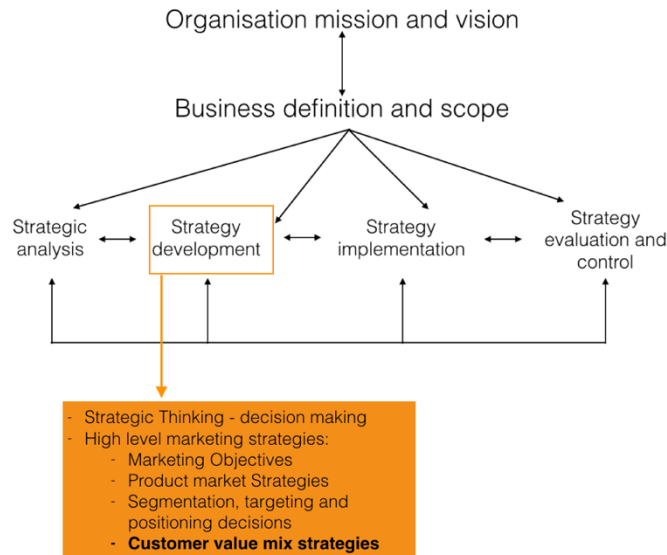


Week 5:

Chapter 6: The Customer Value Creation Mix



What do customers value?

- Value Proposition = Brand positioning
 - Focuses on the specific drivers of value sought by those targeted customers – customer's perceptions of value
- Positioning = establishing a frame of reference or key brand associations in the minds of the organization's target customers
- **Customer Value Perception (CLV) (Zeithaml):**
 - "Customer's overall assessment of the utility of a product based on the perception of what is received and what is given"
 - Trade off between PERCEPTIONS of benefits and costs
- **Customer Value Framework: J. Brock Smith and Mark Colgate:**

Functional/Instrumental Value

- extent to which a product has the desired characteristics
- usefulness (benefits)
- performance capabilities (reliability/quality)
- Focus on:
 - Product innovation
 - Product Leadership
 - New Product development

Experiential/Hedonistic Value

- extent to which a product creates appropriate customer emotions (negative/Positive), feelings, experiences, sensory, epistemic value
- Focus on:
 - customer relationships
 - service quality
 - customer support technology
 - market research
 - facilities and flexible manufacturing

Customer Value

Symbolic/Expressive Value

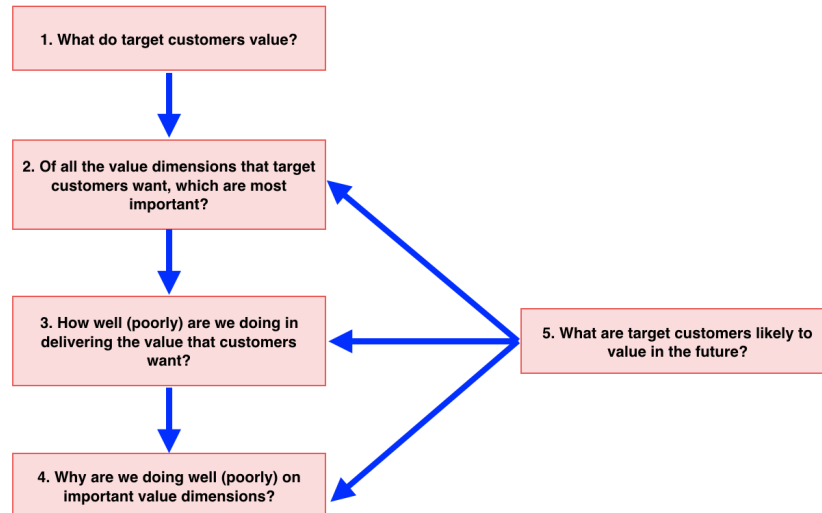
- extent to which customers attach or associate psychological meanings to a product
- These associations are based on individuals
 - Concept of self worth (feels)
 - Self expression (personality)
 - Social meaning (prestige/status)
 - conditional meaning (sociocul)
- Focus on:
 - brand image/equity
 - customer equity
 - invest in marketing communication activities/ PR

Cost/Sacrifice Value

- extent to which customers seek to maximise/realise the benefits derived from a product while at the same time, seeking to minimise the costs.
- Focus on:
 - operational excellence
 - Value chain efficiencies
 - Purchasing/production/dist

