided by the company. In marketing, these competencies have been studied by researchers such as Von Hippel (1986, 2005) and Béji-Bécheur and Gollety (2007) or more recently, by Berthon et al. (2008). These competencies are very close to the concept of meta-cognitive competencies (Motter, 2007), which reflect the activation of the creative capacities: creation of new representations, new knowledge, heuristic solutions to the practical questions on consumption and deviations/creations of new meanings. Although
we tried to classify the customer competencies into categories for a better understanding of the customer activities generated by the purchase process, the product usage and the consumption experience. It is obvious that in reality, these competencies are not mobilized in a isolated environment but they depend on different elements (the instrumental competencies) and depend on the prior knowledge, on the functioning of the technical tools (notional resources) and on the capacity to activate them (the accumulated cognitive competencies) according to the context and the consumption experience of the customer.

The ‘competent customer’, a social construction

Works that revealed positive correlations between the customer participation and brand loyalty point out the fact that the customer is always perceived as a competent actor within his or her consumption experiences (Solby et al., 2009). These works do not seem to take into account the fact that the figure of the ‘competent customer’ results from a social construction within the marketplace and emerges from market actors’ representations and discourses (Dejoux and Dietrich, 2005). Indeed, considering the customer as a social construction and an object of managerial representations is not a new idea. A number of works in sociology research techniques have shown that the ‘users’, or in other words, the ‘consumers’, are over-represented in the innovation process of the firm (Akrich, 1990). More precisely, the definition of the product characteristics leads the producer to set up a number of hypotheses regarding the elements that compose the environment where his or her product might be integrated: he or she defines social actors with such and such tastes, competencies, motivations, aspirations and politics. For producers and designers, the big part of the conception process is composed of integrating this vision of the world and the user’s profile into the technical content of the innovation, which means constructing scripts or scenarios according to customer representations (Akrich, 1992).

In following these thoughts, we can admit that the identity of the competent customer builds itself within the relationship that the customer maintains with the firm. Consequently, the customer can view himself or herself as a competent actor only if the firm recognizes him or her as such. Moreover, recognizing the customer competence means that the firm should go beyond the ideal representation of the engagement of its customers in the co-creation of value, the way they use their ‘operant resources’ and the resources provided by the company. This leads us to question ourselves about the social dynamics in the real marketplace: Do all the market actors follow this philosophy ‘viewing the customer as a competent actor engaged in the co-creation of value with suppliers’? This exploratory research proposes to answer this question through a specific case of the energy sector in France in order to illustrate the customer representations from a managerial perspective.

The case of a French energy supplier

Although customers are empowered using Web 2.0 as a source of searching and exchanging information to improve their consumption experiences, professionals in the energy sector still ignore the competencies and the real potential of their customers in the co-creation of value or attribute to them some ideal competencies. In order to examine this issue, this paper focuses on the way the market actors in the energy sector perceive their customers.

A longitudinal exploratory research was the best means to understand the representations of customers from a managerial point-of-view.

Why is it interesting to study the energy sector?

The choice of this context and the French supplier ‘Utility X’ group was justified by the fact that the energy sector became an open market in France, which is facing major challenges such as environmental problems, customer’s satisfaction and competitiveness that leads it to rethink its customer relationships. Indeed, the construction of a single European electricity market began in 1999. The ‘Utility X’ group is an energy market leader in Europe operating in all branches of the industry and supplies about 38 million customers throughout the world with electricity – 28 million of them in France. Indeed, the ‘Utility X’ group was the only energy supplier available to all the French customers, who could not compare ‘Utility X’ offers with those of any other suppliers. In response to this situation, the French government decided to introduce a final stage of the progressive deregulation, which ended on 1 July 2007. Since then, all customers can choose their electricity supplier among different market actors. Consequently, the ‘Utility X’ group has to be innovative in the way it is managing the relationship with its customers by focusing on the marketing as well as on the communication policy. Since 1 July 2007, ‘Utility X’ has offered customers other forms of energy, such as natural gas, in addition to electricity guaranteeing customers security of supply and simplified energy management through a single contact in the company and just one invoice. ‘Utility X’ also offers its customers additional services associated with electricity supply – in particular, consumption monitoring and assistance for home building and renovation work. Furthermore, ‘Utility X’ is also committed to helping its customers achieve energy efficiency and control energy demand, primarily by developing marketing deals that include decentralized renewable energy in local housing. The range of multi-energy and multi-service deals marketed in France under a new brand since 2007 gives everyone the opportunity to make the right energy choice. However, customer satisfaction is at a new low in the energy sector with almost half of customers saying they are unhappy with the service quality. Indeed, energy companies have continually increased prices, but their levels of service remain far from adequate. After price, service quality is now the second important criterion influencing purchase decisions and customer loyalty.

