

Treatise on the Importance of “Delivering Superior Customer Value” In Today’s Market Economy

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Introduction

The question today is how does technology relate to all the tried and true Marketing Principles? The big buzz recently has been with marketing on the internet which has opened global markets. We should look at what’s happened over the years; the internet is just a new twist on things that have already taken place. If we go back, we can see that the only thing that is constant in business is change and that we act and react based upon customers’ needs and wants.

Let’s first look at how consumers buy; and consumers are really not any different from business to business or commercial buying. If we look back into the 30’s and 40’s we see ethnic neighborhoods with local stores where everyone knew each other, there was very little verity. Then the consumer moved to the major downtown areas where they would go to do some basic shopping. Next, we move into the 50’s and 60’s where the automobile changed how consumers went to market. This was a time of prosperity and most families had a car. What happened was we’ve moved from the downtown areas to places we call malls. You see, back in the 30’s and 40’s if you needed major purchases from major stores, you had to go to a major city. You went to the major city and you did your shopping; or you did catalogue shopping through Sears and Roebuck or Montgomery Ward. Our society is mad more mobile because the income level of consumers has increased. In the 30’s and 40’s women stayed home with the children, cooked, and took care of the home. The husbands went to work and provided the income for the family. As we get into the 50’s and 60’s there are more families with a car. We’re more mobile now; the people can go to the malls and purchase what they need. Shopping becomes a social activity. In the downtown areas, merchants did not pay attention to what was happening with the buying public, and some went out of business. New stores emerged because they paid attention; they were ahead of the power curve in terms of what the consumer was doing, how the consumer was purchasing.

We fast forward, and we look at what’s happening now. We see, in a family, both husband and wife are working; a new industry develops called Day Care Centers. Day care centers for the young and day care centers for the old because there is no one at home to take care of those responsibilities. So, now we have an increase in income and an increase in purchasing power. What has started to emerge because of the increase in technology is the fact that the buying public has a limited time schedule and a vast amount of people need to be able to purchase things very quickly. If their free time is only Saturday and Sunday during the week, most people do not want to spend that in a store shopping for basics. Therefore, we’re able to utilize the new advanced technology to be able to fulfill those responsibilities of purchase and still leave time for rest, relaxation, and family.

An interesting thing occurs as we look at history, as the old saying goes, “Those who do not pay attention to history, those who are not looking 5 to 10 years ahead are doomed to repeat it.” Take the old scenario about the buggy whip manufacture, if they did not change and offer the public something other than buggy whips they’d be out of business and many were put out of business. “The iron horse will never make it.” Ah, people today say, “You’ll never use the internet.” “Imagine what would happen if gas reaches a dollar a gallon.” A dollar a gallon that was in 1970, the very first gas crisis; now, we are worried about gas at a dollar sixty to two dollars a gallon. Those that can “bet on the come,” are those who that are able to give the consumer what the consumer needs will stay in business. The old marketing adage, of solving the problem for the consumer is what it will take to stay in business. We need to change with the consumers’ wants and needs, not in principle but in delivery. This paper is all about what businesses must do in order to meet the challenge and thrive in the twenty-first century.

21ST CENTURY

With the advent of the Internet, the balance of power between consumers and companies has changed immensely. Markets have matured because of competition and the Internet, competition is fierce because of the level of the sophistication of the consumers, and because of access to the Internet has been overwhelming. Companies can no longer rely on the same kind of control that they once had. Today's consumers are more intelligent, and certainly are more demanding.

Consumers today are certainly more intelligent and because of instant access through the Internet they are much more demanding. Competition is intense and can come from anywhere, anywhere globally. So, the old and new business models are increasingly susceptible to the instant gratification of generation X; the proof is in how dot com companies were punished. The results are not immediate; but the old marketing methods will no long continue to produce in the twenty-first century. What is needed now, is what is termed as strategic marketing, the design and development of a market driven strategy. Both long and short growth management plans, managing for growth, and growing brand recognition is the typical management paradigm. Well, the executive team consists of the Chief Executive Officer, who would be steering the boat; the Vice President of Marketing, who would be in the engine room supplying the power, The Finance people that would be standing by the brake to slow the ship down; the Vice President of Sales working the tiller or the rudder; Marketing Researcher Manager, would be on the stern, looking where we have already been, looking at history; and the Credit people asleep in the cabin.

