

Building the Competitive Position of an Enterprise with the Creation of Value for Customers

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DOI Link: <http://dx.doi.org/10.6007/IJARBSS/v4-i12/1357>

Published Date: 22 December 2014

Abstract

Building a competitive position requires taking a number of different actions. One of these actions may be to focus on the values offered to customers. Customer value is usually something that solves a problem for the consumer (recipient), prevents frustration, as well as prevents any sense of discomfort. The basis for the creation and management of customer value is the construction of a set of diverse values for customers, aiming to satisfy their needs, and what more – to solve their problem. Each company must create its own map of values for its chosen clients that can provide the company with a competitive advantage. The aim of this discussion is an attempt to present an approach to long-term development of a company, based on the strategic dimensions of providing value for customers. A strategic approach may be an important element of achieving competitive advantage.

Keywords: Competitive Advantage, Customers, Model Of Value, Market, Relationships.

1. Introduction

Currently, the enterprises that succeed are those that are able to quickly adapt to changing environmental conditions and to offer customers unique, desirable value. This is a source of revenue and profit for the enterprise. The management of revenue received from customers is essential, because the size and timeliness of revenue translates directly into the value of the enterprise and its liquidity. And this in turn has an impact on the building of its competitive position on the market.

There is no doubt that the activities of innovative enterprises have an impact on the processes of creating value for customers. At the same time, it should be noted that neither a new technology nor a new product can be considered an innovation without the approval of the market, customers and consumers. Innovation is anticipating consumer expectations and giving them a range of values they are willing to accept. Customers accept innovation through their purchases and positive feelings. Values created for the customer are treated as innovation if they provide the customer with actual, substantial benefits that they treat as unique.

Currently, the primary objective of a given company is to create value for its customers; greater value than is provided by the competition. The activities of any modern organization should be aimed in this direction. In this context, the management of innovation, based on value for the customer, ensures the achievement of business goals.

Building and managing relationships with customers makes economic sense only if it leads to better information about customers, and about their needs and preferences, which is used by the company as a source of new value for customers. Actually, it is customers who are the best source of information concerning unsolved problems. This means that the company's relationships with their customers should be treated as the basis for gaining the ability to fulfill customers' unsatisfied needs.

2. Research Methodology

There is still insufficient knowledge about how to manage an enterprise so that its competitive position increases. The author of this publication has set a target to fill at least part of this knowledge gap.

The aim of this work is to present the main aspects of building a competitive position based on value for the customer. This paper is an attempt to show the mechanisms of providing value for the customer in a highly competitive market. This paper presents various possibilities of using innovation in the process of creating new value for the customer. In addition, a hierarchical model shows value for the customer and its relationship with satisfaction.

The theoretical output referenced in this study includes Polish and foreign, mostly English-language literature concerning the mechanisms of management in the knowledge economy. The use of foreign literature was necessary because of the dearth of Polish studies. This enriched the arguments and discussion of new aspects, and allowed the showing of the research problem in a broader perspective.

This paper uses the results of a study conducted by the Association of Product Development and Management. Such studies have been carried out in the years 1990, 1995 and 2004. The purpose of this study was to answer the questions of what is the cause of the failure of new products, and what determines their success.

3. Conditions for creating value for the customer

Value for the customer are the preferences felt and assessed by customers for product attributes, attributes of product operation, and the consequences of using the product, that allow (or prevent) the customer to achieve their goals and objectives in the process of using the product (Woodgruff, 1997). This definition presents a structured model of value for the customer, which creates the need to assess value for the customer in relation to the use, the goals and objectives of the buyer (Figure 1).