Energy suppliers such as Poweo (an alternative energy operator in France) have therefore made quality assurances in their customer relations. With all their call centres based in France, Poweo can guarantee that the processing of customer requests (sign-up and after sales services) will be carried out to highest quality levels in terms of availability, rapidity and reliability. The example of Poweo emphasizes that beyond the price, energy suppliers seek to focus on their customers by placing them at the heart of their business strategy to create value. Energy suppliers try to learn more about their customers and adopt new strategies by taking into account customer’s needs.
Research objectives

The aim of this paper is to determine the key themes of customer representation in the firm’s policy. More precisely, the questions of ‘how the customers are represented in the company’s marketing strategy’, ‘are they viewed as competent customers able to co-create value’ are asked in this paper.

Method

These research objectives have been addressed in the framework of an ethnography research within a leading French energy supplier ‘Utility X’. This approach was considered to be the most appropriate methodology in our case. ‘Utility X’ group authorized us to conduct a longitudinal study with different market actors in the Research & Development (R&D) department in the company where we have been introduced as a ‘marketing research engineer’ to study the customer co-orientation in the energy sector from a managerial point-of-view. By choosing ethnography in the ‘Utility X’ group rather than a qualitative research based on focus groups or in-depth interviews, we have been able to provide managers and marketers with a relaxed and a friendly environment to conduct the study for 3 years from 2005 to 2007. Spending time observing ‘Utility X’ employees and getting to know them is a great way of accessing their private world. If they accept you and get used to you, they will relax and reveal much more about themselves and their managerial practices. Indeed, we can get beyond the expected answers that we often hear in group discussions.

Phenomenological interviews with employees (Thomson and Locander, 1989) analysed in this paper through a content analysis method were the main source of data collected. A convenience sample of 30 employees (Table 1 in appendices) was obtained through a snowball sampling technique. Using this process, initial informants provided names and email addresses of their colleagues for the researcher to contact them. However, we did not involve all the company actors in this research because they were not available.

The phenomenological interview is a comprehensive research method that enables the exploration of the concerns, interests, experiences and meanings developed by people. This method was useful to create an appropriate environment to exchange easily and interact with professional market actors within a friendly as well as a confident context. First, the researcher should put between brackets his or her own knowledge regarding the phenomenon he or she is trying to understand. In doing so, the researcher explores deeply and naively the subject in order to give a detailed description of all the facets of the displayed phenomenon. These interviews take the form of a conversation between the informants and the researcher guided by a general structure rather than an exhaustive and pre-established list of items and topics.

The task of the researcher is to prop the informants and encourage them to involve themselves in the conversation. In our research, the objective was to understand and explore the professional’s representations of the customers in the energy marketplace. This leads us to ask the energy market actors questions about their managerial and marketing practices as well as their customer relationship management. Therefore, the interview guide was divided into four principal sections. The first part focused on the relationship between the company ‘Utility X’ and the customers, the second part illustrated the company’s knowledge about customers, the third part pointed out the scattering information process on the customer’s experiences and finally, the last part of our interview guide focused on company representations of customers and its reaction to client outcomes. The length of each interview was about 55 min to 120 min. These interviews combined formal and informal discourses about the managerial

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practices and the customer representations in the ‘utility X’ group and provided us with nearly 300 pages analysed through a content analysis method.