This paradigm worked well during the twenty-first century however; again, with the advent of a more enlightened consumer via the internet access, a more global approach is necessary. One needs to see not only what is behind but also what is ahead, to see the future and what is on either side. We need a global perspective.

The new strategic marketer has all the technological advantages; they can see 360 degrees around whatever mode they are in; looking in the past so that we learn from history; but also anticipating what today's intelligent consumer is looking at. Looking on either side, they have the sonar and radar to be able to direct its marketing efforts upon information about competitors, about the market, and about the needs and wants of the consumers in general. This is now a vehicle that is

able to move quickly, swiftly, and decisively to solving problems of the consumer, and satisfying needs.

It's not only important to know what is happening around you based upon the consumer and your competition, but it's also important to know and have the insights, and the situation assessments that are happening within your own internal organization. The pro-active look at what the future is via the technology and research and development. In this strategic marketing paradigm the consumer is at ground zero; this is what everything will revolve around.

We have gone from a "push" type market to a "pull" type market based upon customers' demands. We can call this a demand strategy that is necessary in the strategic marketing paradigm. We've heard in the business world of empowering employees in today's world because of the technology advances, now we have an empowered consumer because of global access to information. This is the epi-center of the marketing mix.

Establishing Brands

If a company is to introduce a brand it must be something significant in the eyes of the consumer. It must be relevant to the consumer and the company must differentiate it from its competitors and define its specific target. No longer can a shotgun approach to the market be successful. Everything must be honed to a single rifle shot type approach. Developing a brand is a strategy in and of itself and there are various brands. Federal Express goes back to the old concept of identifying specifically what they do. If a shipment needs to be there expeditiously, one doesn't just send the shipment, one, FedEx's it. As the company defines and establishes its brand it must be a corporate culture. The brand must emanate from everything the company does, how it does business, how it relates to its consumers, how it relates to its employees.

Targeting and Segmentation

Attitude and behavioral segmentation is the basis for the consumer fact base-driven strategic model. In the twenty-first century, all consumers are not the same. Consumers seek out different products for different reasons or different needs. Certain segments of consumers are identified by their attitude and behavior. The most important issue with target segmenting is to be able to identify your heaviest users. The most important issue in consumer or target segmenting is to identify your major users and pay attention to people's needs and wants; those are more important issues than the corporations misunderstanding of what they feel should be important for the consumer. We just have to look at Heinz's introduction of "Green Ketchup" and how it went against what the consumers wanted. Somebody at Heinz decided it was time for a change in the brand and it became an icon so customer knew what to expect when they went there.

These days as competitive as business is, it is imperative that our marketing people take a global approach to market brand and business building initiatives. Today's marketers must be pro-active and anticipating consumer demand and consumer needs. We no longer can rest on our laurels and say what has happened in the past and what has worked in the past is sufficient and will see us through to the future. We must be aggressive and give the consumer what the consumer needs to satisfy their wants and desires.

What are consumers looking for?

Looking ahead we can see the value in technology enhanced purchasing, but how do we make it work? According to The Yankee Group between 25 and 77 percent have abandoned their purchases and at least 75 percent of all purchasers have abandoned a sight at least once. Lost sales! How do we capture this loss? What are consumers really looking for? Today's consumers are far more sophisticated than yesteryears. They demand speed, ease, and convenience, if not there is no advantage.

