

# CONVERGENCE PROCESSES IN CONTEMPORARY ECONOMICS

**Kalinina, M.A, Financial University Under the Government of the Russian Federation**

**Lyudmila M. Kupriyanova, Financial University Under the Government of the Russian Federation**

**Alexander S. Rodionov, Financial University Under the Government of the Russian Federation**

**Olga Yu. Gavel, Financial University Under the Government of the Russian Federation**

## ABSTRACT

*The paper investigates major trends in contemporary economics and marketing, focusing on the convergence processes of different elements, tools, and metrics affiliated with digital technologies. The world moved into digital economy, and the key dilemma is whether people are ready to get rid of the 'old offline world' and become fully online customers absorbing digital services and goods. The recent development demonstrates convergence processes of online and offline economy; even 5-8 years ago all the spheres of economics were competing for the higher ranking of digitalization and online services. Nowadays we are facing different trend – more and more convergence between offline and online processes take place, and customers are turning back to previous life and services. Customers are seen as a hybrid between online and offline economics, and their wishes and wants are still the key element.*

**Keywords:** Authenticity, Convergence, Digitalization, 'Glocalization', Hybrid Economics, Offline & Online Customers

## INTRODUCTION

The world economy is moving towards authenticity. Economic globalization failed in terms of satisfying customers' needs and wishes in different countries, and global market opportunities and threats from huge multinational corporations are the main results of globalization.

Customers and stakeholders are moving back to their authentic values and treasures. The most popular trend is globalization – 'think globally and act locally'. The key principle here is that people worldwide do not wish to lose their authenticity but want to act differently. The convergence process starts right from combining those multidirectional trends. The term 'globalization' appeared as a result of the convergence process – customers want to appreciate global values (travel and business and learning curve opportunities, including Research & Development, language adjustments, standardized values) and at the same time to move towards personalization and invest into personal authenticity.

Convergence processes in different spheres of activities are aimed for personalization, which allows gaining competitive advantages. Digital revolution changed not only companies' minds but also customers' minds as well. In terms of absorbing technologies, corporations and customers are moving in the same direction and have the same access towards resources and outsourcing (Kupriyanova, 2016).

Nowadays we are facing trends where consumers interact online and offline, act globally and locally, combine human needs with latest innovations and digitalization technologies, and appreciate global opportunities with local values. Convergences in marketing and economics

mean such business combinations that lead to new possibilities created by technology and human needs (Wind, Mahajan & Gunther, 2014).

## METHODOLOGY

Evidently, the key research methodology in marketing and economics is observation. Even one hundred years ago, observation tools and practices brought success to those who used systematic approach to them. When a customer is in the middle of any kind of activities, holistic observation of their and of other stakeholders' behavior brings the most important information for decision-making process. This kind of information most of all follows impartial-relevant-accurate-current criteria (IRAC) and is appreciated as the most valuable. Besides, methods of statistical analysis and processing of different kind of information were implemented to collect all the necessary information (Kotler, Kartajaya & Hooi, 2019)

In order to evaluate changes in people's behavior and economics, the ethnographic model was used (Pine & Gilmore, 1999), showing how different communities are changing and what factors are influential. The research allowed concluding that the group of factors influencing social customer's behavior is changing over years. Holistic analysis was introduced to learn how customers and their preferences were changing and adapting historically – from traditional to digital (Anasica & Batra, 2020;Saval, 2017)

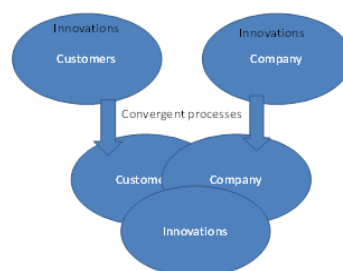
Cabinet and field research methodology was used through class discussions, solving cases, and collecting statistics over stakeholder's behavior. Students were involved into the project activity, gamification, writing scenarios for predicting customer's and stakeholder's attitude and behavior model during the decision making process.

## RESULTS

Globalization as presented 15 years ago failed, according to the present research and to(Samosudova & Cherkas 2015), the main reason being that customers and stakeholders within their communities preferred to keep their authenticity and even to strengthen their competitive advantage in all the aspects of their social, economic and political life. Yet and still, global brands are domineering; moreover, local and even 'communal' brands are getting stronger, and that is the way people prefer to live and act.

Figure 1 below demonstrates convergent processes. Nowadays customers and companies can get synergy effect from combining resources and the win-win effect when satisfaction on the level of customer and company is increased dramatically. It involves deeper understanding of digital ways of communication and of their pros and cons. Evidently, convergent processes were happening before as well, for instance, the blending radio, television, internet and digital resources.

The trend in contemporary economics is blending the company's activities with customer involvement, and the platform that gives this opportunity is digitalization (Kupriyanova & Nikolukin, 2020).