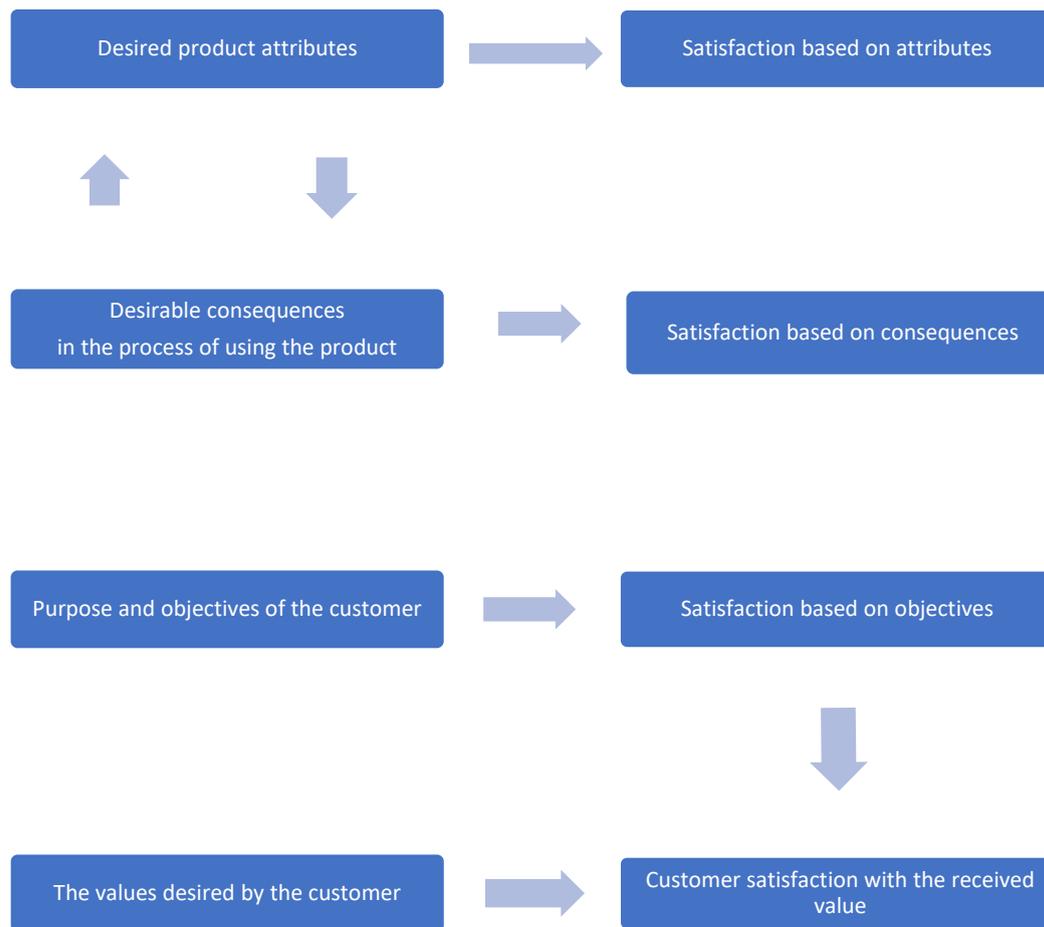


Figure 1 Hierarchical model of value for the customer and its relationship to satisfaction
 Source: own work based on Woodgruff, R. (1997). Customer Value: The Next Source for Competitive Advantage. *Journal of the Academy of Marketing Science*, 25(2): 142.

Currently, the starting point for managers cannot be their own product or service, or their own knowledge of the market. The starting point should be what is of value to the customer. This is indicated by the experiences of the best companies described by T. Kelly. The basics of innovation management in these companies were characterized as follows:

- understanding the market, customers, technology, and noting any restrictions,
- observing specific people in specific situations,
- conceiving new products or services and how people were to use them.
- evaluating and refining the prototype in a series of rapidly repeated experiences (Kelly, 2005, pp. 7-8).

To correctly identify the value that customers expect, companies need to know the goals of consumers, and the motivation behind these goals, and identify the obstacle to their implementation. Value for the customer will be that which solves the problems of consumers, prevents their frustration and their feelings of discomfort. Value for the customer is reflected in the possibility of solving the problem. The solution to the problem must be real, innovative and something that distinguishes the company on the market, at a cost acceptable to the customer and presented at the right time.

Companies producing products for use by other enterprises often think about the product in only one way. Meanwhile, the recipient may have a warehouse that is set up in a

different manner, and may use and store the product differently. If the supplier sends his employee to the recipient so that he can observe how the product is used, he may be able to see how the offer could be improved to create greater value for the customer.

