



The Customer Value Strategy in the Competitiveness of Companies

Maohua Li

The Basic Education College of Zhanjiang Normal University

Zhanjiang 524300, Guangdong, China

Tel: 86-759-7827-615 E-mail: revera@163.com

Abstract

By the in-depth development of economic globalization in recent years, market competition has become the focus of the fight against various companies. The survival and development of companies is not only depending on its own resources, but also relying on more value-oriented consumers. For companies around the world, their tasks are not only to take a variety of measures to deal with market risk, but also to keep pace with the trend of the times and make appropriate adjustments on the strategy and tactics of the company to deal with all problems arising from the fierce competition. With the thinking of "customer-oriented" deeply rooted in the marketing field, customer value has been regarded as a new source of companies' competitive advantage. Therefore, customer value strategy has become an important part of companies' strategic development strategy. In this paper, the competitive advantages and growth advantages in the competitiveness of companies will be analyzed from the orientation, implementation and carrying out of customer value.

Keywords: Customer value, Strategy, Competitive advantage

With the rapid development of technology, new products are constantly emerging. At the same time, customers are highly expected for products and services. Companies must commit themselves to design, manufacture and deliver products, and to provide customers with value beyond the competitors, they can obtain a competitive advantage for sustainable development in the fierce market competition. From the strategic height of the company, study the issues of customer value strategy and competitiveness which match with competitive advantages and growth advantages, will contribute to the strategic decision-making of the company. In today's increasingly competitive global markets, building customer loyalty and retaining profitable customers is a critical component in any company's success.

1. The change of customer loyalty to customer value

In recent years, the dynamic changes of the global business field have always been a hot topic in management circles. People concerned about the economic globalization, strategic alliances and the Internet, they also took notice of the great changes of the customer groups, and thus to business Strategic choice arising from a profound impact.

Today's customers are no longer passive recipients of the products and services, they have more knowledge, information and skills, and even eager to learn and practice. They have initiative in selecting an increasingly broad product. As a result, companies who strive to maintain customers will be able to obtain long-lasting competitive advantage in the fierce market competition.

Since the 1970s, scholars and business managers continue to explore the new approaches which adapt to the changes in the marketing, from product-centered focus on product quality to "customer-oriented" on customer satisfaction and loyalty. Until 1990s, by putting forward the concept of customer value, marketing concept reaches a whole new level.

Compared with the traditional concept of marketing, the innovation of customer value is that the company stands in the customers' perspective of the value of products and services. This value is not determined by the company, but by the actual customer perception. In this sense, the customer value is customer perceived value. It is the balance between perceived benefits obtaining and missing. American scholar Treacy and Wiersema described Customer Value as: the proceeds customer get minus the sum of its cost on products and services. To some extent, proceeds form the value. The value refers to products or services to enhance the customer experience or performance. The cost includes the spending on purchase and maintenance, as well as the spending on extension, effort and errors on their time and energy. The visible and invisible costs offset the value. At every stage of customer satisfaction, customer loyalty to customer value, companies have focused on different aspects. Product quality, service quality, price, brand image and relations between customer and company constitute a source of customer value.

Companies which focus on customer satisfaction concern how to satisfy the customers who buy their products and

services, rather than concern the competitors and their customers. This type of relationship between the company and customers is often static, say, one-sided "please". And, through this "please" to obtain loyalty to their product in existing customers. Companies which focus on the match of customer value and competitiveness tend to provide values to target customers beyond the value of the competitors based on the value of positioning themselves. And customers are more willing to maintain interaction with companies in order to obtain their largest perceived value. As a result, strive for customer satisfaction, customer loyalty is only the tactical issues in marketing, the creation of customer value is the strategic issues to obtain lasting competitive advantage. It should be noted that the customer value is not deny the customer satisfaction and customer loyalty, but to expand and develop customer satisfaction and customer loyalty in the new situation of market competition. It provides a new concept and method for companies to make its strategic choice and enhance their competitiveness. It is a new source for companies to obtain competitive advantages.

2. The orientation of customer value strategy

The basic principles of the orientation of customer value strategy and choice of suitable positioning methods are the basis of effective making and implementing the customer value strategy.

2.1 The basic principles of the orientation of customer value strategy

It is generally believed that the acquisition of competitive advantages of the cost and price and can be realized through two channels:

Firstly, the effective operation. That's to say, to do the same things as our competitors do but do it better than them. However, the new and better approaches would soon be imitated by competitors, therefore, simply relies on effective operation can not obtain sustained competitive advantage.