**FIGURE 1**  
**CONVERGENT PROCESSES IN MARKETING**

(Source: the authors).

Convergent processes take place in all the aspects of marketing activities, as shown on Figure 1.

Within the distribution model of marketing, convergence of online and offline activities is strongly seen, leading to intermediaries disappearing as a marketing instrument.

Convergence is a word that characterizes changes in cultural, technological, managerial, or organizational aspects, and cannot be presented just as a combination of old and new ways of thinking and acting. Convergence is a cultural shift from formally combining marketing tools and elements towards the so-called 'communal activations' where customers as society members formulate and represent their interests and wishes. Mostly, convergence takes place in the minds of customers and consumers, representing a new understanding of their wishes in line with the society's opinion. Some consumers or stakeholders have a greater ability and wish to participate in convergence processes than others.

For instance, Tesla, Inc. (an American electric vehicle and clean energy company based in Palo Alto, California), demonstrated a great shift from the network of dealers to the so-called 'store and service center' model. Tesla organizes showrooms in crowded places: retail malls, festivals, streets where all kinds of communications, including peer-to-peer communication, take place; and customers themselves make reservations for vehicles. Thus, the Company no longer has conventional dealers or inventory expanses, and customers are able to place orders online, even choosing from Tesla Design studio (Saval, 2017). In this case, convergence between company and customers brings more efficient results. Marketing in itself is a big facilitator between the Company and its clients.

Kotler, Kartajaya & Hooi (Kalinina, 2020) dubbed these new distribution channels 'communal activation'. This is a good demonstration how people act nowadays – by communities. Everyone is a member of different communities, and that is how companies have to fulfill positioning and employ 'communitization' as a segmentation criterion. Besides, segmentation can also be characterized as a result of convergence of online and offline activities.

Convergence takes place in marketing characteristic features of the product. It is necessary to talk about product not only from the point of view of combination of physical, augmented and digital product, but from the point of view of total customers' experience. In general, it means deeper interaction between customers and brand image. The experience in this case goes beyond the product itself.

Companies can benefit through building platforms that are easy to manage and update. Companies involve stakeholders and most of all customers into the design process and create platforms from which customers can manage their customized products. This kind of collaboration with customers can change the product life cycle.

Globalization of the world space has become the subject of discussion and real practical actions since the end of the last century. At the junction of theoretical views of natural and humanitarian science, a new reality was born on the basis of the so-called nano-bio-info-cogno technologies (NBICs) of the 6th technological order (Rodionov & Kupriyanova, 2019).

Digital platforms for transforming material and energy goods into augmented and virtual reality are becoming the driver of the new economy. The sensory perception of the environment from the sphere of the cultural heritage of civilization was replaced by digital Big Data simulators.

A peripheral view of globalization makes it difficult to understand the world consequences of the decisions taken. Evidently, exponential population growth threatens resources as clean air, fresh water, river and sea fish stocks, and the wealth of forest and hunting grounds.

Progress and regression become the obverse and reverse of the monetary system civilization development, the visible and invisible hand of market relations management.

Another problem is the dilemma of energy consumption per capita in countries that are leaders in scientific and technological progress and in the emerging markets in countries with much less power availability. The question immediately arises whether scientific and technological progress is truly needed.

An important solution to the problem of vision, mission, strategy, goals and objectives of global sustainable development is the purpose of the economy.

According to modern science about distributing scarce resources to maximize profits, the result of the global scenario forecast of the unhindered movement of goods, services and capital will be the concentration of 99% of all the benefits of civilization in 1% of the population (Kupriyanova, 2017).

On the other hand, the definition of economics according to Alfred Marshall as the science of normal life allows avoiding this redistribution of world resources in favor of only the super-rich representatives of the population (Wind, Mahajan & Gunther, 2014).

However, under certain conditions, for example, 'from each person according to their ability and to each person according to their needs', humanity will reach another point of no return – social dependence.

Differentiation of world problems in the framework of individual humanities and natural sciences is no longer the driving force of scientific and technological progress. Today, joint integrated efforts of scientists and practitioners are needed. Thus, between economy and the environment is the sector of responsibility for 'preserving life'. Economics and sociology are responsible for the 'standard of living'. Sociology and cultural studies define the 'way of life'. Culturology and ecology by joint efforts of their achievements increase the 'quality of life' (Kupriyanova, 2016).

Political science, creating political conditions for normal life, ultimately leads to general welfare without social dependency and without concentration of world wealth in a narrow stratum of the population.

Modern evolutionary processes are characterized by advancement and achievements of NBIC technologies and by their convergence. Revolutionary innovations go beyond the technological order; the 'Internet of Things', artificial intelligence and big data processing technologies have changed end-use goods, their means of production and the process of exchange.

