

Superior Customer Value key to company long term survival and success.
Relationship costs types - 1) direct costs 2) acquisition cost 3) operational costs
Reduction of customer's cost in all 3 areas by suppliers expands their relationship.

TABLE 2 Value Drivers in Key Supplier Relationships		
Sources of Value Creation	Relationship Value Dimensions	
	Benefits	Costs
Core offering	Product quality Delivery performance	Direct costs
Sourcing process	Service support Personal interaction	Acquisition costs
Customer operations	Supplier know-how Time to market	Operation costs

Core offering Product Quality – Performance, consistency over time and Reliability.
Delivery Performance- 1) on time delivery (2) flexibility to change in delivery due to changes in demand or product (3) Accuracy
Sourcing Service Support-1) Suppliers Responsiveness 2) Suppliers’ Capacity to exchange info(a) timely interaction in response to change (b) detailed exchange of info 3) Outsourcing activities of suppliers (activities like testing etc)
Personal Interaction – Developing relations at individual level.
Acquisition Costs Reduction areas 1) Customer Inventory Management 2) Order Handling 3) Inspection Cost
Customer Operations Supplier Know-how 1) Vendor’s Knowledge of Supply Market 2) Suppliers knowledge about customer’s operation 3) Assistance in developing new product
Time to market – Time to make product available to the market 1) Accelerating Design 2) Faster development of Prototypes 3) speeding up testing
Operation Costs reduction by – reducing cost of existing products, reducing manufacturing costs and lower warrantee and tooling costs

Customer Value – what they get in relation to what they have to give up, a main key to success via differential positioning and a precursor to customer satisfaction and loyalty.
It is often possible to create value for multiple stakeholders, but frequently the role of managers and leaders is to determine trade-offs
Products with superior customer value are more successful when compared to those offering limited or like other brands.
Consumer Needs – Functional, Symbolic and experiential
Functional – For products fulfilling consumption related needs
Symbolic – for products fulfilling needs for self enhancement, role position or ego
Experiential - For products proving sensory pleasure
Seth, Newman and Gross values – Functional, Social, Emotional, Eptimistic and Conditional
Functional – based on ability to perform
Symbolic - utility from its image and symbolism in association or disassociation with demographic, socioeconomic, and cultural-ethnic referent groups
Emotional - acquired by an alternative as a result of its ability to arouse or perpetuate feelings
Eptimistic Value- utility resulting from ability to arouse curiosity, provide novelty
Conditional value – utility acquired because of the specific situation or the physical or social context faced by the decision make

Four Values by Smith and Colgate
Functional/ instrumental – Performs Desired Functions
Experiential/ Hedonic – the extent to which product creates appropriate feelings and emotions
Symbolic/Expressive – extent to which customer associate psychological meaning to a product
Cost/Sacrifice – Related to minimizing cost involved in purchase, ownership and use of a product
Customer Value Checklist

Customer Value / Benefit Created	Source of Value / Benefit					
	Product	Services	Relationship Management	Image		
Improved Performance	Specifications, Design, Features Conformance etc.	Distribution, Installation, Consulting, Merchandising, Training etc.	Courtesy, Accessibility, Understanding, Responsiveness etc.	Quality, Variety, Enjoyment, Flexibility, Prestige etc.		
Improved Operating Productivity	Durability, Repairability, Substitutability, Compatibility etc.	Training, Consulting, Applications, Information management etc.	Reliability, Responsiveness, Competence, Communication etc.	Service, Innovation, Knowledge, Technology, Quality etc.		
Improved Asset Productivity	Features, Substitutability, Compatibility, Conformance, etc.	Inventory Mgmt, Delivery, Billing, Information Mgmt, etc.	Competence, Communication, Reliability etc.	Innovation, Knowledge, Technology etc.		
Reduced Risk	Reliability, Simplicity, Conformance, Redundancy, etc.	Training, Maintenance, Repair, Warranty etc.	Security, Credibility, Reliability, etc.	Trust, Security, Market Leadership, Integrity, etc.		

