A Challenging Issue in Competitive Marketing Environment- Value Delivery

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Abstract

Value delivery task is becoming a challenge for the Indian market. Consumers' aspiration as well as their perception of value has become a key determinant. Just by price cutting the manufacturer does not score any longer. Only by meeting the value requirement can he sell his products. Value delivery is not an easy task. It requires creativity, innovations and customer insights. It is very important for a firm to go with value framework. The marketers have to achieve best configuration of benefit-cost- satisfaction. Due to increase competition and growing technology consumers have wide choice and it become difficult for a firm to attract customers. Through continuous watch on changing environment and predicting customers' requirement, he firm can provide superior value to customers, which is very essential to survive in competitive world.

Introduction

Delivering superior value to customer is critical to marketing success; the task is not at all easy. Consumers, those in the value driven segments are tough lots to please. There are so many offers today in these segments and, no manufacturer effortlessly walks away with the cake. This is so because the task of value delivery in a competitive market is quite difficult. With the presence of more choice, the buyer has become all the more choosy and discriminating. Today the task, as well as the challenge of the marketing is 'value delivery'.

The idea in value delivery arises from marketing environment i.e. consumer, technology, competitors and many other similar components that are the part of marketing environment. It is by capturing the relevant insight from the environment; the marketing fulfils the task of value delivery. The insight provides clues and help in formulation of the right strategies for delivering the value. The buyer derives satisfaction when the value exceeds the cost. The larger the value cost gap, the greater is his satisfaction.

Today, a good section of Indian consumer has the resources and mindset to spend liberally for getting value. They refuse to be satisfied with products that are 'just good'. They demand instead products that are very good'. Even while the emphasis of the firm is in customer satisfaction, it lack the practical direction need for achieving it because value delivery being the foundation of customer satisfaction.

Earlier the marketing revolved around 4p's but the paradigm shift in understanding marketing and new perspective is value delivery.

Review of literature

One recent perspective on customer value has been in the area of superior customer value creation and delivery. This has been the focus of much research interest in the 1990s

(Day, 1994) this research strongly emphasises the links between customer value and organisational profitability and performance. This work argues that a company's success will depend on how well it provides its customers with what is valued. This involves developing the market-oriented-culture necessary to build and maintain the core capabilities that continuously create superior customer value

(Slater and Narver, 1994), work in the strategy area has focused on understanding the creation and capture of value

Bowman and Ambrosini (1998) 12Gale's (1994) work is of special interest as it builds on earlier research relating to the Profit Impact of Market Strategy (PIMS) research

(Buzzell and Gale, 1987) He suggests that there are four steps to customer value management. These stages are: (1) conformance quality; (2) customer satisfaction; (3) marketperceived quality and value relative to competitors; and (4) customer value management. As part of this work, Gale draws upon the PIMS research emphasising the corporate pay-off from superior quality and value and outlines seven tools for customer value analysis measurement.

Naumann (1995) stresses that in creating and delivering customer value, product quality alone is not enough to guarantee survival. He states that the most important success factor for a company is the ability to deliver better customer value than the competition. Building on key concepts already discussed in the 'augmented product' and service quality literature, he introduces the 'customer value triad' which brings together product quality, service quality and value-based prices.

Grönroos' (1990) perspective on perceived service quality being a combination of *technical quality, functional quality* and *image* is important in this context because it illustrates the fundamental aspects of service quality. Product quality and service quality are the pillars that support value-based prices

Knox and Maklan (1998) have suggested that in order to compete more effectively, organisations need to re-examine the way in which they define and deliver value to their customers by bridging the gap between brand value and customer value. They argue it is no longer enough to focus on creating brand values through brand marketing as a guarantee of long-term and defensible advantage in the marketplace; organisations now need to explore customer value and translate this into a value proposition through branding.

Reichheld and Sasser (1990) report work which looked at the net present value profit improvement of retaining13 customers. It was found that for a number of service and business-to-business organisations, a five percentage points increase in retention could yield up to 125% improvement in net present value profits. This was calculated using the concept of CLV which is defined as the net present value of the future profit flow over a customer's lifetime.

Rust, Zahorik and Keiningham (1995) outline procedures for assessing the impact of satisfaction and quality improvement efforts on customer retention and market share. Based on a survey of literature on customer retention *Clark and Payne (1994)* identified some key concepts for retention improvement. They propose a three step framework for retention improvement which involves three sequential steps of customer retention measurement; identification of causes of defections and key service issues, and corrective action to improve retention.

Payne and Rickard (1997) developed a mathematical model of customer retention with the objective of enabling a trade-off to be made in the allocation of scarce marketing resources between strategies concerned with retaining existing customers and attracting new customers.