The ethnography research is also in observations and seeking to internalize all that we were seeing and learning, recording everything we observe, e.g. behaviours, activities, events, goals the managers are trying to achieve and our feelings as researchers. Thus, we point out that these phenomenological interviews were supplemented by data collected through participant or non-participant observation and put in a diary. The details of this methodology are not taken into account in this paper because almost findings presented in the following session emerged from the in-depth interviews that we have conducted with ‘Utility X’ market actors.

Data analysis

This qualitative and exploratory research based on in-depth interviews and ethnography in the French energy supplier ‘Utility X’ generates large amounts of data, which tend to overwhelm novice as well as experienced researchers. A one-hour interview and observation could easily take 5–6 h to describe in full. Thus, a central aim of data analysis, according to Robson (1993) is to reduce data. In order to do so, we try to identify customer representations in ‘Utility X’ and explore them in depth basing on Akrich’s (1990, 1992, and 1995) works. As Akrich argues, innovators ‘construct many different representations in technical choices’ (Akrich, 1995, p. 168). To produce such representations, they rely on various explicit techniques (empirical market research as the most obvious explicit one) or implicit ones (referring to their own user experience, they define the future users in their image). By basing our analysis on two devices (modalities/techniques) of the customer representations, we tried to underline in the informant’s discourses the representations they associate with their customers. This method allowed us to identify particular themes about the ‘Utility X’ employees’ perception of the customer that seemed to be recurring across interviews. Following the identification of common themes, each was defined as representation or a profile that excluded the others. Then, the key characteristics of each profile were drawn together to interpret the overall data. Finally, this data analysis process aimed at bringing meaning to the right to choose this status.

Findings

The purpose of this longitudinal research was to apply an ethnography research within a French energy supplier ‘utility X’ group and to analyse the emerged data through an abductive logic to define the perception shared among professionals and managers in a French energy supplier about customer competencies in the company policy represented by their tacit understandings. The findings of this research give us evidence about the customer representations among energy market actors. The data analysis revealed four categories illustrating customer’s profiles coping with the new situation of ‘Utility X’ group in the energy sector. Therefore, ‘Utility X’ employees define their customers according to four profiles: myopic, ignorant, uncreative and organizer of company resources. These four categories are detailed and illustrated by professional verbatim in the following part of the empirical findings.

The ‘myopic’ customer

The ‘Utility X’ informants pointed out that their customers ignore the change that happened within the French energy sector. They confirmed that their customers are unable to distinguish between ‘Utility X’ electricity offers and ‘Utility Y’, which is an additional gas offer of ‘Utility X’ group. These customers are not keen on searching a bargain by comparing ‘Utility X’ offers with other energy suppliers offers. Therefore, ‘Utility X’ informants talk about ‘customer inertia’ within the electricity sector. However, there is a need to distinguish between ‘consumer inertia’ and ‘consumer loyalty’.

Inertia shows that sometimes, it is easier for customers to put up with a mediocre supplier rather than go to the difficulty of switching to another. Customers just tend to put up with poor service and results as long as it does not get too bad. They just keep ‘rolling’ along. The informants argued that there are diverse reasons that enhance customer inertia, for example, customers are often afraid of the unknown, the cost of exit barriers associated with switching supplier, the lack of price competitiveness and less appealing offers comparing with ‘Utility X’ and of course, the high level of customer trust.

We realized that in a mass market situation, it’s not the same it appears in B to B market, it’s rather profound trends: you don’t lose 10% of market shares in three months; when the market of professional customers opened in July 2004, we didn’t lose 10 or 15 % in three months, we lost 1,8 % 1 the year later (Informant 4, Commercial Department, 08/31/2005).

Some informants used the metaphor of transitology to express this trust by comparing customer behaviour with the general passage of the communism towards the liberalism, with the democratic transition experimented by the populations of Europe of the former Eastern bloc: the setting of the freedom is not a decree, it has to be learnt. Inertia is described as the fact that customers hesitate to change ‘world’ by custom, by comfort, by fear of the stranger or of an attractive but dangerous freedom: customers are perceived as having some difficulties to assert customer’s status, which the opening on the competition confers to them and to use the right to choose this status.