Secondly, the strategic orientation. That is, to do different things as our competitors do, and transfer different values to the customers. Porter had put forward six principles of strategic positioning:

- (1) Strategy should have the right objectives
- (2) The value of positioning or combination of interest should be distinguished from competitors
- (3) Strategic thinking should be reflected from the unique value chain
- (4) In order to pursue the uniqueness in certain areas, we must give up some of the other characteristics of products, services or activities
- (5) Strategy should enable the effective integration of various activities
- (6) Strategy should have sustained direction

The strategic positioning of customers value should also follow these principles. Enterprises should adhere to its choice of strategic direction as the customer value to be the core. The enterprises which have no lasting direction will be very difficult for the development of unique skills, assets and a good reputation. At the same time, the value of customer orientation is not static, but dynamic development. This is mainly from two aspects: First, customer expectations are evolving. Second, the new market entrants will create new value positioning, when this new positioning be recognized by the customers, it often means some of the old paradigm or rules were broken. As a result, this requires enterprises to make rational judgments and projections of the development of the situation with forward-looking sense, and constantly improve the competitiveness and mode of operation to meet the new requirements of the customer value positioning.

2.2 The way of strategic orientation of customer value

Different customers buy different values. Enterprise, due to its own limited resources and capacity, cannot do all the things for all customers. With the value standards and expectations of customers increased, companies can stay ahead only through advance action. The special customer value needs the best mode of operation to achieve. Therefore, a successful business is always based on its selection of the target customers for value positioning. Customers can be roughly divided into three types, but for different customers have different types of customer value positioning model:

- (1) Customers are interest in the up-to-date, modern products. The products of their choices reflect the fashion tastes they pursue and the desire of special technology. Enterprises which meet the needs of these customers orient the value on Product Leadership, such as Microsoft, HP, Intel, Sony, and so on.
- (2) Customers prefer to cost-effective products and services, and have special requests for the convenient purchase and high quality service. The enterprises which aim at this target group of customers orient the value on Operational Excellence, such as Wal-Mart, Dell, FedEx and China's Haier Corporation, etc
- (3) Customers hope to get exactly what they need, even if it was required to pay a higher price or to wait a little longer. Companies to provide products or services for these customers committed to improving Customer Intimacy, such as Honda, British Airways, and so on. They meet the special needs of customers, while customers take loyalty to the company products and services in return.

3. The orientation of customer value strategy and enterprise competitiveness

The core competencies of enterprises cannot create a profit directly, only to change it to meet the customer's needs of products and services while in the true sense. The orientation of customer value strategy needs to match with the competitiveness of enterprises. Enterprises need to engage in each of the value creation in the value chain to make the final products and services available to customers, the performance of activities constitute the basic elements of competitive advantage, while the focus of activities in different value orientation companies will be different: the leader of the products focus on innovation-oriented activities, Operational Excellence-oriented companies focus on reducing costs in the process of supply chain and internal operations, and the pursuit of Customer Intimacy company's focus is to meet customer service and delivery. However, the focus of an event does not mean the neglect of other activities. In other activities, they should at least meet the standard of their industry.

3.1 To lead the products

Enterprises must aim at the growing target market, and continue to create products of value given. Product leading companies must make innovative activities and the connotations of the enterprise innovation culture and portfolios of competitiveness in line. The ways to lead the products include:

3.1.1 The first to enter the market

Enterprises, which value positioning on Product Leadership, are always high-tech enterprises. Compared with the traditional industries, as a result of new and existing technologies drive the market in different directions, the life cycle of high-tech industry's product and technology has become shorter, market is in a rapidly changing. The product-leading company should quickly enter the market and develop appropriate pricing strategy to obtain return on their investment in a possible long time. With the rapid reduction of the product price along the product life cycle, all follow-up will inevitably carry out price competition.

The first to enter the market can get the following advantages:

- (1) Taking advantage of the market share.
- (2) Taking a strong initial position in the market, to improve the credibility of the leader.
- (3) Gaining experience earlier than the opponent. The first companies to enter the market can achieve original experiences in areas such as customers, technology, suppliers, distribution channels, etc, so as to form their own supply and marketing network in order to grasp the major distributors and customers.
- (4) Impacting on industry standards. Once the customers have a first impression of a product, then the product will increasingly become the standards of this type of competitive products, other competitors will be hard to change those standards. These standards become barriers to competitors entering the market, but also reach the purpose of extending the product life cycle.

3.1.2 Innovation of product platform

Leading product providers must through constant innovation of product platform to consolidate its leading position in the market. Customer is the resources detect can be in innovation resources, but it is always the attendant of problems. These problems can be solved through product platform especially the core technological innovation. HP is a typical product leading company, but also a leader of innovation. The company has used the latest color ink-jet printers to replace the black-and-white printer which just been launched six months ago. At that time, this black-and-white printer is creating a remarkable sales performance. HP is through this constant innovation to pre-empt new product areas in establishing market leadership as well as access to the high profit return.

3.2 Operational excellence

Enterprises which value positioning on operational excellence are to provide customers with cost-effective products and high-quality services. Their competitive platform must include an effective management of supply chain, efficient inventory and logistics management.