Information resources, knowledge and tools for their reproduction have become the most in demand today. Smart solutions in the digital economy push the boundaries of synergy. A person becomes dependent on smart devices and technologies, while their own mental intellectual activity must adapt and take into account the new challenges of the information society and the dependence of the digital generation on smart digital resources.

Globalization has been characterized by growing interdependence in recent decades. Economic growth is slowing down in many countries; the world economy is facing a crisis.

Lack of resources can lead to an increase in internal and external conflicts. In theory, financial globalization is focused on removing restrictions on capital flows and strengthening ties between the economies of states. Investors are interested in channeling resources from rich countries to poorer ones, contributing to GDP growth and, as a result, to living standards. Capital flows to poorer countries affect earnings on interest rate differentials, leading to currency vulnerability.

In theory, globalization should blur the distinction between international and domestic markets. In reality, capital markets are globalizing more slowly than expected, and not all companies have access to international markets.

In this regard, proper modernization is an important trend within the modern industrial society.

Customers and stakeholders moved into e-commerce, e-life, and e-interaction, yet and still they are social, and the necessity to remain social is another example of convergence.

Nowadays during Covid-19 pandemic especially, online activities became extremely popular, yet on the other hand, physical communication became extremely needed. Virtual and physical communities are active now, and companies have to change the strategic interaction to derive

the most value from both. Convergence communities have to create new economic and social values, and companies have to work out strategies to satisfy these communities' needs and wishes. On the whole, convergence communities can lead to stronger competitive advantage.

Convergence marketing anticipates new competencies that have to be implemented by the company, considering that customers nowadays are equipped with the same innovations and technologies:

- Better understanding of the new portrait of customers and stakeholders interacting with digital technology,
- Changing the business orientation towards long-term perspective,
- Treating customers as friends and consultants, and learning from them instead of managing them,
- Working with statistics and marketing metrics in cooperation with creativity and out-of-the box thinking,
- Thinking towards managing the convergence bunch (mix of old and new marketing tools) instead of thinking separately about customers and company.

The convergence processes are also seen within the main element of marketing mix – the Product, which can be introduced as a combination of physical and digital characteristic features. None of the products in contemporary economics can be introduced without service (Kalinina & Smirnova, 2020). According to Peter Drucker, service cost in the total product cost for customers very often exceeds 80-85% (Kalinina & Smirnova, 2020). New presentation of a product in contemporary economics is introduced as 'customer experience' (Myers, 1995).

Customer experience nowadays is a convergence of physical product, service, emotions and entertainment in the minds of customers (Kalinina, 2017). Very often emotions and entertainment are the key elements for purchasing decision making process. Digital products demonstrate great achievement in this field, can be downloaded any time for free, tested and experienced, and features and even price can be adapted to the customer's needs and wishes (Kalinina & Smirnova, 2020).

As technical tools for convergences in products, companies create digital platforms where all the interested stakeholders can meet, and create convergence product that could totally fit the customers' needs. Convergence anticipates experiments with new pricing strategies that can combine online and offline models because nowadays companies have to be sure that pricing strategies are consistent online and offline. For instance, Lufthansa tells their clients what extra sum it charges for offline services, for example, for purchasing a ticket directly from the company. Some segments of customers appreciate such services given by the company. New pricing convergence model can eliminate the situation when customers buy the product in developing countries for discount pricing and ship it home. Even including shipment costs, the total price cannot exceed the price of a product, for instance, in the States.

This could be avoided if necessary comparison of offline and online offerings is fulfilled. Pricing strategies in convergence economy are to lead to subscription instead of transaction, and companies have to focus on experience-based models with loyal customers, trying to avoid separate (one-shot) transactions. Free online services, as well as free trials, compete successfully with old pricing models. The strategies of co-branding were successfully introduced by Nissan, for example, and by its advertising agency TBWA/Chiat/Day. Payments were based on performance and on the two companies' converged objectives (Sammel, 2014).

## **DISCUSSION**

Discussions for the topic of convergent marketing were initiated by a joint team of professors from India and the United States. The reason for such research was the collapse of some small businesses penetrating foreign market and the wish to analyze the reasons for this. It was discovered that the trend for marketing development is, first of all, convergence strategies since they are present in culture, economics, language, mindset, etc. Wind and Mahajan from India and Professor Gunther from Northwestern University, who also took part in the discussion (Saval, 2017), pointed out that the main reason for any changes in economics and marketing is

the changing portrait of the customer and deeper understanding of stakeholders needs and wishes which are influenced by the environment, technology, innovation, fashion, culture, traditions and roots as well as by emotions and experiences and by education. As long as the customer portrait is changing, it means changes in economics, marketing and finance.