This fear, this apprehension to leave Utility X, it seems like the east communist power, where people, they had the freedom, but they did not really leave it because they were afraid (laugh); thus there are some who stay with Utility X, because ‘I am out of order, we are on Saturday evening, I am not sure another competent company can go to repair my electric system, I prefer to stay with Utility X (Informant 7, Commercial Department, South West of France 09/29/2005).

The metaphor of married couple is also used to describe the influence of a sustainable relationship enhanced by everyday life that creates both habits and reassurance. If the customer can change to another supplier and that this possibility highlights some
negative aspects of the relationship with ‘Utility X’, which could be an alibi (a pretext) to switch, these are not enough important to make such a decision.

I would say, we are a couple, here we are, I try to imagine our customer relationship like a couple, it has been years since we live together, everything is ok between us, but at the end of 7 years. ‘it has been 7 years since I tell you to close the tube of toothpaste and at the end of 7 years you don’t make it, today, I have the opportunity to go away, to see somewhere else what it takes place, so nor you close it now nor I go to see somewhere else’. Naturally everybody is clever enough to realize that the fact that the cork of the toothpaste tube stays here, is not going to cause the break; but on the other hand, every morning, it will be the same: ‘be careful I go to see somewhere else’. In my opinion, the customer is going to cope with this situation (Informant 23, Operational Bo to C Marketing Department, 06/12/2007).

Other informants suggest that the customer did not use his or her new rights to choose because he or she was incapable to give his or her point-of-view on the deregulation phenomenon. Therefore, the energy market actors view him or her as a customer who is reluctant to change and tries to display his or her resistance by keeping the same behaviours.

Before consuming in a competitive marketplace, Utility X customer is beyond all the facts a consumer of electricity. Inquiries on these consumers, quite as their representatives, consumer associations, show that most of them are hostile to the market deregulation, the point which would make it acceptable, would be a decrease of electricity price; but this will not happen (Informant 19, Strategic Marketing Department, 23/02/2007).

This kind of inactive customer is not concerned about the energy market shift, which reflects a completely open retail energy market in Europe and a deregulation in the electricity sector. This shift might be a source of customer empowerment through giving them the power to choose among additional references and compare offers. A customer’s inability to use his or her integral power to make choices and even search a bargain is a direct consequence of his or her low level of awareness and knowledge about the energy market deregulation. We can argue that employees do not consciously provide relevant information to empower their customers, in particular, high-valued customers, by giving them a clear and a global vision of the market energy situation as well as the offers suitable to their needs in order to retain them.

In my opinion, this customer notion in customer’s mind will be progressive, because the evolution of the electric system that we have to cope with is a little bit complex, and a couple of years will be necessary for the customers to make a difference, primary, between Utility X and Utility Y,1 and secondly let us say, between the regulated market and the unregulated one (Informant 19, Strategic Marketing Department, 02/23/2007).

This cognitive aspect of customer’s incompetence is related to the strong position of ‘Utility X’ group in the energy market: the customers are considered as passive actors; they show a high level of dependency on their unique supplier ‘Utility X’ who obviously has a good image among French customers (French’s favourite enterprise), has a significant customers database, offers interesting rates and is not obliged to cope with aggressive competition in the energy marketplace. This perceived balance of power in favour of ‘Utility X’ is linked to the huge level of schizophrenic mindset of our ‘Utility X’ informants: ‘Utility X’ marketing actors have to accept the rules of the competitive game in the energy marketplace by leaving their customers to avoid the abuse of a dominant position of ‘Utility X’ in the French energy market.

We have to explain to our collaborators that we should adopt a posture which leads us to lose customers, and it’s suitable for us right now in the professional marketplace where professional actors such as Poweo and its CEO, Beigbeder, says that he has much more customers. But it’s clear that this posture is really specific (Informant 5, Commercial Department South West of France, 09/28/2005).