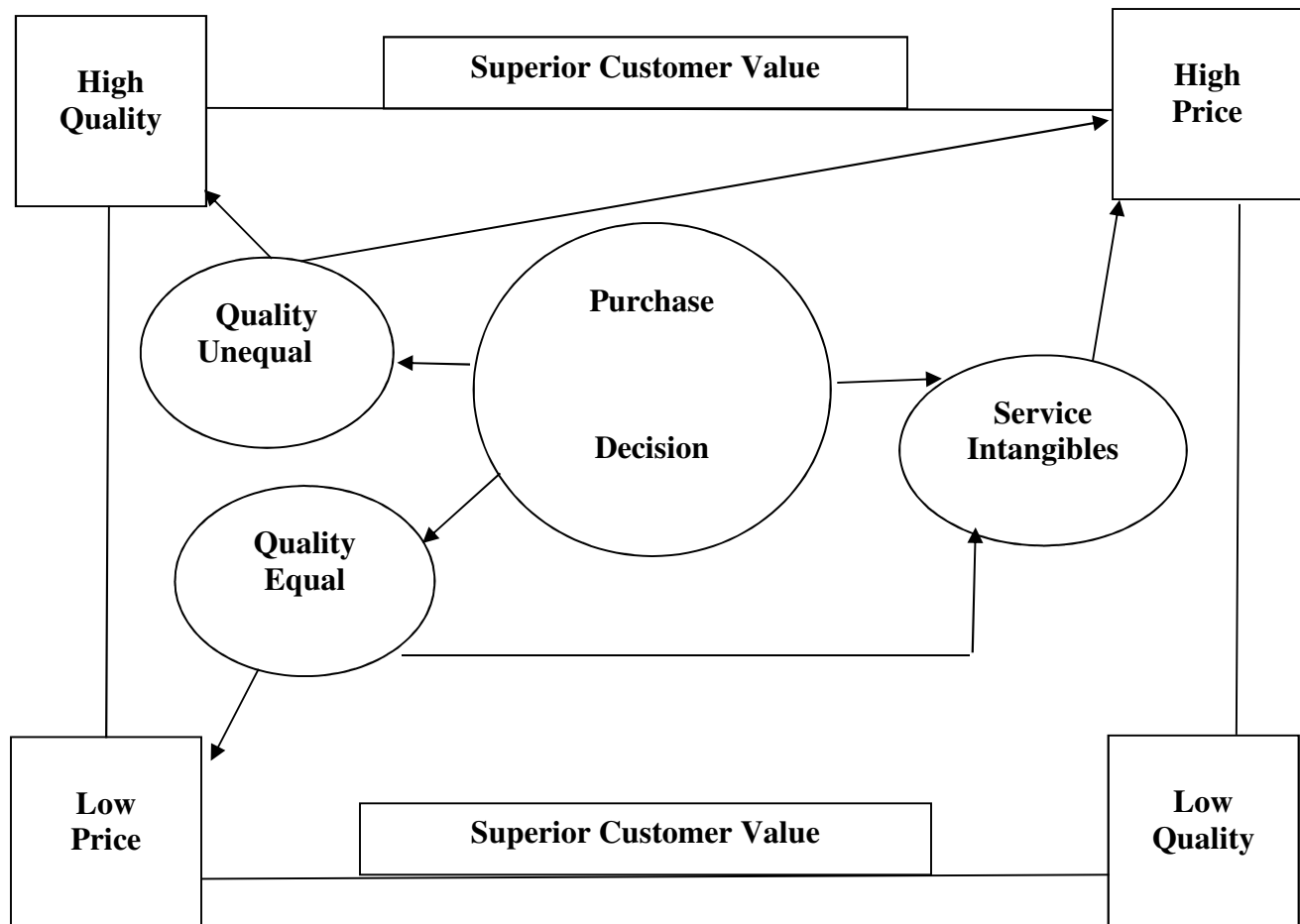
The rules for technological purchasing is no different from "bricks and mortar" purchasing. The problem is that the proven "bricks and mortar" methods have become second nature and sellers tend to take them for granted. It is more critical currently to know who your customers are and what their needs are. Sound simple? It is! The second step is just as simple, position yourself where your customers are and then give them what they want. This provides value to the customer and we all know people and companies don't purchase things they purchase value.

