



Research paper

Leveraging stakeholder networks with outside-in marketing

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ABSTRACT

The theory of Outside-in marketing (OIM) emphasizes the importance of internal and external partners of a firm to drive strategies for value creation. OIM is based on four key tenets: market sensing and responses, segmentation and targeting, innovation, and employee's learning effort. With this commentary, we apply the theory of OIM to network analysis. By doing so, we identify key stakeholder networks as part of a firm's business ecosystem and discuss the value that can be extracted from different stakeholder networks. Most prior network research in marketing has mainly used customer or employee network data while neglecting other important stakeholder groups. We provide information about how network analysis of stakeholder data can fill gaps in the marketing literature and provide firms with essential knowledge, economic value, and influence over external partners, and improve the value generation process. We first describe each tenet and give examples of stakeholder networks that can be investigated within the realm of the tenet definitions. We then discuss different challenges that social network research can pose, and end with future research questions that can be explored for empirical research studies.

1. Introduction

Historically, firms have been focused more on an inside-out or product-centric approach to marketing with a prevailing belief that utilizing their resources and capabilities would lead to value creation for the firm. More recently, however, there has been a push by marketing academics and practitioners to take an outside-in or customer-centric approach within the marketing function of a firm with a prevailing belief that the relationship with the customer and external partners can be the start of the value creation process for the firm (Jaworski, Kohli, & Sarin, 2020; Mu, 2015; Mu, Bao, Sekhon, Qi, & Love, 2018; Quach, Thaichon, Lee, Weaven, & Palmatier, 2020). What has been lacking in the marketing literature, though, is an underlying theoretical framework that can be used as a foundation for understanding and empirically testing the value of customer-centricity.

Quach et al. (2020) develop a theory of outside-in marketing (OIM) built on four key tenets: market sensing, segmentation and targeting, innovation, and relying on employees to transfer knowledge within the firm. Thus, firms should continuously listen to and engage with their customers and other external partners to generate insights and drive marketing strategies for value creation. Marketing processes are very interconnected, which results in multiple internal and external parties influencing each other. The four tenets of OIM emphasize the

importance of other parties, whose insights are necessary with market sensing, product development, and innovation (Quach et al., 2020).

OIM requires a significant amount of data from people internal and external to the firm. Therefore, to fully engage in the practice of OIM, firms need to reconsider their data sources and methods of analysis. People who are part of the firm's business ecosystem can be classified as stakeholders of the firm and can provide the firm with significant value through OIM. One way to capture information about these stakeholders is through analyzing relationships between the firm and its different stakeholder groups. Thus, networks of stakeholder groups are an important source of data for OIM. Network analysis is not new to marketing researchers. As Achrol and Kotler (1999) stated, internal and external firm networks can provide firms with better information for faster processing and knowledge creation. For several decades, researchers have applied social network analysis to different parties both inside and outside the organization (e.g., customers, employees, suppliers, competitors) (Van den Bulte & Wuyts, 2007). Moreover, network data sheds light on relationships between people and gives richer information about the actors who are connected to the firm. For example, social network analysis can show how information flows, what type of information flows, and who lets information flow. Network data can also highlight influential individuals or show how strongly actors within the network are connected. Considering a firm's network from an OIM

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perspective means to look at network ties the firm has with all its stakeholders and recognize the value that each stakeholder group brings to the firm.

As the four tenets explain, an OIM perspective helps the firm focus on the external business environment and suggests including stakeholders in the value-generation process. However, there are still significant gaps in the marketing literature with respect to how different stakeholder groups can provide value to firms and support the four tenets of OIM. We provide a table that summarizes the research on stakeholder networks and the corresponding tenet that this research supports (see Table 1). We can see in Table 1, there are some cases where stakeholder networks have been used within OIM (e.g., customer, employees, and to a lesser extent suppliers), but in many cases, there has not yet been research in marketing on how a stakeholder network can provide value to the firm through OIM. Thus, in the following section, we highlight the gaps in the marketing literature and then discuss how continued research on stakeholder networks can help firms successfully execute an OIM strategy.