Customer as an ‘ignorant’ actor

In this case, we talk about the ‘rational ignorance’ (Nie et al., 1976) of customers in the energy sector. It is the deliberate decision of customer to remain uninformed about something because the perceived cost of the additional intelligence, in terms of both effort and expense, is greater than the expected return on the knowledge gained. In the energy sector, rational ignorance is the natural default when the customer believes he or she has reached the point of diminishing returns as it relates to the value acquiring additional insight.

This concept is detrimental to the energy sector, especially as it relates to the impact of cross-selling activity on customer profitability. In addition, this ignorance is generated by the cognitive dependency of customers on their unique supplier ‘Utility X’ group. This cognitive dependency of the customer is enhanced by the firm’s judgement and the way ‘Utility X’ actors are representing their customers. According to ‘Utility X’ informants, the customer seems to be anxious in particular situations, e.g. when he or she calls an energy operator because he or she was unable and powerless to resolve the problem by himself or herself. In fact, it seems similar to a patient who can not rationalize his or her symptoms and tries to call his or her doctor to be reassured. In our case, the customer expects his or her company ‘Utility X’, which is the unique and powerful energy supplier on which the customer’s personal and professional lives are dependent, to find a solution to his or her problem. This figure shows that ‘Utility X’ professionals perceive the customer as an ignorant actor because of his or her lack of knowledge and also the low level of his or her acquaintance with the energy field within his or her consumption experiences.

The customer does not exist . . . what I want to say is that it is a prospect in power but he ignores himself, he doesn’t know what he wants, when we ask him questions, he doesn’t know anything (Informant 13, Strategic Marketing Department, 12/19/2005).

In addition, sales people and marketers argue that the requirements of their customers such as ‘information requests’ reflect the feeling of dependency on ‘Utility X’ expertise.

The customers use inefficiently their heating. The outgoing calls are the opportunity to carry out some advices but customers don’t respect them and come to complain about it then

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1Utility X–Utility Y was a unique firm that has benefited from a monopoly situation before the start of the energy sector deregulation process.
When we discuss with customers, we manage to demonstrate to them without they seek to question everything, that the amount of charges which is excessive for them, is in fact the result of a misuse of their devices or an uncontrolled use (Informant 10, Call Centre in Reims, East of France 10/14/2005).

Furthermore, the informants emphasized the fact that the customer does not master all the stakes of purchasing in the context of energy so first of all he or she starts searching information by building up technical knowledge, then he or she elaborates his or her own knowledge by sorting out information, and finally, he or she chooses his or her energy supplier.

Fundamentally, it is consumption not a purchase. One day, the consumer can make the decision to change his electricity supplier, but he has never been involved in a purchase process, in a marketing perspective, that is, ‘I know the marketplace, I take the information, I compare, I decide’ (Informant 13, Strategic Marketing Department, 12/19/2005).

The ‘uncreative’ customer

Another representation reflects the lack of customer creativity in the energy field. Indeed, the energy sector is not considered as a domain that requires a high level of a customer’s involvement. Moreover, customers are not very demanding and do not aim at any offer (product or service) in particular: ‘learning a role is not sufficient to acquire immediate routines necessary for its execution (extern). We should also be initiated to different cognitive foundations and even emotional foundations of the body of knowledge which is directly and indirectly appropriate to this role’ (Berger and Luckmann, 1996). Therefore, the company does not perceived the customer as a source of innovation because in his or her previous situation of the user, he or she did not settle the question of his or her needs, which are hidden, tacit, hardly expressed or unexploited by marketers:

When you try to convince customers to participate to a focus group, they answer you, they make efforts to answer you, but generally, they are not very creative, it turns very fast in the science fiction (Informant 13, Strategic Marketing Department, 19 December 2005).

‘Utility X’ informants perceived their customers as being incapable to express their needs regarding the company offers (products and services). Furthermore, ‘Utility X’ marketers argued that the lack of creativity and innovation of their customers reaches a significant level.

