

Toward a value - focused Marketing

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Abstract

The purpose of this article is to analyse the theory that refers to the creation of value by explaining the means of its creation, the concepts of customer's value in order to finally focus on the concept of co-creation of value.

Keywords: value, co-creation of value

Introduction

The concept of customer's value has recently turned into one of the most favoured work methods of managers and market analysts worldwide. The creation and delivery of value towards customers is considered as being the cornerstone of the whole marketing process as well as a necessary and efficient way of obtaining a competitive advantage on the market through the promotion of profit, increase and long term success (Tournois, 2004). It is considered that this approach will play a crucial part in the future marketing strategies.

Materials and Methods

The present study was carried out in order to determine the models used for identifying value in a supplier-customer relationship, by analysing its antecedents and consequences. The aim of this study was not to measure the created value, but to highlight the concept of value within a relationship.

Literature Review

The organizations develop an orientation focused on the customer's value, which eventually leads to a greater competitive advantage on the market (Woodruff, 1997; Kotler, 2003). The marketing specialists agree unanimously that organizational success is obtained through fulfilling and exceeding the customers' present and potential needs with the help of a strategy that is faster and better than the one employed by the competitors (Kotler, 2003).

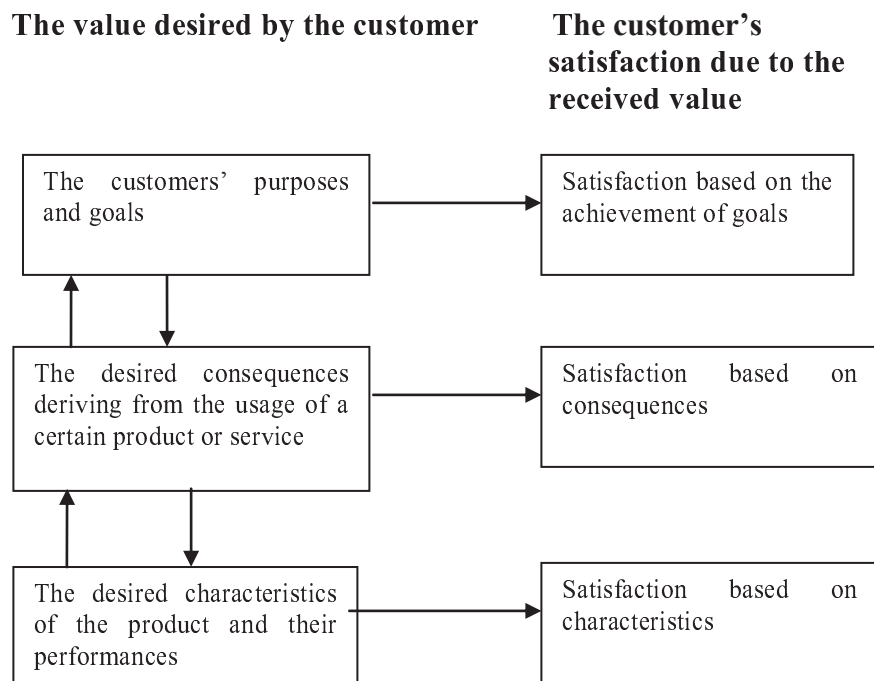
Value can be defined as being the whole package of benefits that satisfy the customer's needs and wishes. The perception that the customer has on this package is extremely important; this perception is always a subjective one, depending on the receiver (Makkar and others, 2008). To put it simply, it always refers to something perceived by the customer, than to something that is determined objectively by the seller (Woodruff, 1997). The customer usually perceives value as a compromise which determines him/her to give up something in order to receive something else in exchange. Day (1994) defines the values perceived by the customer as being the outcome of the comparison between the perceived benefits and costs.

The concepts of customer value are quite similar but according to Woodruff's (1997) point of view the more we analyse, the more we will notice the existence of certain differences which depend on the definition of other key concepts such as *utility, value, benefits and quality*. The definition of the concept of customer value also depends on the circumstances that determine the customers to consider the notion of value. This might occur during the acquisition process or when the quality of the product is experienced, namely during or after its usage. Each of these situations determines the client to appeal to different actions. The customer actually perceives value under the form of the desired qualities, of performances and of the consequences that derive from the usage of the respective product in a specific situation (Woodruff, 1997). According to Woodruff (1997), this can also be described by means of a hierarchical model of customer value within which the qualities of the product or service, the consequences resulted from its usage and the final aims reached through them are all independent and influence the final value and the customer's satisfaction.