2. Applying the OIM tenets through Stakeholder Networks

2.1. Tenet #1: market sensing and responses

The first tenet explains that the OIM perspective can give important insights to sense and respond to changes that occur in markets and customers (Quach et al., 2020). In many cases, firms have derived insights for market sensing and responses from internal customer data. As firms begin to look for data external to the firm, this may be why significant research in marketing has studied how customer networks can be used for market sensing and responses with the focus of many of these studies on product adoption and diffusion (Goldenberg, Libai, & Muller, 2001; Iyengar et al., 2011; Toker-Yildiz et al., 2017). Research in marketing has also started to look at the role of supplier networks and their abilities to improve marketing sensing and response through marketing alliances and their positive impact on firm value (Swaminathan & Moorman, 2009). From other literature outside of marketing, research has shown that supplier networks can also provide value to firms in the form of cooperation and competition (i.e., coopetition) where information from buyers and suppliers can be used jointly to understand and respond to changes in market conditions (e.g., cost structures) (Wilhelm & Sydow, 2018).

However, there is limited research in marketing on how other stakeholder groups, such as employees, shareholders, and communities, can provide value in the form of market sensing and responses. For instance, firms' employees are closest to customers by either trying to sell or market a product, working in customer service, or simply engaging on the firm's social media. Direct engagement is crucial to generate knowledge about customers that employees can share inside

the firm. By encouraging employees across all marketing functions to build information networks, firms can implement an OIM perspective to succeed at sensing and responding to changes. Research outside of marketing has also shown that shareholder and community networks can provide value to firms through market sensing and responses. Networks of shareholders contain value regarding knowledge generation, but also economic value by identifying shareholder needs and responding to them. For example, networks of shareholders activists can be effective at helping firms identify key issues external to the organization that need to be addressed (Yang, Uysal, & Taylor, 2018). Further, with the increasing connectivity across the world, different community interest groups have turned into stakeholders of firms. For example, actors within a community network can be other firms, public agencies, the public, and NGOs that care about the same issue (Henriksen & Seabrooke, 2016). Knowing how different actors in the community are connected can provide knowledge and help firms to recognize problems that need to be addressed or opportunities to go after.

2.2. Tenet #2: segmentation and targeting

The second tenet explains that the OIM perspective can give important insights to firms so they can be more effective at customer segmentation and targeting (Quach et al., 2020). Again, the focus of much of the network analysis research on segmentation and targeting has been focused around customer networks. Customer networks can add value to the firm by extracting useful information to identify heterogeneity among customers. For example, Haenlein and Libai (2013) show that network assortativity leads to revenue leaders affecting other customers with high customer lifetime value, and thus share insights about targeting "opinion" and "revenue leaders." Other research identifies influential actors within a network to know whom to target (Iyengar et al., 2015; Katona et al., 2011; Trusov et al., 2013).

However, research in marketing is limited in its understanding of how other stakeholder networks, such as employees and suppliers, can be used in segmentation and targeting. For instance, the analysis of supplier networks can give insights into the upstream supply chain. By understanding the way suppliers are connected, firms can also better understand supplier objectives. For example, if a supplier focuses on sustainability and only sources environmentally responsible material, a firm can better use this information to position its products. As a response, a firm can seek out environmentally conscious customer segments to target because a sustainable supply chain will appeal to their interests. Neglecting supplier networks from the analysis might lead to a lack of knowledge that could have provided more economic value for the firm.

Further, for a well-functioning marketing department, it is crucial to have motivated and effective employees. Hence, employees can be segmented and targeted by their employers. Employee networks can be

Table 1
Examples of stakeholder network research in marketing.