The ‘organizer’ of company resources

In 2004, ‘Utility X’ group recruited a marketing director coming from the Information and Communication Technologies (ICT) sector in order to improve the public marketing policy of the company. Indeed, he was an ex-marketing manager of Wanadoo and he worked for Club Internet from 2002 to 2004. As a result, the multi-channel strategy has taken a decisive turn. In addition to the traditional channels such as telephone, mails, sellers on spots and in stores, the Internet channel development became a strategic point.

The main interest of using Internet canal is to create and establish a link between customers as well as to help the company to control management charges as in the banking sector (Benavent and Gardes, 2006). Thus, the multi-channel strategy helps the firm to move away all the operations with low added value (index relay, account management, information requests) towards automatic channels and also to guide high-valued customers towards sales people in order to obtain a huge benefit from one-to-one services by orienting low-valued customers towards channels that are less costly to manage this type of customers. In this case, ‘Utility X’ actors view the customer as consciously capable to manage and organize these channels. Therefore, the ‘multichannel customer’ device (Belvaux, 2006) enables them to legitimate strategic choices in terms of management costs as illustrated in the verbatim in the next section.

Unvalued calls (transmission of the consumption index) should be transferred to Internet. [] a survey launched by IPSOS (French marketing studies agency) shows that 62 % of customers use Internet as a primary source to search information about company offers (product or service). Regarding the electric system, some experimentation showed that it was more relevant to launch this offer on the Internet. It is necessary to take into account the shift happening with mobile phones, all the companies are developing these technologies, it’s the choice that we made but the customer also wants this kind of relationships through Internet (Head of Operational Marketing Department during a meeting located in R&D department, 06/10/2006).

However, ‘Utility X’ informants do not recognize the capacity of their customers to resist the pressure imposed by the company. For them, the customer remains an enslaved actor who is unconscious. This situation allows the company to add management charges to the final cost paid by the customer. To do so, ‘Utility X’ constructs a sort of automatic devices to manage customer relationships through interactive hotlines and Internet. Consequently, the customer is consciously considered as capable to manage and organize these channels unless we can wonder whether this capacity of using Internet and interactive communication is not at the heart of a strategic choice of the company to reduce costs by putting customer to work. We can notice also a contrast between this managerial perception and the result of another study (Bonnemaizon et al., 2009) on competencies brought into play by customers in their relationship with ‘Utility X’. It shows that Utility’s customers were not ready to mobilize all the channels, which the firm offered them. In spite of the proposed platform, the customers continue to use only the phone channel. Are they incompetent? The answer is yes if we understand only the customers’ competencies from the company point-of-view, and no if we recognize that these customers know how to optimize their personal energy to manage all the daily and domestic problems according to their perceived risks and consider that the telephone is sufficient to contact the company.

Unconscious of the new situation of ‘Utility X’ in the market energy and consequently, not able to compare offers by searching other energy operators, the ‘Utility X’ group perceive the customer as an incompetent actor in terms of his or her energy consumption because he or she is uncreative, unable to express his or her needs and he or she needs technical knowledge regarding the energy offers (products and services). Finally, the findings showed that the marketers in ‘Utility X’ group are convinced that the customer is living in a digital era surrounded by ICT and he or she is more eager to use tools such as the Internet to cope with companies and
satisfy his needs. Thus, he or she might be a source of value creation since he or she is able to utilize and organize company resources through interactive channels provided by firms. Therefore, the notion of competence as perceived by ‘Utility X’ informants might be defined only in terms of the organization of company’s resources.

This empirical work revealed customer incompetence as perceived by ‘Utility X’ market actors. This incompetence might be explained according to three dimensions described in the literature review: the cognitive dimension (the incapacity of customers to get the power of choice because of their ignorance of the market deregulation and the new position of their supplier ‘Utility X’ in the market energy), the instrumental dimension (the incapacity of customers to express their needs and their lack of technical knowledge regarding the energy offers) and the incompetence related to the product usages (which reflects the uncreative way customers deal with energy offers ‘products or services’). However, they recognize that customers have some ‘ideal’ competencies such as the ability to use channels, which can enhance firm’s strategic choices.