Page,Pitt, Berthon and Money (1996) who developed a quantitative approach to analysing defections and their impact using a case study approach. They conclude the cost of retaining customers is generally much less than the cost of acquiring new customers. This idea that existing customers are much cheaper to retain than new customers are to acquire is widely emphasised in the marketing literature eg *Blattberg and Deighton (1996).* Others have argued that customer retention as a strategy should be adopted by companies since it costs five times more (some have argued ten) to get a new customer than it does to keep an existing one.

Objectives of the study

1) To study the concept of customer value
2) To study the process for value delivery
3) To study why value delivery is necessary for survival in the market

Concept of Customer Value

Customer value refers to what a customer sees as value in offer. The firms offer carries all the benefit the firm intends to pass on to the customer. All such benefits in the offer, which that customer sees as benefit are carrier of customer value nut those benefits in the offer that are seen as benefit by the firm, but not reckoned by the customer do not contribute to customer value, the customer assign weightage for each benefit depending on the priority assigned to them by him. Total weightage assigned to offer indicates total customer value.

The buyer also incurs some cost in acquiring this value i.e. the customer cost. This cost include price, efforts and time spend on acquiring the product. The *Customer Perceived value* of a product is the difference between the prospective customer's evaluation of all the benefits and all the costs of an offering, in comparison to the perceived alternatives. Formally it may be conceptualized as the relationship between the consumer's perceived benefits in relation to the perceived costs of receiving these benefits. It is often expressed as the equation:

Value = Benefits / Cost

The customers get benefits and assume costs. Value is thus subjective (i.e., a function of consumers' estimation) and relational (i.e., both benefits and cost must be positive values).

There are cultural expectations and customer expectations involved in it.

For a firm to deliver value to its customers, they must consider what is known as the "total market offering." This includes the reputation of the organization, staff representation, product benefits, and technological characteristics as compared to competitors' market offerings and prices. Value can thus be defined as the relationship of a firm's market offerings to those of its competitors.

For an organization to deliver value, it has to improve its value : cost ratio. When an organization delivers high value at high price, the perceived value may be low. When it delivers high value at low price, the perceived value may be high. The key to deliver high perceived value is attaching value to each of the individuals or organizations—making them believe that what you are offering is beyond expectation—helping them to solve a problem, offering a solution, giving results, and making them happy.Value changes based on time, place and people in relation to changing environmental factors. It is a creative energy exchange between people and organizations in our marketplace.

What is a Value Delivery Process?

A value delivery process is an amalgamation of value creation and the delivery process, which are divided into three phases. The first phase is choosing the value, which refers to the homework that marketers must do in terms of market segmentation, appropriate market selection, and developing an offering's value positioning or identifying the values that the company's product or service should meet. The second phase is providing the value, wherein marketers must determine the price, features and distribution method. The third phase is to communicate value by making use of the sales force, advertising tools, promotional activities, and other important mediums that are necessary for announcing a product or service's existence and its features. In other words, the process starts from identification of customer values that are usually not met by existing products or services in the market, creating a product or service that offers those customer values and creating an awareness of the product or service in the consumer market through marketing. For example, in the mid-90s, there were no camera phones. Cell phones came only with a calling and texting feature. However, there were customers who wished to have integrated cameras in their mobile devices. In this example, the wish to have integrated cameras is the customer value. Companies that constantly strived to identify the needs of the customers came across this customer value through market research. The marketing professionals of the company communicated this unaddressed customer value to their firm's R&D department. The company invested funds into the R&D process and determined the mode of distribution for cell phone. They priced the phone and determined the distribution channels for the phone. To ensure that the customers are aware of the phone's existence, they started promoting the product (cell phone) through advertisements and other marketing tools. Customers took notice of the phone, realized that the phone came with an integrated camera, and started buying the device. This entire process starting from customer value identification to the final sale of the product is what the concept of value delivery process is all about.

Why value delivery task has become tougher now?

A. The soaring consumer power

1) The change from shortage to surplus: for long Indian economy was characterized by shortages. Supply not being raised to meet demand. Competition was absent but with opening up of the economy, a shift from shortage to surplus occurred.

2) Abundance of choice: The surplus situation was accompanied by a massive expansion in choice as well. The acute competition and improved technology resulted in an abundance of choice for the consumer. The marketers had to convince the consumer that their productand services were unique and represented the best value for money.

3) Emergence of the well informed consumer: The consumers are not only better informed, but cleverer and capable of more effective evaluation of the cost-benefit position of the different brands. The media revolution has contributed greatly to the increasing customer awareness.

4) Rising customer expectation: Now a day customers are becoming more choosy and more demanding. The marketers had to face ever rising expectation on the part of the customer.

