UNIT 14 A CUSTOMER VALUE STRATEGY I

Structure

14.0 Objectives

14.1 Introduction

14.2 Customer Value Strategy

   14.2.1 What is Customer Value Strategy?

   14.2.2 Factors Influencing Customer Value Strategy

14.3 Understanding of Product & Strategy

14.4 Understanding of Quality & Related Strategies

14.5 Understanding of Pricing & Strategy

14.6 Understanding of Promotions & Competition

14.7 Marketing Strategies for Meeting Customer Value Management

14.8 Let Us Sum Up

14.9 Key Words

14.10 Terminal Questions

14.0 OBJECTIVES

After studying this unit, you will be able to:

- Explain product and strategy to CVM
- Explain Pricing strategy to CVM
- Identify the impact of promotion and competition on CVM
- Explain marketing strategies for meeting customer value management.

14.1 INTRODUCTION

Product strategy is an important aspect of customer value management. It involves creating, developing, and positioning a product that provides value to the customer. A good product strategy should align with customer needs and preferences, be differentiated from competitors, and offer a clear value proposition. It involves decisions about product design, features, quality, branding, packaging, pricing, and distribution. A well-executed product strategy can help a company create and maintain customer loyalty, increase market share, and achieve long-term profitability. Apart from the product, other vital aspects are also important to consider. The quality of the product should be good enough to build repeat customers and loyalty. Pricing strategy means a good product with bad pricing, and a promotion strategy would always lead to low sales only. It becomes a waste of all efforts. Marketing means the 4 p's of marketing is again key aspect say product, price, promotion, and place. Last but not least are service levels. We will discuss this critical important strategy in the next unit. Customer value strategies revolve around development, quality, branding, customer loyalty, pricing competitiveness, customer service excellence, continuous improvement, community engagement, sustainability, and social responsibility. Companies generally plan customer value strategy to develop and build everything around it, which directly impacts the customers. CVM strategy, when it does not revolve around customers then it is called a defective strategy of the company.

14.2 CUSTOMER VALUE STRATEGY

14.2.1 What is Customer Value Strategy?

"Customer value strategies are ways to provide more value to your customers and increase their loyalty and satisfaction". Some examples of customer value strategies are:

- **Introducing an Individual Approach:** Personalising your products or services to meet your customers' specific needs and preferences.
- **Providing Valuable Content:** Sharing helpful information, tips, or insights that can help your customers solve their problems or achieve their goals.
- **Using Loyalty Systems:** Reward your customers for their repeat purchases or referrals with discounts, freebies, or other benefits.
- **Asking for Feedback:** Listening to your customer's opinions and suggestions and using them to improve your offerings or processes.
- **Organising Motivational Campaigns:** Creating engaging and fun activities or events that inspire your customers to participate or interact with your brand.

14.2.2 Factors Influencing Customer Value Strategy

Product Quality: Perceived quality of the product can be enhanced by improving product quality or services that perform well and meet all customers' needs and requirements without any issues.

Competitive Pricing: By knowing competition pricing their quality and putting our product and pricing next to it with complete honesty, deciding the pricing. Companies planning compared to price considering the quality and perceived value in comparison to the competition win typically customer's hearts.

Product Differentiation: To effectively distinguish offerings from competitors through unique features, technology, design, or branding. By doing this exercise, companies can build product differentiation in the market. Today, customers look for new features in the product as they feel bored using the same product over a period.

Excellence in Providing Customer Services: Delivering exceptional customer service through responsive support, easy access to information, and personalised interactions.

Customization and Personalization: Tailored products or services to individual customer needs and preferences, also a strong CVM strategy.

Convenience to Customers: Using different channels to sell the products to customers to make the selling process convenient, and in case of any support, it should be super easy for customers to get help. Generally, customers don't like delayed customer support.

Brand Image and Reputation: Building a solid brand image and reputation that conveys trustworthiness, reliability, and value.

Building Customer Education: Customer education on product features and services, after-sales support, refund policies, and exchange policies. These are essentials for any company.

Loyalty Programs: Ensure rewards to loyal customers with discounts, exclusive offers, or loyalty points to encourage repeat business.

Continuous Improvement to Meet Larger Customer Expectations: Regularly assess and improve products, services, and processes based on customer feedback and changing market conditions.

Strong Community Engagement: Building a community around your brand or product where customers can connect, share experiences, and feel a sense of belonging.

Sustainability and Social Responsibility: Demonstrating commitment to environmental and social causes that resonate with customers' values.

14.3 UNDERSTANDING OF PRODUCT & STRATEGY

A detailed product strategy for customer value management typically includes the following steps:

Market Research: Conduct thorough research on target customers, their needs, preferences, and behaviour patterns. This information is used to create a product that addresses specific customer needs and provides them with a compelling value proposition. It starts with Why theory means—asking the right questions about what the consumer is seeking despite so many products in the market already available. Finding information about the desired questions is called market research. It is detailed research as any wrong inference may lead to loss of time and money.