Some companies launch websites where customers can post their ideas about how to improve products or services (Ryan, 2011). Here, it is worth analyzing complaints and comments from customers, and using them to modify the product or service on offer. Unusual requests and special needs also provide methods for improving products and services. Customers who have a specific problem to solve may be a source of high profit for the supplier.

Creating value for the customer may be viewed on different planes. At the macroeconomic level, we can talk about taking over part of the market with products that bring value that is usually available in a different way (Orth & Gal 2011). The introduction of insurance services to the product offer of banks enriches the bank's offer, creating value for the customer, but also changes the approach to competition. Another example would be the signing of agreements between enterprises in order to create new value for customers.

It should be noted that customers are increasingly appreciative of convenience. All product and service improvements to this effect bring value for the customer. An example would be the development of online services for payment, purchasing and consultation. The increase in income of the population leads to increased interest in services that provide a comfortable life for consumers (West- East brand study, 2013).

For services, value for the customer may be associated with the characteristics of the person who provides the service to the customer. Creating better relationships, increasing confidence, solving customer problems, are the features that are important in building loyalty.

Creation of value is a process that needs to be tested on the market. It is difficult to build a concept that is free of defects. In the testing process, one can make improvements that will increase customer satisfaction. The initiator of new solutions generally overestimates the value of the newly developed concept, and potential consumers do not always appreciate its value to the fullest (Pride & Ferrell, 2012). The product may have to be enhanced with additional value in order to be purchased by customers.

4. Innovation and value for the customer

In conditions of increasing barriers on the demand side of the market, innovation must be closely related to the needs of consumers. Innovation is often a process of creating new value for the customer; innovation is what the consumer needs and what they are willing to pay for. Thus, a new form of technology or a new product, without market acceptance, is not innovation. Innovation is therefore a factor of a conscious, purposeful search for possible solutions to the problems or needs of consumers.

Basing innovation on value for the customer is different from the traditional approach, based on the search for and introduction of new products in hope of success in the market (Dobiegała-Korona, 2010, p. 239). In the traditional approach, the company first created and introduced a new product on the market, and then sought buyers for it. This approach is associated with higher risk that the buyer will not accept what is being offered. In order to ensure higher profitability, the company limits the cost of production and promotion for such a product, in essence limiting the value for the customer, which ultimately leads to the loss of the customer.

An innovative approach to creating value for the customer is creating conditions in the company that limit the risk of an innovation not succeeding in the market, and at the same time providing a sound foundation for the creation and development of a portfolio of innovation as a way to better and more comprehensively meet the needs of customers (Barone, 2009). The traditional management of a product portfolio aimed at reducing risk through diversification strategies. Building a portfolio of innovative products, based on a set of values for the customer, is also associated with reducing risk through diversification of values, but may also have the advantage of being able to completely satisfy the needs of the customer, which is consistent with the expectations of consumers.

The company's ability to innovate should be evaluated in the context of understanding the criteria of innovation, which are outside the company, the problems faced by consumers, and their degree of importance to consumers (Labeledz & Lee, 2011). The basic requirements for competency of a company need to be closely tied with the ability to perceive changes in market at an early stage (e.g. the telephone as a method of communication, the medical needs of the elderly).

Values for customers are not fixed, and groundbreaking innovation leads to further innovation. Changes in one industry lead to changes in others. This effect must be estimated and assessed on the basis of early symptoms (e.g. changes in the computer industry changed the entertainment industry).

The results of research and observation of companies indicate that most designs of new products fail to reach the appropriate market segments. The main cause of failure is the fact that companies do not fully understand their customers and the value (benefits) that they are looking for (Kenton & Yarnall, 2005).

The Association for Product Development and Management conducted studies in the years 1990, 1995 and 2004, in an attempt to answer the question of what is the cause of failure of new products, and what determines their success. Research in 2004 showed that 55% of the 416 respondents (companies surveyed) had a well-structured process for managing their product portfolio, and 45% had developed both a process and strategy for managing their product portfolio. Comparison of the results from 1995 and 2004 (Mello, Mackey, Lasser & Tait, 2006, p. 25) showed that:

- overall sales and profits from new products fell;
- although the share of new products in the portfolio increased, a return on investment was more and more difficult;
- overall share of commercialized new products did not change and amounted to 58-59%.