## CONCLUSION

The present research states that convergence processes are seen in all aspects of economic and marketing, in particular, activities. Broader capabilities for marketing have to be developed since convergence helps understand that marketing is not only a function but a philosophy, it is to be extended to all the company's activities, and customers are to be involved online & offline in every decision. Convergence marketing requires moving from the marketing department to the whole organization structure. The company has to be divided into online and offline activities, functional areas and brands.

Logically, if one speaks about convergence customers, the company is to be convergent as well. Any changes in customers' needs and wishes are a signal for the companies to follow the new economic trend, in this particular case, to change the organizational architecture. All the elements of the marketing mix changed: convergences are everywhere, and that is the major trend of economic development. Convergence processes influence the organizational culture, consumer interfaces, technology and value, and organizational boundaries. By creating modular processes, marketing will be more integrated into the work of other parts of the organization and will involve customer as a co-producer because marketing needs to manage virtual and physical customer interactions.

## REFERENCES

- Drucker, P.F. (2008). *The essential drucker*. New York: HarperCollins.
- Anasica S., & Batra, S. (2020). Analysing the factors involved in risk management in a business. *International Journal of New Practices in Management and Engineering*, 9(03), 05 - 10.
- Kalinina, M.A., & Kolesnichenko, N.K. (2020). Customer in a digital transformation. *Economy, Business, Banks*, 5(43), 78-86. (2020).
- Kalinina, M.A., & Smirnova, A.N. (2020). SMM as a competitive advantage within contemporary tourist market. In S.I. Ashmarina, V.V. Mantulenko (Eds.), *Proceedings of the II International Scientific Conference GCPMED 2019 – 'Global Challenges and Prospects of the Modern Economic Development'*. *European Proceedings of Social & Behavioral Science*, 79, 1415-1421, London: European Proceedings. (2020).
- Kalinina, M.A. (2017). Customization as a marketing innovative driver in a turbulence economy. *Management Sciences*, 7(2), 66-69.
- Kalinina, M.A. (2020). Retaining customers through digital communication mix. *Economy, Business, Banks*, 6(44), 75-84, (2020).
- Kotler, P., Kartajaya, H., & Hooi, D.H. (2019). *Marketing for competitiveness*. Singapore: World Scientific Publishing Co.
- Myers, M.D. (1995). References on ethnographic research. URL: <https://www.qual.auckland.ac.nz/ethrefs/>. Accessed: 27.06.2020. (1995).
- Pine, B.J., & Gilmore, J.H. (1999). *Experience economy*. Cambridge: Harvard Business Review Press.
- Sammel, A.J. (2014). Science as a human endeavor: Outlining scientific literacy and rethinking why we teach science. *Journal Creative Education*, 5, 849-857.
- Samosudova, N.V., & Cherkas, A.D. (2015). Innovative solutions in modern construction. *Modern Innovation*, 2(2), 30-32.
- Saval, N. (2017). Globalization: The rise and fall of an idea that swept the world. URL: <https://www.theguardian.com/world/2017/jul/14/globalisation-the-rise-and-fall-of-an-idea-that-swept-the-world>. Accessed: 27.06.2020.
- Wind, Y.J., Mahajan, V., & Gunther, R.E. (2014). *Convergence marketing: Strategies for reaching the new hybrid customer*. Edinburgh: Financial Times Prentice Hall.
- Rodionov, A.S., & Kupriyanova, L.M. (2019). A free market economy as a necessary factor for sustainable economic growth. *International Journal: Economy. Business. Banks*, 8(34). 28-43.
- Kupriyanova, L.M. (2016). Quality management as a business development strategy. *International Journal: Economy, Business & Banks*, (S1). 63-75.

- Kupriyanova, L.M. (2016). Product quality is a key factor of a successful business. *International Journal: Economy, Business & Banks*, 4(17), 147-156.
- Kupriyanova, L.M. (2017). Blockchain technology and crypto-currencies. *International Journal: Modern lawyer*, 4(21), 71-81.
- Kupriyanova, L.M. (2017). Topical problems of commercialization of scientific technologies. *International Journal: Economy, Business & Banks*, 1(18), 52-64.
- Kupriyanova, L.M. (2018). Intellectual law in the intellectual property market. *International Journal: Modern lawyer*, 1(22), 92-101.
- Kupriyanova, L.M., & Nikolyukin, S.V. (2020). Commercialization of a trademark as a means of individualization. *International Journal: Modern lawyer*, 2(31), 43-54.
- Artamonova, K.A., Gavel, O.Y., Lopatkin, D.S., Kopylova, L.E., Aliev, O.M., & Gibadullin, A.A. (2020). Assessment of the readiness of industrial production for digitalization in the Russian Federation. *JOP Conference Series: Metrological Support of Innovative Technologies*. 2020. 32004.
- Berdnikov, V.V., & Gavel, O.Y. (2014). Prospects of strategically data analysis by implementation of adaptive business management model. *International Journal: Audit and financial analysis*, 6, 239-252.