Some questions which a company can think of as follows: -

- Identification of products which a company wants to produce.

- Finding competition in the market
- Finding international product line and their benefit
- Finding some gaps where a company can add value.
- If the market size is enormous, competition is in the early stage. The company may think of entering a specific product line.
- Finding the right and latest technology that can provide low-cost and high-quality products for their customers with maximum features as well.

Product Positioning: Defining the unique selling proposition and positioning of the product in the market, considering factors such as target customer, product features, and competition. We have discussed this point in earlier issues as well. Product positioning is an important means to determine which type of customer you wish to sell. Say premium product category, mass product category, mass value category. One can choose the options based on the market size availability and customer affordability to pay for the product in the segment.

Product Design and Development: Creating a product that meets customer needs and expectations, with features and quality that sets it apart from competitors.

Pricing Strategy: Determining the optimal price for the product that balances customer value and company profitability. Here, generally, companies make mistakes as they want to make the maximum product at the initial stage. In my view, companies should weigh the pricing judiciously and then put the right product pricing so that customers can afford it with ease.

Branding and Packaging: Developing a brand image and packaging that supports the product positioning and appeals to target customers. Good branding builds customer confidence and willingness to buy at least try the first time.

Distribution Strategy: Deciding how the product will be made available to customers, whether through direct sales, retailers, or other channels. Companies may choose online options with online options; companies may think of building a distribution strategy based on the capability on the product side, considering the same they can plan to penetrate in geographies. Spreading too much with low product capacities may lead to channel confusion and bring down customer confidence.

Marketing and Promotion: Develop a marketing and promotion plan that communicates the value proposition and differentiates the product from competitors.

By taking these steps, a company can create and maintain a product that provides ongoing value to customers, supporting long-term customer loyalty and business success. Look at figure 14.1, which shows the steps of product strategy to CVM.

Figure 14.1: Steps of Product Strategy to CVM

14.4 UNDERSTANDING OF QUALITY & RELATED STRATEGIES

Quality strategy is a critical component of customer value management, as it directly impacts the customer's perceived value of a product. A well-executed quality strategy should have the objective of the following:

Meet Customer Expectations: Understanding the specific needs and expectations of target customers and developing a product that meets or exceeds these expectations regarding quality, reliability, and performance.

Continuously Improve Quality: Implementing a continuous improvement process to ensure that the product remains relevant and valuable to customers over time.

Meet Industry Standards: Adhering to industry standards and regulations ensures that the product is safe, reliable, and trustworthy.

Minimise Defects and Failures: Minimise Implementation processes and procedures to minimise defects and failures and quickly address any issues that do arise.

Measure and Track Quality: Establishing metrics and processes to measure and track the product's quality and identify improvement areas.

Involve Customers in Quality Improvement: Involving customers in the quality improvement process, seeking feedback and suggestions for improvement, and using this information to drive ongoing product development and improvement.

Competition Research: Carefully checking the competition products on quality, pricing, value it offers and technology used means it is a latest technology product, especially in the case of technology-led products. This helps drive the company to make the product as per the competitive trends of the market. The chances of product acceptability go up in that situation.

By implementing a robust quality strategy, a company can create and maintain a product that provides ongoing value to customers, helping to build long-term customer loyalty and trust. Look at figure 14.2, which shows the objectives of the quality strategy for CVM

Figure 14.2: Objectives of quality strategy to CVM

14.5 UNDERSTANDING OF PRICING & STRATEGY

Pricing strategy is a required component of customer value management, as it directly affects the customer's perceived value of a product. A well-executed pricing strategy will always help in planning the new product effectively for long-term objectives: -

Reflect the Value of the Product: Setting a price that rightly reflects the perceived value of the product to the customer, taking into consideration factors such as quality, features, competition and overall value for money. A product with a new USP (Unique selling proposition) at a competitive price always builds new excitement in customers' minds.

Balance Customer Value and Company Profitability: Building a strike of balance by providing a high level of value to customers and ensuring that the product is priced to support company profitability. Right balance always helps build a market for the product without compromising profitability.

Align with Market Conditions: Considering market conditions, such as competition and consumer demand, to determine the optimal price for the product. Companies should always identify the market to pay for the product in each market. A high inflation scenario may not be conducive for companies to charge a premium as customers have low buying capacity because of inflation and less disposable income availability in hand.

Consider Segmentation: Segmenting the target market and offering different pricing strategies for different customer segments based on factors such as willingness to pay and perceived value.

Implement Dynamic Pricing: Using dynamic pricing, where prices are adjusted in real time based on market conditions and consumer behaviour.