The model (see figure number 1) suggests that the customer considers the desired value as a means through which he/she can reach

his/her goals. At the bottom of the hierarchy the client places the product/services seen as a bundle of real characteristics, which is defined by a compromise between the benefits and the costs of the respective product/service (Maas and Graaf, 2008). Then, after buying and using the product, the customer develops a desire for certain characteristics due to their ability to facilitate the achievement of the desired consequences. A customer will learn to desire certain consequences depending on their ability to promote the desired purposes and goals. Analysed from top to bottom the hierarchy shows us that a certain customer uses the goals and the purposes in order to give a certain importance to consequences and through them to certain characteristics that belong to the product in question (Woodruff, 1997).

Figure 1: Customer value seen as a hierarchic model



Source: Woodruff, 1997

The value desired by the client has a great importance for the organizations that want to focus on a superior customer value, since it offers and answers to the customers' needs and consists of the benefits which the customers seek in order to fulfil their needs (Flint and others, 1997).

It is of utmost importance to understand the concept of "customer perceived value". This represents the difference between all benefits that a buyer expects to obtain from a product or service and the total costs attached to it (for example $CPV = \text{the customer's total value} - \text{the customer's total costs}$). The customer's total value represents the perceived monetary value of all economic, functional and psychological benefits which the customer expects to obtain from a certain market offer. The customer's total costs represent the whole costs which a customer expects to make following the evaluation, obtaining and usage of the market offer.

According to Slater (1997), there is conclusive evidence that businesses that have a long-term success pay more attention to the value they offer to their customers than to obtaining an immediate and direct profit.

Due to the changes in vision that have occurred in the marketing domain in the past two decades, its role has changed. Thus, a transition has been made from a point of view based on customers and markets management towards one based on the collaboration with customers and third parties in order to deliver value (Woodruff, 1997).

The organizations that want to create a superior value for their customers have to undertake a process of value creation that includes communication and then delivery of value towards customers (Kotler, 2003). Thus, according to the theory issued by Kotler (2003), this can be achieved by focusing on five skills: understating the customer's value, creation of customer's value, delivery of value towards the customer, keeping and improving the respective value. In order to obtain these skills an organization must use the concepts of chain of values and value delivery network (Kotler, 2003).

Tournois (2004) defines "the creation of customer's value as being "the ability of a company to offer its customers a relative perceived value (a combination between the relative perceived value and the perceived price-market) higher than the one offered by the competitors". Therefore, the creation of customer value should not be considered an independent element within a company but it should be

integrated in all actions and processes similar to a global system. Even more, the investments and the risks that must obtain the competitive advantages on a long term are so great and consume so much time that the whole company has to be involved in the process of creating value (Tournois, 2004).

Since value is appreciated from the customer's point of view, it has to be co-created. This means that both the client and the service provider have to be involved in the process of value creation (Vargo and Lusch, 2004). If the customer is not offered an active part, then there are high chances for him or her to feel unsatisfied. Thus, it is absolutely necessary to take into consideration the aspect referring to the co-creation of value and co-delivery of value, especially when the services sector is involved, due to its special characteristics determined by the production of services (Makkar and others, 2008). Co-creation of value challenges the traditional point of view according to which value is comprised in the product, claiming that value is created by the customer's experience when he/she consumes the acquired product (Prahalad and Ramaswamy, 2004). The organizations that manage to carry out a co-creation of value, engage into their actions various individuals such as customers, managers, partners and all the company's shareholders so as to create a common value within the frame set by a so called co-creative enterprise (Ramaswamy, 2010).

Due to the development of the new communication channels via internet and the increase in power of social networks and mass-media, it has become easier for companies to involve their customers in the development of new products and services. The customers' involvement in the co-creation of a product or service represents more than just the sending and filling-up of questionnaires. The co-creation is a process that allows both customers and non-customers to express freely their opinions, make them public and feel more involved in the whole creation process (Bradford, 2009). At an international level, the marketing conceptions are gradually moving away from the focus on tangible resources, on which the market transactions have been made up till recently, heading towards a more dynamic exchange relationship within which the resources produce the effects and the value is co-created with the customer's help (Vargo and Lusch, 2004).