Discussion

These findings lead us to redefine the notion of value co-creation based on the involvement of the customer in the company. Indeed, the nature of the relationship based on customer co-creation of value with supplier and thus, the deployment of a true ‘market with’ philosophy depends on the perception of the customer ‘competencies’. The results of this longitudinal research among ‘Utility X’ market actors emphasized the fact that among the fourth types of customer’s representations perceived by ‘Utility X’ employees, only the profile representing the customer as organizer of the company’s resources makes the co-creation of value possible. Therefore, three generic situations could happen and have to be taken into account by researchers focusing on the value of the co-creation process.

1 The first situation represents the kind of companies who define the customer as an incompetent actor. In this case, the hypothesis would focus on the fact that firms still think of their customers in terms of their needs and not in terms of their competencies emerging within their consumption experiences. This non-recognition is a manner to legitimate the implementation of the stakeholder’s injunctions, which in this case, have the priority comparing with the ‘voice’ of the customer (example from our case, European authorities in terms of energy control, guarantee of market competitiveness). In this first case, the co-creation approach seems restricted or even ‘impossible’.

2 In the second situation, the company perceives the customer as a competent actor who disposes of the required consumption competencies defined by the professional actors as the ‘ideal’ competencies. In theory, the company discourses emphasize the fact that customers can make their choices through different communication devices provided by the company. However, this way of enhancing customer competence allows a less added value in terms of consumer empowerment and learning because the first goal of the company is to reduce costs by pushing customers to use Internet in response to their requests rather than dealing with the energy market actors. This method offers the customers more control on their exchange with the firm but also continues to keep the influence on the purchase decision-making; we call this approach the ‘oriented’ co-creation of value.

3 Finally, the third situation illustrates the case of a company who recognizes the competencies developed by customers and wants to learn more about the appropriate techniques or methods to identify these competencies as well as the factors of their emergence. In this case, we talk about ‘collaborative’ co-creation of value supposed by an approved consumption, volunteer, customer participation that is enhanced by a huge access to technologies such as the Internet, and information exchange.

Beyond the analysis of the transformation process of a public monopoly, which is a very common topic, the case of ‘Utility X’ and of the energy sector between 2004 and 2007 allowed us to rethink the philosophy of the ‘new consumer’ endorsed by marketing consultants and researchers (Cova and Cova, 2009). The research among the energy actors of ‘Utility X’ pointed out the weaknesses of the customer co-creator philosophy as a dominant logic taken for granted and emphasized the limits of the managerial model that represents the customer as always competent (Sohby et al., 2009). Indeed, these professionals ignore the competencies and the real potential of their customers in the co-creation of value or attribute to them some ideal competencies. However, if electricity and gas are considered as commodity products with less customer involvement, the ‘energy’ product offers new horizons in terms of value co-creation within a social marketplace where the eco-friendly behaviour and the sustainable development force the energy market actors to adapt their policy. Indeed, a number of companies realized that the energy eco-efficiency is not attainable without the consumer’s involvement. Therefore, the customer representations are evolving towards a figure of the ‘competent’ customer thanks to the Web 2.0 revolution. For example, very recently, in February 2010, ‘Utility X’ decided to launch a community web site to make customers aware of their power of action on energy efficiency and to enable them to learn to manage their energy consumption, to express their creative competencies in terms of home comfort, to exchange on sustainable development with ‘Utility X’ thanks to an interactive digital platform. This reinforces the idea defended in this paper that the customer competence cannot be decreed but it results from an organizational learning process (Argyris and Schön, 2002/1996) through trial and error in order to reshape and rethink the customer representations according to the emerging behaviours and the constructed competencies within a social and a digital environment. Furthermore, the spread of the digital culture – engagement, interactivity, speed, individuality, empowerment, openness, chats and interest groups – has created a new level of consumer awareness and activism in society. Customers are fundamentally changing the dynamics of the marketplace and firms can not ignore the changing landscape of the customer.