	Customers	Employees	Suppliers	Shareholders	Communities
Tenet 1 ^a	Iyengar, Van den Bulte, and Valente (2011); Toker-Yildiz, Trivedi, Choi, and Chang (2017)		Swaminathan and Moorman (2009)		
Tenet 2 ^b	Haenlein and Libai (2013); Katona, Zubcsek, and Sarvary (2011); Trusov, Rand, and Joshi (2013); Iyengar, Van den Bulte, and Lee (2015)				
Tenet 3 ^c	Stephen, Zubcsek, and Goldenberg (2016)	Beretta (2019)			
Tenet 4 ^d		Ahearne, Lam, Hayati, and Kraus (2013); Wang, Gupta, and Grewal (2017); Gonzalez, Claro, and Palmatier (2014); Bolander, Satormino, Hughes, and Ferris (2015)			

^a 1: Market sensing and responses.

^b 2: Segmentation and targeting.

^c 3: Innovation.

^d 4: Employee

clustered based on their network connections and other attributes that are relevant to their position. Measuring inter- and intrafirm networks may be helpful from a talent management and hiring perspective because it can become more clear what connections will help an employee to perform well in the future. Thus, human resources can analyze employee networks and learn about their employees' connections for promotions or referrals. Additionally, researchers can also use customer network data differently to identify similarities and differences among customers. Instead of evaluating the most influential actors, applying overlapping community detection can help firms learn about different consumers' interests based on what information network actors share among their close connections (e.g., social media posts, online reviews). Consequently, firms can better cater to customer needs by targeting specific consumer groups based on their topics of interest online.

2.3. Tenet #3: innovation

The third tenet explains that the OIM perspective can give important insights to firms so they can be more effective at innovation (Quach et al., 2020). For example, research in marketing has often looked at crowdsourcing ideas from customer networks for the ideation process to foster innovation (Stephen et al., 2016). Besides crowdsourcing platforms, employee networks can also be analyzed to improve the innovation process by providing knowledge about customer needs. For example, research in marketing has shown that employee networks can also be helpful in identifying innovations (Beretta, 2019). And, research outside of marketing has shown that keeping employees connected within an organization can improve the flow of information to support innovation (Tsai, 2001). Thus, we know that customer and employee networks can generate value for firms in identifying the effect that connections have on innovation.

However, research in marketing is limited in its understanding of how other stakeholder networks, such as suppliers, shareholders, and communities, can be used in innovation. Suppliers are constantly trying to innovate and improve their processes, which gives firms opportunities to be part of the innovation process. Research outside of marketing has shown that firms can listen to supplier ideas to improve their own products and services (Dyer, 1996). By investigating supplier networks, firms can gain more than just material resources. They can also gain knowledge and become more effective at innovating products. The other stakeholder network that can provide value for innovation is the network of shareholders. Shareholder trust in a firm can help secure the necessary financial resources. The more resources a firm has, the more it can invest in research and development. By knowing more about shareholder networks, firms can gather information about important shareholders in central network positions. Therefore, shareholder networks provide value for innovations. Since firms have become subject to more public scrutiny and criticism than ever, various community networks can provide valuable information to firms. Listening to problems of different interest groups gives insights about issues that potential customers have. Firms can use this information about issues and turn the problems into opportunities for innovation.

2.4. Tenet #4: employees' learning effort

The fourth tenet explains that the OIM perspective focuses on the effort that employees put forth to improve the flow of information from the outside to the inside of the firm (Quach et al., 2020). This can be accomplished with employees who are motivated to continuously learn about market changes and use this knowledge to adjust the marketing strategy. Employees are the ones who distribute information throughout the firm, so understanding the way employees are connected in a network is beneficial to understanding the market and customers. Research in marketing has looked at employee networks, but mainly regarding the effect employee networks have on sales performance

(Ahearne et al., 2013; Bolander et al., 2015; Gonzalez et al., 2014; Wang et al., 2017). This research has shown that salesperson networks are very useful in identifying gatekeepers of information within the company.

However, research in marketing is limited in its understanding of how other stakeholder networks, such as customers, suppliers, and communities, can be used in helping employees' learning effort. The connections between employees and other stakeholder networks can show how much access different employees have to information from stakeholder groups. One stakeholder network that employees are often connected with on business networking sites is customers. For instance, salespeople are connected to their customer accounts. Some firms now encourage employees to share firm- or product-related posts to their personal social media accounts. Analyzing the network structures of employee-customer networks can help in understanding how information flows back to the firm. Furthermore, positive relationships with suppliers are beneficial for any firm. Consequently, employees should invest in managing their relationships with suppliers. Knowing the network structure of suppliers makes this task a lot more controllable. Another stakeholder group that employees are connected to is different communities. Understanding what type of communities employees are a part of will create opportunities to leverage relevant information about public interest and potential consumer needs.