- Influence the choices customers make concerning

- Product category decisions
- Brand decisions
- Appropriate for B2C and B2B
- *These are not mutually exclusive – there are usually multiple values*
- Review of **customer value creation mix strategies:**



- Market research techniques:
- Laddering = means-end technique / identifies core attributes and value drivers via in-depth customer and non-customer interviewing
- Probing = extends laddering / reveals customers motivations and aspirations that drive their purchase decision
- Customer Satisfaction surveys (Step 3): investigates the performance of the organization in delivering the value that customers want.
- Step 4: additional qualitative research – why the organization’s customers have considered the organization to perform well/poorly on value dimensions.
- Step 5: Brainstorming/ trend spotting

The customer value creation mix

- Review of the organization's current customer value creation mix highlights activities that are important/whether they are being conducted well or poorly
- Provides strategists with a means of determining the customer value creation, communication and delivery activities they need to address within their strategic timeline.

Strategies designed to create value – product management strategies

- Considered to be the **Domain of product management**
- Physical goods = created by activities/processes involving research and development.
 - Involves marketing related input including decisions concerning:
 - Physical characteristics of the product (quality/features/attributes/branding)
 - Intangible product properties (core product – benefits and value)
 - **Augmented product** (pre and post sale service support e.g. warranties)
- Services Marketing = interaction between the customer and the quality generating resources of the organization.

Product Management = major decisions revolve around the following product portfolio considerations:

- Existing products:
How well do our existing products deliver value to our targeted customers?
- New Products:
What new products need to be added?
- Branding and brand positioning:
How will products be branded?

Pricing Strategies =

- Must support strategic positioning
- Account for market place reality and changes

Skimming Pricing strategies	<ul style="list-style-type: none"> • New product introductions • Market pioneers • Differentiators
Penetration pricing strategies	<ul style="list-style-type: none"> • Cost leader • Encourage fast product adoption and to discourage competitors from entering the market • Establish high market share and achieve profitability via large volume sales
Selective distribution or exclusive distribution	<ul style="list-style-type: none"> • High prices = high quality + selective dist. • High margins

Strategies designed to communicate value – brand management and integrated marketing communication strategies

- Integrated marketing communication (IMC) strategies
 - Important role in creation of brand meanings
 - Brand meaning are created through:
 - Business and marketing activities
 - Broad culture – influence of media
 - Customer
- IMC Role:
 - INFORM = create awareness
 - IMBUE = symbolic values
 - PERSUADE = purchase
 - REINFORCE = attitudes
 - REMINE = repurchase
 - Social Media:
 - ENGAGEMENT
 - RELATIONSHIP BUILDING
- BCG found = Organizations progress through three stages of maturity in adopting digital media
 1. Experimenting
Invest in data mining
Monitor customer usage and behavior
 2. Building
Identify and target brand influences
Track customer activity
 3. Digitally evolved

Development of Strategies:

- Designed to communicate value
 1. Brand Audit
Current level of brand knowledge
 2. Increase or to maintain the current levels of brand awareness
 3. Touch point analysis and mapping process
Combination of marketing communication tools
Context of an overall customer engagement strategy
Communication content decisions

<p>Strategies designed to deliver value – customer engagements strategies and distribution strategies</p>	<ul style="list-style-type: none"> • Touch points <p>Customer Engagement Strategy development process:</p> <ol style="list-style-type: none"> 1. Mapping the touch points that customers or prospects are likely to encounter – ranging from pre-purchase to post-purchase <ul style="list-style-type: none"> ○ Pre-purchase = moment potential customer becomes aware of a product or brand because of exposure to advertising etc. ○ Purchase phase = potential customer will come into contact with a variety of possible touch points ○ Post-purchase = initiated by the organization or consumer 2. Establish targeted customers needs/expectations for each touch point stage and how to interact 3. Establish how well and consistent the organization is creating and communicating 4. Determine which of the touch points matter <p>French, LaBerge and Magill 5 Step process:</p> <ol style="list-style-type: none"> 1. Customer engagement summit 2. Create customer engagement council 3. Appoint 'chief content office' 4. Listening center to monitor what is being said 5. Change mindset of customer engagement budgeting <p>Digital Age:</p> <ul style="list-style-type: none"> • Distribution channel length • Distribution intensity • Intensive distribution
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