3.2.1 To control costs and improve quality

In order to obtain the profit based on low price, enterprises must first obtain cost advantages. The cost is arising from the activities in the value chain, and the activities which impact the cost are linked to each other. Factors that driving the cost are structural determinant of the cost of certain activity, it varies to the degree of control. Factors driving the cost determine the cost of certain activities, reflecting any contact or relationship which impacts the cost of acts. Enterprises set up its status of relative costs by cumulating each of the cost benefit in the major spreading activities. The formation of the cost advantage is due to more efficiently engage in specific activities over competitors.

In the real operating practice, many companies control the cost has not only limited to each segment of specific manufacturing process, but more in the link between each activity in the value chain.

- (1) Make a wide range of survey prior to the design of new products for customers, to ensure the function of products simple but practical, so as to avoid an increase in cost but customers do not need the advanced functions.
- (2) To maintain the operations simplified. Most of the Operational Excellence enterprises are the typical to resist diversification. For example, Dell in the United States avoids the broad diversification of products, but focuses on the services and logistics of small variety of goods, which can control the cost and afford the customer a lower price.
- (3) Through the development of external relations, especially the relationship between the supplier to cut costs. For example, Chrysler was only to put pressure on suppliers before, require them to lower prices. Later, the company's management has changed the practice. They invite suppliers to put forward proposal of improving on cost, which focused on cost rather than price. As a result, they create win-win cooperation between the two companies and establish Supplier Cost Reduction Effort (SCORE), and the company links the supplier's recommendations and the result with their rewards. The use of SCORE method is a great success, either in cost-cutting or trust and confidence building between Chrysler and suppliers.

3.2.2 To provide quality service

In providing quality service, the Operational Excellence enterprises nowadays pay more attention to the use of information technology to provide customers with the convenience. For example, General Electric Company direct links the dealer with company's computerized storage form. Once dealers receive orders from customers, they can direct allocate GE's storage, and within 24 hours delivery. In this way, in the eyes of the customer, dealer's inventory is not in its "backyard", but GE's own warehouse.

3.3 Customer intimacy

Companies which committed to improving customer intimacy well aware of the importance to maintain a long-term and deep relationship with the customers, try to making continuous efforts to explore for customer relationship management. Companies to build customer intimacy mainly have the following two ways.

3.3.1 Customization

The core of customization is based on acceptable delivery times and price, to provide customers with personalized products, not only to win customers but also can effectively achieve the goal of production and sales in market competition. For customized production, most of the core is to make production and organization in accordance with the market-driven. The basic of market-driven is the details of market and market positioning, actively seeking the satisfaction and feedback of the target market, and to integrate it into every part of the production chain. Not only clear the current demand of target customers, but also clear the potential needs of customers and meet their requirements. To introduce new products and services to customers that in customized manufacturing, the cost of achieving goods information is unprecedentedly reduced, and they can have free choice and control. Customer's requirements of difference in the product, reasonable prices, the purchase of convenience, the service attentive and so on can directly face the producers, it achieves a one-on-one dialogue, and the initiative is fully grasped in the hands of customers. After the transaction, the company still remained a variety of information with the customers, and may contact with each other at any time in order to understand customer satisfaction and requirements to obtain a clearer, more direct demand for information and feedback to update and innovate in products to lead the trend of market.

3.3.2 Brand loyalty

For customers, the brand name and brand identity can help to explain, to process, to manage and as well as to store the identification information related to products or services, and simplifying the purchase decision-making. A good brand image will help reduce customer risk, and enhance the confidence to buy. Distinctive brand can let customers get social and psychological benefits that exceed the function of the products, so as to impact on customer's choice and preference. For the service industry, corporate brand image is more influential than the image of the packaging of product. Strong brands may help customers to make a tangible understanding of the intangible service products, and to enhance customer the trust for the intangible purchase, reduce the perceived risk of money, social and security before the purchase which are difficult to estimate, or even the value customer perceived is the brand itself.

Strong brand is which have a good adaptation to business environment and thus survive and thrive. They reached a very effective "agreement" between the customers, which cannot exceed by the competitors. to create a strong brand need a unique way to mix up all the tangible and intangible factors, that is, products or services must be of high quality and suited to the needs of customers, brand name must be attractive and in line with customer expectations on products, packaging and visual image must be attractive and distinctive, pricing and brand support and advertising must be equally attractive, suitable and different.

4. The support system of the implementation of customer value strategy

The orientation of customer value strategy once established, the management must ensure that the whole company is committed to the pursuit of its objectives, and building a support system for it.

4.1 To strengthen training and management of the core competency

The orientation of customer value strategy is based on the resources and core competencies of the company. Cognize and grasp the technology of the company and the core market can provide support for business expansion. The cultivation and management of core competency is prerequisite to ensure the strategic objectives can be achieved, strengthen dynamic management of the core competencies is needed.