How do we provide value for the consumer?

Navigation of a commerce site is the single most important issue. According to the Yankee Group almost 30% of all abandonment takes place here. Keeping the site simple and consistent is paramount. Don't complicate things! Remember that the cleaner, easier and simpler you make things the more likely the consumer will stay.

Navigational structure should also be simple. This is one of the areas where the creative side of marketing comes in. Know your customers, anticipate their wants and needs, know how they think; this insures keeping your site consistent, simple and with a defined purpose. This is a unique combination of art and science necessary in the new age of marketing through technology. We must remain flexible enough to shift with the consumer as their wants, needs, and habits change. The new e-marketing arena is in a constant state of flux; the successful marketer must demonstrate his awareness and ability to adjust at the speed of change in the new marketplace.

Always be aware of the technological tools available to the consumer and never underestimate the consumer's ability to utilize them efficiently and effectively. As a company, we have a competitive advantage when we create superior customer value. Superior customer value is obtained when a company creates more real or perceived value for the customer than its competitors. This can be better understood by following the model below. According to Day and Wensley (1988), we differentiate between sources of customer value and performance outcomes. It is the contention of the author of this work that the significant area of importance is the difference between quality and price. This area is "Customer Value", it can be real or perceived. When quality is equal consumers buy price; however, it is in the arena of "Customer Value" that the consumer makes the purchase decision. Consumers will pay more for perceived value and will not for equal value.



In the 1980's U S businesses were threatened by superior quality of many foreign competitors. The competition for U S manufactures was that the quality from foreign firms was equal to or better than what they were producing and at a lower unit cost. The consumer purchase decision then migrated to the price portion of the equation. Day (1990) explains, "Boosting quality is now seen as the surest route to creating superior customer value". In the 2000's we are seeing that the quality of the product or service has reached new highs. The margin for error in quality for competitors is minute and price becomes more of a leveling factor in the purchase decision. Businesses are now faced with dwindling profit margins. The answer for this dilemma has been a "Value Added" approach to the product or service, thereby adding a new avenue to superior customer value.

The 1980's were an era where "quality" was the issue. The 1990's were the era of "quality enhancement". The 2000's are now the era of value adding to supply "superior customer value". Product life cycles today are measured in months not years. This is due mainly to the increase in technology enabling competitors to reengineer products and services to produce a less expensive alternative in a very short time period.

Customer retention is based on customer satisfaction and trust. It is a well-known fact that the costs and time involved in obtaining new customers is five times greater than obtaining additional business from existing loyal customers. Companies are now focusing on vigorously maintaining their existing customer base. According to Heskett, Sasser, and Hart (1990) customer defections are among the worst economic event that can happen to business. Customer retention is now the order of the day for most businesses and businesses see this being accomplished through delivering superior customer value.

Sales growth relative to your competitors is a standard performance indicator in business. A company's sales will not increase faster than its competition unless it is able to differentiate its' self from the competition. This differentiation is delivered in the form of superior value delivered to its' customers. Sales growth by itself is not the total answer to competitive advantage, however it is the most complete measure of customer value generation.

Market focused companies use the traditional marketing tools such as focus groups, market surveys and market databases, they also employ sensitivity techniques such as developing strategic partnerships with top customers (Von Hippel 1986), working with customers to thoroughly understand their business and therefore their needs (McQuarrie and McIntyre 1992), and self-critical benchmarking of the customer value creation process (Day 1994). These skills ensure market-oriented companies to "stand out in their ability to continuously sense and act on events and trends in their market" (Hurley and Hult 1998; Slater and Narver 1998).

The trend of delivering superior customer value is now; companies must look five and ten years in the future to ensure the delivery method of that value. The only thing that is constant is change and with increasing technology advances it is imperative that companies make themselves accessible to their customers. The alternative for non-compliance is to go the way of the buggy whip manufactures.

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