Monitor and Adjust Pricing: Continuously monitoring and adjusting pricing based on changes in market conditions, competition, and customer behaviour to ensure that the pricing strategy remains practical and relevant.

By implementing a well-designed pricing strategy, a company can create and maintain a product that provides ongoing value to customers while ensuring that it remains profitable and competitive in the marketplace.

Pricing strategy could be a significant part of the company's strategy plans. It is based on the core strategy. It could be a value-based strategy, or it could be a premium-based strategy.

For example

- **D-mart Strategy**: Offers products at a highly competitive pricing. Quality should be ok, especially in food. In other categories, product quality may not be that premium.
- **Spencer's Retail:** - Quality no compromise, Price value to premium in some categories. Product assortment is the best, especially in food.
- **Zara:** A fashion store. Offering product at premium price.
- **Home Centre**: A home furnishing and furniture store offers premium quality products to its customers.

Pricing is a strategy that should be decided with well thought out in order to be competitive in the market.

Check your Progress. A

1 Define critical elements of product planning.

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2 Define essential quality actionable while making a product.

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3 How does a channel influence product growth?

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4 How does pricing influence product sales growth?

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14.6 UNDERSTANDING OF PROMOTIONS & COMPETITION

Promotions and competition are two important factors that influence customer value management, and companies must sensitively refer to these elements when developing their marketing strategy.

Promotions Strategy

Awareness Building: Promotions can raise awareness of a product or service, drawing attention to its unique features and benefits and encouraging customers to try it. This is done in combination with a promotional awareness campaign, but before that, the product must be available on retailers' shelves, online platforms, and dealer channels. Proper visibility also helps build demand, which leads to sales thus motivating the company to do better for customers in terms of availability, etc.

Incentive-Based: Promotions can incentivise customers to try a product or make a purchase, such as discounts, coupons, or special offers. These introductory offerings work superbly in the market as they induce customers instantly to pick up the product. It leads to more trials and builds repeat purchase probability higher than before.

Trial-Led Promotions: By offering promotions, companies can encourage customers to try a product, increasing sales and customer loyalty. For any new product trials with customers, it is good to bring back customers with fresh product requirements. It also leads to understanding immediate positive or negative feedback about the product. Companies can work on it quickly so that the next product batch is improved.

Loyalty-Based: Promotions can also be used to reward loyal customers, build stronger relationships, and encourage repeat business. 20% of the loyal customers give 80% of the sales to the company. So, it becomes necessary to focus very well on loyalty-based promotions.

Competition Strategy

Competitor Analysis: Companies must monitor their competition to understand their strengths, weaknesses, and marketing strategies. Knowing competition is a key to success. Understanding their product strength, technology strength, service level strength, pricing, promotional strength also, channel sales strength, etc., is key to understanding.

Differentiation: Based on the competitor analysis, companies can differentiate themselves by offering unique and valuable products, services, and experiences that set them apart.

Price Strategy: Companies must also consider their pricing strategy in the context of competition, ensuring that their products are priced in a manner that is competitive and provides value to customers.

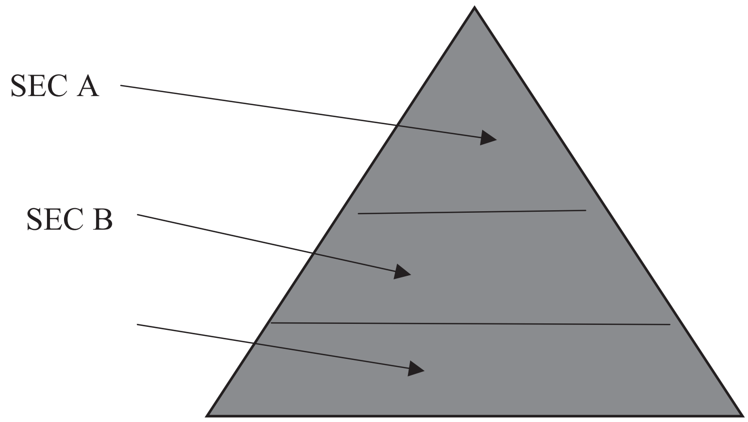
Customer Focus: Companies can gain a competitive advantage by focusing on their customers and understanding their needs, preferences, and behaviours.

By combining a well-designed promotions strategy with a strategic approach to competition, companies can create and maintain products that provide ongoing value to customers, helping to build long-term customer loyalty and trust.

14.7 MARKETING STRATEGIES FOR MEETING CUSTOMER VALUE MANAGEMENT

The following are common marketing strategies used in achieving customer value management. Marketing is a key element in building customer value management.

Customer Segmentation: Identifying and targeting specific customer groups based on their unique needs and preferences. It means building a product for a particular set of customers always helps in coming out with a quality product because then the company works on specific solutions to specific pricing expectations.