Conclusion

This paper tried to show that value co-creation is a particular type of customer orientation culture (Kohli and Jaworski, 1990; Narver and Slater, 1990) that considers the customer as a social market actor who, through the usage of the company offers, disposes of power and right to determine a part of the value shared. Thus, this culture suggests that professionals should engage themselves in a value co-creation orientation such as co-promotion,
co-production, co-determination or co-innovation (Cova, 2008) only if they recognize the customer as a competent actor.

Besides, the concept of ‘competence’ is relevant because it describes value-creation capacities but also can be a pertinent conceptual framework to analyse consumption practices (Schau et al., 2009) such as the mobilization of various resources owned by the customer or resulting from his environment. More precisely, it can lead companies to recognize the customer’s work. This recognition reflects the identification of the competencies activated by customers through the use of their own resources and those provided by the company. This identification relates to a change of culture, which is based on the customer mental models and not only on the organization schemes: sometimes, the customer has cognitive and instrumental competencies as well as competencies linked to the product usage in different domains but the company ignores them. Therefore, professionals would be able to focus on the relevant competencies that the vulnerable customers need to acquire and develop within their consumption experience.

Finally, companies should take into consideration when focusing on the customer the circumstances where the competencies emerge: how does the customer construct competencies? According to which conditions (Etgar, 2008)? Asking these questions could lead market actors and professionals to question themselves about the appropriate policy that allows the customer to construct and develop new competencies in order to improve his or her consumption, his or her purchase and consequently, co-create value with the company.

Limits and further research

The main contribution of this paper emphasized the critical approach of the S-D Logic philosophy taken-for-granted in the marketing literature. The findings of this research lead researchers in marketing and consumer behaviour field to rethink the notion of co-creation at the heart of S-D Logic by focusing more on the customer competencies as perceived by professionals. Indeed, the research pointed out the fact that the customer competence is a social construction. The identity of the competent customer builds itself within the relationship that the customer maintains with the firm. Consequently, the customer can view himself or herself as a competent actor only if the firm recognizes him or her as such. However, there are some limits and issues linked to this exploratory research carried out with the energy market actors in ‘Utility X’ Group. In fact, the perception of customer competencies and thus, the nature of the co-creation with the supplier depend on the situations where the customer is involved, on the market actors selected for the study and on the marketplace where co-creation is considered as a source of value. Indeed, the customer as co-creator of content in social media who can participate to the comments on books on web sites such as Amazon is a basic and an obvious participation. The same observation might be made for the consumers involved in fast food restaurants. This participation is considered as a real source of value that helps the companies to reduce costs by putting the customer to work. In this paper, the case of the energy products pointed out the collaboration between customers and suppliers from a managerial perspective. This choice was relevant because the market actors in the energy sector are very keen on using their customers to reduce costs and create

value such as in the banking sector, in social media and in fast food restaurants. However, before the engagement of the group ‘Utility X’ in a Web 2.0 strategy, Utility X’s actors had a reduced and limited perception of the potential and the capacities of their customers in terms of value co-creation. Contrary to the social media sector or fast food restaurants, in the energy sector, the customer was only perceived as an organizer of the company resources who can not be engaged in the co-creation of value with the energy supplier because of his or her lack of knowledge about energy products. Furthermore, the energy market actor’s perception might change if we consider the shift from B to C perspective ‘Business to Consumer’ to a B to B perspective ‘Business to Business’. Indeed, the results of this research might be different if the customers are not ordinary people as ‘end-users’ or consumers but rather manufacturers, distributors and retailers. Therefore, the relationships are different and consequently, the representations of the market actors involved in the co-creation of value with ‘Utility X’ depend on other factors. We did not focus in our paper on the big industries concerned by the electricity offers and dealing with ‘Utility X’ Group. This is one of the limits that we should mention in this research. In addition, studying employees in only one company ‘the French energy supplier Utility X’ remains an ‘extreme’ case in a particular context of the energy sector deregulation in France. However, by comparing the representations of different market actors, we can build up a conceptual framework representing the dimensions of customer competencies to co-create value with supplier. Furthermore, we can combine the first approach in this paper (managerial perspective) with a second approach where the data emerges directly from a group of customers (customer perspective).

References