Form of Customer Savings Created	Source of Life Cycle Cost Reduction					
	Search Costs	Acquis. Costs	Set-up Costs	Maint. Costs	Finance Costs	Exit Costs
Money	Information Availability, Cost, Product availability	Price level, Allowances, Incentives, Timing etc.	Complementary product costs, Initiation and/or closing fees etc.	Recurring service fees, Variable fees, Reporting costs	Deposits, Credit, Penalties, Interest etc.	Trade-up, Disposal, Cancellation etc.
Time	Information, Product availability, Information	Order fulfillment cycle, Delivery cycle etc.	Learning, Tooling, Installation etc	Product complexity, serviceability, Systems support	Processing, Administrat on time etc.	Negotiation, Substitute Evaluation, Unwinding etc.
Effort	Accuracy, Front-line competence, Knowledge, Responsiveness	Order placement process, Accessibility	Learning, Tooling, Installation etc	Product complexity, serviceability, Systems support	Processing administrat on Complexity etc.	Negotiation, Substitute Evaluation, Unwinding etc.
Psycho logical	Front-line trust, credibility, security, understanding, product trial	Price Image, Logistics risk, Economic risk, Performance risk etc.	Learning complexity, "Cultural" compatibility, etc.	Front-line support staff credibility, competence, responsiveness etc.	Flexibility, Security etc.	Experience, Commitment, Stability, etc.

Sources of Value – Information, Products, Interaction, Environment and Ownership/Possesion
Information is created by value-chain activities associated with advertising, public relations, and brand management (such as through packaging, labeling, or instructions). It provides f/i value by informing and educating customers; e/h value, such as sensory or emotion-based value, through advertising creatively; s/e value by drawing associate-Ooons and interpreting meaning; and C/s value by helping consumers make more informed and faster decisions.
Products are created by value-chain activities associated with new product development, market research, research and development, and production. They directly provide f/i value (such as safety features on a Volvo); e/h value (such as the package of sensory, emotional, relational, and epistemic experiences offered by Club Med); s/e value (such as Campbell's focus on developing personal meaning with the brand); and c/s value (through the product price and augmented product considerations that reduce involvement, investment, and risk)

Interactions between customers and organizations' employees or systems are created, or enhanced, by value chain activities relating to recruitment and training, service quality, and operations. Such interactions provide f/i value, such as service timeliness; e/h value, such as relational bonds; s/e value, such as the prestige of privileged interactions; and c/s value, such as reducing the personal investment required to purchase or use a product.
The purchase or consumption **environment** is created by value-chain activities such as facilities management, interior design, and merchandizing. The purchase or consumption environment can provide f/i value, such as lighting that makes it easier to read product labels, and e/h value, such as music that makes shopping more enjoyable. It can also provide s/e value, such as holiday decorations that appeal to cultural traditions, and c/s value, such as a shopping location that has ample and convenient parking.
Ownership/possession transfer is facilitated by value-chain activities concerned with accounting (such as payment and billing), delivery (such as product picking, packing, shipping, and tracking), and transfer of ownership (such as contracts, copyright agreements, and titles). Processes involved with transfer of ownership and possession provide f/i value, such as timely delivery; e/h value, such as customer satisfaction with the fulfillment process; s/e value, such as enhanced product meaning by providing tasteful gift wrapping; and c/s value, such as peace of mind provided by automated product tracking system

Framework Application - (1) describing a generic marketing strategy, (2) enhancing product concept specifications, (3) identifying value creation opportunities, and (4) developing measures of customer value.
Marketing Strategy:- describing generic marketing strategies, understanding positioning, and identifying sources of competitive advantage
Firms such as 3M, Volvo, Nike, and Rubbermaid, which compete by superior creation of **functional/instrumental value**, follow a product-leadership (product-innovation) strategy and invest and excel in value creating processes relating to new product development, market research, quality, and technology research and development.
Firms such as Club Med, Nordstrom, and Disney, which compete by creation of superior **experiential value**, follow a customer responsiveness (or customer intimacy) strategy and typically invest in, and excel at, customer service, customer support technology, flexible Manufacturing, market research and facilities.
Firms such as The Body Shop, Gap Inc., Lexus, and Hallmark, which compete by creation of superior **symbolic/expressive value**, follow a brand image/brand equity strategy and typically invest in, and excel at, advertising and public relations, product quality, and customer service and support.
Firms such as Wal-Mart, Dell, Amazon.com, and Southwest Airlines, which compete by creating superior **cost/sacrifice value**, follow an operational excellence strategy. The firms that compete on price and convenience typically focus on efficiency and effectiveness goals, invest in, and excel at, purchasing, manufacturing, and distribution processes.

Starbucks, for example, creates **f/i value** mainly via appropriate features and attributes (product quality, customization, hot drinks for cold days, and cold drinks for warm days). They create **e/h** value mainly via sensory value (aesthetics, ambiance, and aromas), emotional value (pleasure or enjoyment), social-relational value (by providing comfortable spaces where friends and colleagues can interact), and epistemic value (such as novelty flavors and information about coffees). Starbucks creates **s/e** value through personal meaning (many Starbucks' customers consider their relationship with Starbucks as personal, if not spiritual), self-expression (the ability to personalize the beverage and experience), and social meaning (there is some status in the brand name). Finally, with respect to **c/s** value, Starbucks creates economic value (an affordable luxury) and reduces psychological costs (they are very convenient to find).