While the average surveyed company successfully introduced 53,8% of their new products, the best group of companies introduced up to 75,5% of newly designed products to the market (in the studied population, 96 of the best companies were isolated from the rest). Profits from new products in the best companies amounted to 49,1%, in the rest – 21,2%. The best companies introduced 72,4% of their new products with full success measured by profit, while in the rest – 47,3%.

New products accounted for 47,6% of total sales in the best companies, and in the rest – 21,4%. These studies indicate that the cause of failure with the introduction of new products was a misunderstanding of consumers. When asked about the tools and techniques used in selecting designs for new products, enterprises indicated: the rank of commissioned projects, increase in revenue, economic calculations, models of competitive advantage, the expected value of commercialization, and opportunities for further development of products. The

surveyed companies evaluated their product and innovation portfolios by looking at financial projections, competitive positions, market share, the level of risk, as well as the time needed for acquiring customers for the innovation. None of the companies indicated the criterion of value for the customer, or referred to the needs of the customer.

It should be noted that currently, information resources are seen as intangible assets of the enterprise. A feature distinguishing the value of intangible assets is that they are a potential value, i.e. investment in customer relations does not directly increase the benefits for the company, while the use of this information for the innovation process may do so (Lindgreen, Vanhamme & Beverland, 2009, pp. 253-266).

Building an innovation strategy, with a focus on creating value for the customer, must be completed in the following sequence:

- defining value for the customer, or utility (benefits), which the company can offer;
- determining the price that the customer can and will pay for that value;
- estimating the cost of production and delivery of value for the customer, which will determine the difference between the price paid for the value and the cost of providing it, which translated into the benefits the company receives for creating value for the customer;
- the ability to use the strategy, meaning how successfully the company can implement the strategy into practice, taking into account the duration and effectiveness of operations.

5. Competition in the market and value for the customer

Innovative companies creating new value (benefits) by using the most advanced technologies often direct their efforts to their most demanding customers (innovators). Sometimes, this value is directed toward those who are not yet customers; the company must acquire them first. In this approach, employees must demonstrate a strong empathy for the needs and preferences of customers. Traditional market research is no longer sufficient, it is necessary to create close relationships with customers (Soppe, 2011, pp. 13-23).

Traditional companies compete through particular products and services, while customers are interested in a company's motivation to find solutions to their problems. This means that when purchasing products and services, customers must often complement their purchase with other offers of value. This type of value innovation offers a great opportunity. Companies must adopt the point of view of the customer and his problem in a comprehensive manner. The source of new value in this strategy can be found by looking at how the customer uses the basic product and service, and what additional problems may arise from its use, so that complementary products and services (value) can be introduced to better solve their problem (Sampson, 2010, pp. 35-37).

The market environment is constantly changing, therefore the value customers are looking for changes and will change. Every company (specifically, the top management of the company) must answer the question: how will trends change the value demanded by customers, and how will it affect the business model? Companies that accurately assess future changes (trends) and offer its customers new value, succeed.

Development activities of the company can sometimes be extended to new, but adjacent areas, which allows it to expand its offer of value while maintaining and even strengthening its core business. Such an approach to the development and growth of the company leads not only to a reduction in the risk and cost of acquiring customers, but also to

greater specialization, allowing the company to stand out in the market and making it difficult to duplicate its competitive advantages (Czarniewski, 2014, pp. 9-15).

It should be noted that management based on values for the customer creates a natural link between the company's activities and external conditions: consumer needs, market dynamics, the development of competitiveness and changes in technology. Balancing the values included in the product and service portfolio can provide higher customer satisfaction, and allow businesses to carry out more rational and prudent investment of resources, adjusting the timing and scope of value delivered based on the customer's needs and perception of value.