The customers expect to be involved in the process of value creation through the usage of new technologies that allow participation. Thus, organizations must learn how to implement these practices within

their structure. The change should always start from the inside by changing the very nature of the relationships extant between the managing staff and employees and by extending the present relationships with the ones that co-create value: customers, shareholders, partners and other employees. This situation requires the managing staff to adopt a brand new conception in order to turn their organization into a co-created one (Ramaswamy, 2009). The organization should first of all involve its employees into a work experience carried out at the level of the organization within which the employees are invested with decisional power. Thus, when time comes they will manage to collaborate successfully with the customers in order to create value. It is assumed that every employee has professional aspiration and seeks to have higher achievements which can be fulfilled with the help of the experience gained from the interaction with his/her co-workers and through the co-creation of value with the customers' help (Ramaswamy, 2009).

However, within conventional companies that produce consumer goods and within which value has always been considered as being the function of the finite product of the value chain, the involvement of employees in the creation of value and the customers' experience represents a real challenge. According to the value paradigm, this represents not only the finite product but also the experiences obtained from the product functions, from the interactions made with the help of commitment platforms and through communities of users (Prahalad and Ramaswamy, 2004). The challenge for the managing staff is to recognize those interaction processes within the organization that are value generators and to change its focus from the internal processes of the company on the interactions that take place between the individuals working for the company. The change towards such a conception based on interaction in order to co-create a common value represents a key challenge for the managing staff (Ramaswamy, 2009).

Prahalad (Leavy and Moitra, 2006) believes that the co-creation of value changes the nature of innovation. Even though, the traditional methods used for obtaining a competitive advantage are still used- price reductions, high quality products and speed of production - the companies have to learn how to rely on clients and perceive them as a source of innovation. Thus, a change is made from the innovation based on product on the one based on experience as it is the case of the

proliferation of platforms that allow customers to participate in the production of their own experience.

Result and discussions

When an organization decides to engage in a dialogue with its customers, it is important for the managing staff to remember to treat them as equal partners. The organizations have to understand the purpose, the meaning and the quality of these conversations from the customer's point of view. Likewise, it is important to have a viable method of delivering the message further so as to let customers know that the dialogue is valued (Prahalad and Ramaswamy, 2000). Vargo and Lusch (2004) also discuss about the change occurred within the market as more and more customers are requiring the companies they trust, services that are beyond their sphere of competence. Thus, promotion becomes a communicational process characterised by dialogue, questions and answers. The purpose is not the communication towards the market but the development of a continuous process of communication or of dialogues with micro-markets (Vargo and Lusch, 2004).

The capitalization of the customers' competences represents more than just a dialogue carried out with them. The companies should understand that nowadays customers are no longer interested in the product but on the experiences they can have as a result of its usage. They are no longer attracted by the artificial experiences proposed by the company but they want to create their own experience either by themselves or with the help of professionals or other customers (Prahalad and Ramaswamy, 2000).

Prahalad (Leavy and Moitra, 2006) states that it is important to understand that the concept of co-creation is no longer about the client only, but also about two partners that solve a problem in order to create a unique value. The traditional separation between producer and consumer can no longer be put into practice and the role of the organization is to offer its customers an experimental platform where to co-create value and to facilitate this through experience networks. The evolution of the co-creation logic has natural implications in various aspects of the company such as human resources management and company management styles. Since the employees are much more involved in the co-creation of value with the customer's help by means of the customer interface, their position within the organization changes

and for this reason are needed new meanings and new types of motivation. Likewise, new questions arise about the management of a corporation because the presumption that the company \square the customer changes into the customer \square the company or customer=company. This situation raises three fundamental problems that have impact upon the management: 1) the boundaries of the company are less distinct as it is in the network case; 2) all will have influence but not all will be owners as well; 3) the consumers and the communities will have a greater influence over the whole strategy of the respective company (Leavy and Moitra, 2006).

Conclusion

Although the importance of creating value for the customer is generally accepted, it can be observed the absence of a unifying frame of the way in which this can be implemented and measured within a company in order to truly improve the performances of a company. Therefore, we consider that this subject deserves further research and study in order to elaborate conceptual models strongly based from a theoretical point of view and to develop reliable and valid scales so as to offer various organizations a useful tool.

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