Understanding socio-economic class is fundamental. It is based on the standard of living and income pattern. SEC-A is an upper middle-class customer, and SEC-B is a middle-class customer. SEC-A are lower-middle-class customers. Then we have another class, say SEC-A / Rich class, and SEC C- means customers living in poverty. Companies must spend enough time introspecting about customer segmentation linked with the competition in the market. Once the customer focus area is cleared, all the products and pricing are established considering the same.

Personalisation: Offering customised products, services, and experiences to individual customers based on their past behaviours and preferences. It helps solve customer problems with their positive or negative behaviours while using the product.

Through data-based analysis, AI (Artificial Intelligence) and machine learning processes, companies can predict the behaviour through their past behaviour. Companies can make target-based campaigns. If a customer is a regular customer of Skin care products, she would love to explore new product launches in the retail store. If she is informed, there are strong chances she may come and buy the product.

Customer Relationship Management (CRM): Using technology to manage and analyse customer interactions and data throughout the customer journey. CRM data points give valuable inputs. If careful inferences are derived, then it may help in building the product better or improving services to push the product positively to customers.

Customer Feedback: Regularly collect and use customer feedback to inform product and service improvements and to gauge customer satisfaction. In an earlier point, we have explained the real gold mine is customer interaction analytics and inferences, so when market and product teams study, they build quality improved products for the company and market.

Loyalty Programs: Rewarding customers for their repeat business and encouraging customer retention. Companies spend a lot of time connecting with different campaigns a lot of time connecting with other campaigns, etc, to ask customers to the store by offering multiple offers. Some of the recommendations could be pre-approved car loan email to customers. Special discounts to select loyal customers to buy new products arrive in the store—loyalty card points on every purchase and redemption point communication are connected with some other discounts, etc.

Value Proposition: Clearly articulating the unique benefits and value that a company's products or services provide to customers. Sometimes, companies focus on campaigns on some additional new features of the product. For example, Maruti Celerio has recently launched a start and stop button, which is the latest technology, or it is a highly fuel-efficient car, so the company promotes these focused features to attract customers' attention.

Pricing Strategies: Setting prices that reflect the perceived value customers receive and are willing to pay. Pricing and quality should be part of the strategy. Once it is cleared, the company can focus on the right product and the right pricing, considering current competition and customer behaviour.

Customer Service: Providing high-quality, responsive customer service to build customer satisfaction and loyalty. It is a commitment from the company to the customer. Today, customers do not want any hassle. They want best-in-class service, ready to pay extra, but after-sales service should be the best in class. A lot of companies, in fact, most of the large companies, are focusing very seriously on the same. One example is Godaddy. which is providing hosting services in IT web services. Airtel is another example. They manage their customers through their app and customer service department.

Check your Progress B

1 Can you make 5 points on the proper pricing strategies?

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2 Why loyal customers are a gold mine for any company. Define?

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3 What are the best CRM tools available in the market? Search on the internet and mention?

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4 What do you mean by value proposition?

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14.8 LET US SUM UP

In conclusion, customer value management is critical to any successful marketing strategy. The above methods are aiming to create and maintain a mutually beneficial relationship between a company and its customers. By understanding essential customers' special & important needs and preferences, companies can design and deliver products, services, and experiences that have real value. By implementing these strategies, companies can build customer loyalty, increase customer retention, and drive long-term business success. Ultimately, customer value management is about delivering value to customers and creating win-win outcomes for the company and its customers.

Key Learnings:

Critical Role of Customer Value Management:

- Customer value management is deemed crucial for the success of any marketing strategy.

Mutually Beneficial Relationship:

- The discussed methods aim to establish and maintain a mutually beneficial relationship between a company and its customers.

Understanding Customer Needs and Preferences:

- Companies should focus on understanding customers' essential needs and preferences.
- This understanding enables the design and delivery of products, services, and experiences with genuine value for customers.

Strategies for Building Customer Loyalty:

- Implementing these strategies is instrumental in building customer loyalty and increasing retention.

Long-Term Business Success:

- The adoption of customer value management strategies contributes to driving long-term business success.

Delivery of Value to Customers:

- Customer value management revolves around delivering tangible value to customers.

Win-Win Outcomes:

- The ultimate goal is to create win-win outcomes for both the company and its customers.

14.9 KEYWORDS

Growth Stage: New product is being accepted in the market

Customer Retention: Maintaining the existing customers in the business.

Customer Relationship: Keeping the Customers happy and satisfied to have them in the business for a long time

Customer Value Management: It is a potent tool to make the company truly customer oriented and bring success to the company/ business.

Customer Defined Value: Value of the product and services perceived by the customers.

14.10 TERMINAL QUESTIONS

1. What is customer segmentation?
2. What is customer value management?
3. Define personalisation?
4. Why is customer feedback essential to build a world class product?
5. Define in competition strategy ''differentiation''?

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