Purchasing decisions are based primarily on an assessment of the value of products (services) offered. When product quality is of importance, providing value for the customer concerns two elements: the conditions of the sale and the system of customer service. Depending on the type of business conducted, there are different accepted standards of customer service (Baruch, Petrovits & Radhakrishan, 2010, pp. 182-200). This justifies the reasons for the existence of different standards of customer service in companies in the same industry. Nevertheless, it can be said that customer service is the carrier of the value delivered and received from the customer (Figure 2).

Figure 2
Customer service as the carrier of value

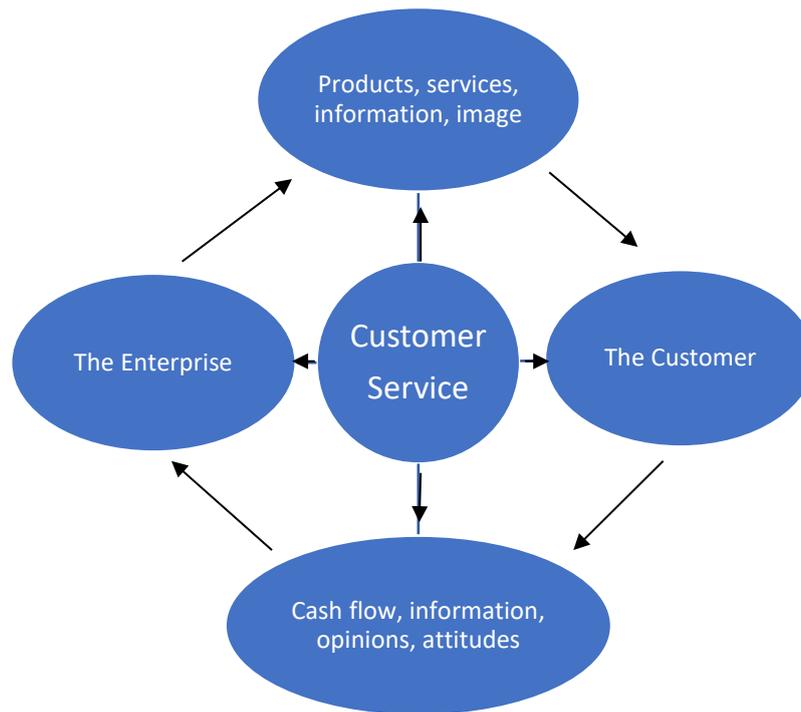


Figure 1

Hierarchical model of value for the customer and its relationship to satisfaction

Source: own research.

The typical elements of customer service include: product availability, delivery time, flexibility, distribution system, information system and after-sales service. Given the competitive processes in the market, it is worth noting that competitors often use customer service as a differentiating attribute of competitive advantage. Customer service adds value to products and sets them apart from competitive products, providing customers with reasons for a higher degree of satisfaction with their purchase. It distinguishes the company in the market, making it more recognizable to customers than before, often allowing customers to associate it with the brand. Therefore, a systematic approach to the analysis of the value structure provided by the customer service system allows not only for its improvement, but also for the strengthening of the company's competitive advantage in the market.

Thus, competitive advantage, built by using a higher level of customer service, allows a company to increase profits, that is, if operating costs do not increase in proportion to the value of sales. Excellence in customer service may provide a remedy for retaining customers when products do not meet all the expectations of customers.

6. Conclusion

1. In building its competitive position, an enterprise may use various tools to gain an advantage. One of them is to create new (often unique) value for the customer. This may be an effective strategy for the long-term.
2. Innovation helps an enterprise stand out, attracts customers and generates revenues and profits. Basing innovation of the management of value for the customer differs from the traditional approach, based on introducing new products on the market and hoping for success. Innovation, based on its close connection with the needs and

expectations of customers, has a much lower risk of failure, as well as lower costs associated with launching the product on the market.

3. For the last couple decades, the management of enterprises has focused on reducing or limiting costs. Current conditions, referred to as a consumer economy, require more activity in stimulating and managing the demand side of the market. People who make purchases from the company represent a financial asset that requires more precise management, because its value is variable depending on the type and stage of the customer – company relationship.
4. The process of designing value requires the use of different methods of researching explicit and implicit needs of consumers. After creating value for the customer, the company should ensure its proper communication, then its provision to the customer, and then provide supervision and support for the use of the value.

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