Overall, we can say that even though customers play an essential part in marketing, the OIM perspective helps us realize that other stakeholders are also crucial for the value-creation process. Different types of social networks applied to the four tenets of OIM can provide firms with essential knowledge, economic value, and influence over external partners, and improve the value generation process.

3. Challenges of stakeholder network research

It is also important to identify the limitations and challenges of network analysis. In a perfect world with unlimited access to data, it wouldn't be a problem to analyze all stakeholder networks. However, this is not the case in reality. Firms that want to conduct analysis on stakeholder networks will face challenges related to data collection and management, data analysis, and the organizational structure of their firm.

One challenge of stakeholder network research is to define the boundaries of the networks. To define a boundary, it can help to decide on what type of connection to focus on since people can have different ties based on their relationships in their social or work life. The data collection process can be straightforward for offline social networks by using surveys. However, this process can be costly and time-consuming. The internet and social media platforms make online social networks more accessible, but it can be difficult to capture the whole network due to data collection limits. Additionally, it is difficult to capture and utilize spaces if we don't know how far the connections reach. For example, some sales organizations don't know or don't keep track of salespeople's interactions. Researchers can help firms by exposing network structures and revealing insights on how to best utilize existing and potential future network connections. For example, salespeople often share sales accounts with other salespeople throughout their tenure. If they are responsible for the same accounts, it is very likely that they will exchange information at some point. These connections can give insights about how salespeople communicate and can access information, such as customer knowledge.

After collecting social network data, the scalability of the data can also pose problems for the analysis. Traditional social network analysis was developed for smaller networks (i.e., hundreds of actors). However, social media networks often contain millions of actors. Even though there are different network analysis techniques, including software programs and tools that have been developed to measure and analyze social networks, existing techniques often fail when dealing with a large network size (Tang & Liu, 2010). Large real-world networks often have complex or even hidden network structures, and without an

understanding of the structure, it is difficult to predict any behavior or outcome (Ebbes, Huang, & Rangaswamy, 2016).

The third major challenge comes with the organizational structure within a firm. Using social network data with an outside-in approach requires firms to have enough knowledge and capabilities, the right intraorganizational design, and an open culture built around customer-centricity. Many firms lack this culture of customer orientation and are not organized internally for OIM (Rust, 2020). Since social network analysis does not replace, but rather complements traditional segmentation and targeting methods, marketing departments need to determine how to integrate this new stakeholder network information into existing analytical processes. Despite the challenges of getting access to stakeholder networks, the OIM perspective shows that stakeholder networks can provide firms with knowledge, economic value, and influence.

4. Conclusions

OIM stands for more than just listening to customers and more than just reacting to the market environment. The framework of OIM illustrates that firms need to look outside while also staying connected to the company using employee knowledge. Consequently, firms need data that connects internal parties to external parties. Social network data can fulfill that need and make the perspective change to OIM possible. The key stakeholders of a firm are all connected and can be analyzed with the use of social network data.

Future research could and should leverage more diverse sets of stakeholder networks as empirical applications to test the different aspects of OIM applications. These can include key research questions such as:

- What type of network structure is most beneficial to engage with what group of stakeholders?
- How do we define tie strength for different stakeholders? Is it by the amount of information that flows back to the firm? Or, is it the frequency of contact stakeholders have with the firm?
- Does the firm have a central position within its stakeholder networks?

Network analysis tools enable firms to go deeper than just listening and engaging with their external partners. Firms can analyze the network ties they have with stakeholders and the ties between different stakeholders. The knowledge about which type of structures and network positions are most beneficial to the firm can help firms to work on improving relationships in their stakeholder networks. Consequently, the OIM framework explains the importance of stakeholder insights, which can be achieved through network analysis.

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