4.2 To establish culture of the company based on customer value

All activities which create and transfer customer value are in the final analysis depending on the staff to complete. The extent of employee's satisfaction has a strong positive correlation relationship with the quality of service customer perceived. Satisfied employees will build a positive relationship with customers, but dissatisfied employees will pass the negative sentiment to customers directly or indirectly. At the same time, satisfied employees are willing to put forward reform and improvement recommendations, but the dissatisfied usually resist change and learning. As a result, in order to achieve the strategic objectives of the company, it is necessary to develop management culture based on customer value, to make the idea of customer value deep into the hearts of every employee, encouraging their innovative behavior. Employees will be regarded as "internal customers", and to establish mechanism which is conducive to realize their personal values and develop their potential. And also, to establish effective incentive mechanism to band the interests of employee's interests of company's and interests of its customer's together closely.

4.3 To establish a highly integrated value system

Highly integrated the value system refers to form a self-reinforcing system of company's various activities, because any of the competitors who attempt to imitate will have to copy the whole value system, so that this system not only transfer customer value, but also effectively resist competitors from copying at the same time.

4.4 To establish and improve an effective performance measurement system

In the implementation of the strategy, companies continuously measure conduct performance with goal. When the deviation occurs, it is needed to carefully analyze the reasons based on objective internal and external environmental changes to amend conduct or to adjust the target. An effective performance measurement system should include the establishment and subdivision of objectives, quantified objectives, performance measurement indicators, the ways and means of feedback, analysis and evaluation methods, as well as corrective measures and so on.

4.5 To establish the network marketing system

It is noted that as the growing and developing of network economy, network marketing concept came into being. E-commerce eliminate the barriers of time and space, its unique advantages can enhance communication between companies and customers. Then, companies can better understand customer needs, increase the sensitivity of reaction, reduce costs of transaction, and take great convenience to customers. On the other hand, customer's choice has increased. It is simpler to give up unsatisfied companies. The ways to create customer loyalty in the Internet Age is basically the same as traditional marketing, but because of the special nature of the network, the company using of e-commerce should also pay attention to the following aspects:

- (1) Aim at target customers. Internet opens up a very broad market, but companies should not ignore the choice of target customer. To attract all kinds of customers with no choice will only harm the interests of the enterprise.
- (2) To let customers have a sense of trust. This mainly includes protecting customer's online security, implementing contracts timely and accurately, and preventing transaction fraud, etc. The core of customer value strategy is to determine the value positioning which matches with enterprise's core competitiveness, so as to provide the customers with the value that unique and hard to imitate by the competitors. In operating practice, enterprises should first conduct a careful analysis of customers to choose the correct value positioning based on their own resources and ability. And build an effective support system with this center. Enterprises should continuously assess the situation, continuously integrate and coordinate internal and external resources to enhance core competitiveness, so as to obtain sustained growth advantages and competitive advantages.

5. Conclusion

From a theoretical point of view, the definition of customer value is not unified in the academic community. We need to do further research. In addition, we need to do research on the relationship between customer value and related concept, such as relations between customer value and customer satisfaction, customer loyalty and customer maintenance, etc. In addition, with the development of the Internet, online shopping has become a daily shopping approach. In this particular background of shopping, the difference between customer spending behavior, customer value and the traditional shopping also need to do further research in the academic community. At the same time, with the formation of global economic integration, it is also needed to do further research on whether it has impacted on perceiving customer value of different cultural background.

From time Dimension point of view, there remains a need for further research on the dynamic nature of customer value, not only limited to the research on the dynamic nature of the value of customer expectations. In the study methods, the data should be taken by tracking the customers. In the sample, the limitations of an industry should be broke through to make the results more representative.

In the application of theory, we need to combine the theory with business practice, including such topics as ‘how to reform customer-based organizational structure’ and ‘the measurement of customer value helps companies distinguish customers’, etc.

References

Jeremy Hope and Tony Hope. (1997). *Competing in the Third Wave: The Ten Key Management Issues of the Information Age*. Boston, Harvard Business School Press.

Marc H. Meyer and Alvin P. Lehnerd. (1997). *The Power of Product Platforms*. Free Press Simon & Schuster Division Inc.

Michael E. Porter. (2001). Strategy and the Internet. *Harvard Business Review*. March –April.

Michel Treacy and Fred Wiersema. (1995). *The Discipline of Market Leaders*. London, Harper Collins.

Woodruff, R. B. (1997). Customer value: the next source for competitive advantage. *Journal of Academy of Marketing Science*, 25(2), 139-153.

Zeithaml, V. A. (1988). Consumer perceptions of price, quality and value: A means-end model and synthesis of evidence. *Journal of Marketing*, 52, 2-22.