Positioning and product concepts - By delineating the value creation strategy of an organization using the framework, marketers can clearly define product concepts, a new product key success factor. By mapping all their brands onto the framework, organizations can illustrate their value creation portfolio. Used as part of an industry analysis, the framework helps marketers illustrate their value creation positioning relative to key competitors. By illustrating gaps in the value creation strategies of an industry, the framework is useful for identifying value creation opportunities- either for new products or for how the product concepts may be enhanced to produce a richer value proposition.
Competitive Advantage - which value creation processes they are going to focus on to create the value on which they plan to compete. For example, much of the value offered by Starbucks concerns (1) the purchase/consumption environment where they have developed expertise in facilities management, interior design, and merchandizing, and (2) interactions with customers, supported by expertise in recruitment and training, service quality, and operations
Marketing Reasearch - a construct could be viewed as having four main facets or dimensions relating to the four types of value described. A battery of questions could then be developed for each dimension and subdimension based on the key sources of value.

Sources of Value	Types of Value			
	Functional/Instrumental Value	Experiential/Hedonic Value	Symbolic/Expressive Value	Cost/Sacrifice Value
	<ul style="list-style-type: none">• Correct/accurate attributes• Appropriate performances• Appropriate outcomes	<ul style="list-style-type: none">• Sensory• Emotional• Social/relational• Epistemic	<ul style="list-style-type: none">• Self-identity/worth• Personal meaning• Self-expression• Social meaning• Conditional meaning	<ul style="list-style-type: none">• Economic• Psychological• Personal investment• Risk
Information	Information informs, educates, and helps customers realize performance and outcomes.	Copy and creativity can provide or enhance sensory, emotional, relational, and epistemic experiences.	Can position a product, help consumers identify with the product, help them make associations, and interpret meaning.	Helps consumers evaluate alternatives; make more informed, faster, and less stressful decisions; helps lower prices by greater competition.
Products	Products directly provide features, functions, and characteristics that allow performances and outcomes.	They provide sensory (e.g., restaurants), emotional (e.g., Six Flags), relational (e.g., board games), and epistemic (e.g., Disney Land) experiences; augmenting goods (e.g., IKEA) or as the focal product (e.g., Club Med).	Products enhance consumer self-concepts (e.g., Mac cosmetics), provide personal meaning (e.g., Campbell's soup), offer self-expression (e.g., Gap clothing), and provide social meaning (e.g., Hallmark cards).	Product price and augmented product considerations, such as operating costs, assembly, ease of use, warranty, and service terms, help to reduce costs and sacrifices.
Interactions (with employees and systems)	Sales call frequency and duration, service interactions and responsiveness, and interactions with systems (such as the telephone, billing, or customer support system) provide or enhance desired performances and outcomes.	Service attributes, such as staff politeness, friendliness, or empathy, create sensory, emotional, relational, and epistemic experiences for customers, as do service recovery, customer support, and other systems.	Staff and system interactions can make customers feel better about themselves and provide personal meaning to customers; privileged interactions support status and prestige. Equity policies can enhance the socio-cultural meaning.	Interactions with people and systems (such as electronic data interchange) add to or reduce the economic and psychological cost of a product and increase or reduce the personal investment required to acquire and consume the product.
Environment (purchase and consumption)	Furniture, fixtures, lighting, layout, and other decorative features and attributes of the purchasing or consumption environment contribute to functional/instrumental value by enhancing or detracting from product performances and outcomes.	Features and attributes of the purchasing or consumption environment such as music, ambiance, and atmosphere can create sensory, emotional, and epistemic experiences for customers.	Where a product is purchased or consumed can provide personal, social, or sociocultural meaning and can enhance self-worth and expression—a cup of coffee at an outdoor cafe may have more symbolic value than coffee at home.	Contributes to the economic cost of a product (e.g., popcorn at a movie theater) or psychological cost (such as finding parking downtown), and personal investments (how much searching is required), and risk (personal safety).
Ownership/Possession Transfer	Correct, accurate, and timely fulfillment processes (such as order taking, picking/packing, and delivery) provide functional/instrumental value.	Fulfilling delivery promises and how a product is delivered (such as the presentation of a meal) can enhance the customer experience—as can pride of ownership and product potency (future potential).	How a product is delivered (such as gift wrapped or via a ceremony) and by whom (such as the manager of a car dealership) can create symbolic value.	Can be enhanced with payment terms, delivery options, return policies, billing accuracy, order tracking systems, access to supplier personnel, and dispute resolution procedures.