B. The exacting demands arising out of the new consumer power:

The development exposed the weakness of many players especially the one who were till now, in a near monopoly situation. The players now faced challenges such as

1) The compulsion to graduate from shoddy product to product of excellence: India was one of the largest market in the world but Indian product, sadly were the shoddiest. Now quality became a major issue for marketers in India. Marketers had to offer product meeting global standards.

2) Quality challenges: Due to increased awareness, firms required to obtain international quality certification. Benchmarking had to now take place against the best in the world.

3) Compulsion to be glocal: Today the key to success in Indian market is to 'think global-act local'- to be golcal in short. MNC's who entered India had to make their offer glocal because Indian consumer sees greater value in an offering that appeals t local taste.

4) Need to be price competitive: The provision of expected benefits does have its associated costs. The marketers have to go close to the consumer's expectation of benefit as well as the associated cost. They have to maximize the benefits and arrest the cost to the consumer in such a way that the customer gets more for less.

C. The need for ever more vigilance on margins

1) Cost plus will no longer work: In the new buyer market, cost plus will no longer be possible. Firms cannot pass on all their cost and all periodicals escalations to the buyers. This reality throws up new pressure on the margins and profit of the firm.

2) Unrelenting investor pressure: There is a pressure on the firm from the market to reduce the price, on the other hand investors make pressure to step up profits. The investors pressure demands the marketing men to not relent on margin.

3) The need to closely monitor efficiencies: Marketing men have to bother about efficiencies of product and services. Consumers are not willing to pay extra simply for a brand name especially if they can get same value at a more affordable cost.

D. The need to be ever more market driven

1) Embracing co-creation of value along with consumer: Marketing men in India have to try out this concept now and modify their traditional company centric value creation.

2) Effective practicing of CRM; Marketers have to turn to CRM in a big way as they face an out and out customer dictated business environment today. As part of their customer management they have to embrace customization, personalization and one to one marketing.

3) Resolving consumer dilemma and guiding them to right purchase decision: The customer often fell confused by the abundance of choice and the intense competition among the players. Marketers must resolve consumer dilemma and guide them to right purchase decision.

Value delivery framework

Step 1: Build Value Understanding

Delivering **value** profitably is the heart of all marketing practice, especially business marketing. According to ISBM's Founding Director, Professor Irv Gross, marketers generally understand of the concepts of "price" and "cost," but many do not have a clear picture of "value." Is it the actual or perceived quality for the price charged, whatever "quality" means? Or is value whatever the customer is willing to pay to acquire a set of product and service benefits?

Step 2: Strategy Formulation

Segmentation, Targeting, Positioning: Modern business marketing strategy relies on three tasks— segmentation, targeting, and positioning.

Step 3: Design Customer Value

Simply building a better product hardly guarantees business marketing success. One must understand customer value, which in turn hinges on understanding the value your customers' customers will reap from your offerings.

Step 4: Communicate and Deliver Value

As the B2B marketing process unfolds, the next step requires communicating the offering's value to the marketplace. Communication is critical for a product launch, of course, and also throughout the product's entire life cycle. New prospects always enter business markets and customers exposed to competitors' messages need to be reminded why they're happy buying from you.

Step 4: Life-Cycle Management

Managing product life cycles, and the life cycles of company relationships with customers, is the province of branding**.** In business markets, brands are the culmination of total experiences your customer has with your products, services, people, and all elements of your company.

Need for value delivery

Many companies know that by going to the customers and delivering them innovating value, they can change the industry condition in their favour. Many companies are worried all the time about staying ahead of the competition. Companies swearing by value framework do not pay that much attention to matching or beating the competitors, instead they try to make their competitors irrelevant by going the customer and delivering them innovative value. They come with new ways of value delivery and thereby change the rules of their industry in favour of them. The companies ignoring value delivery got in trouble ex. G.M. It was on the top of the world passenger car industry but it ignored customer value and suffered a relentless decline. While M&M by went about the value selection and developed a compelling value proposition. Maruti Suzuki stands for value as much as it stands for performance. Nokia, focusing on customers' value, provide more and more value to its customers by adding new features to its cell phones. Hero Honda made a lot improvement to its civic engine system that helped engine burn fuel more efficiently and enhancing driving performance.

Conclusion

Today, for the survival in the competitive environment, almost all the companies are adopting value delivery system. Because of the awareness of the consumers and their paisa vasool approach companies has to provide more and more benefits for every penny of their customers. Crating value is not for a company, it has to communicate the value to the customer. Customer must know how the offer is superior than others. Infact the real and superior value is provided to the customer when he is bound to say that 'yes, we have received so much benefits in very low cost'.

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