

Research on Retailers’ Marketing Tactics Integration Based on Customer Value Strategy

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Abstract: This paper starts with marketing tactics evolution from 4PS to 4CS, and points out that the customer value creation is the process of marketing tactics integration and management. Then, it studies the retailers marketing tactics integration and management based on customer value, which include managing the process of identifying customer value, supplying customer value, and communicating customer value. Finally, it puts forward Creating sustainable competitive advantage through STV triangle, and Building up sustainable competitive advantage for retailers.

Keywords: Customer value; Customer value strategy; Retailers; Competitive advantage

1 Introduction

Since 1990’s, customer value has been concerned intensively by western marketing scholars and enterprisers, which has been regarded as the new source of competitive advantage^[1]. Company capability of providing excellent customer value has been looked on as one of the most successful strategy in 1990’s. Customer value is not only related with tactic, but also a strategy problem^[2]. In << Getting Back to Strategy>>, Kenichi Ohmae has emphasized that the essence of strategy is to create value for customers, but not to conquer rivals in product market. Emphasizing on customer value could avoid zero game play, and the strategy based on customer value is none-zero game play. In the 21 century, furious market competition urges every company to try to seek new method of obtaining competitive advantage. The academic research indicates that customer value has important influence on consumer behavior and customer loyalty^[3]. Customer value is the new source of competitive advantage. Mike.Poter has said: “The competitive advantage comes from the value which a company can create for its customers”. Those idea imply that the competition between companies is a war fighting for customers, and the customers want to buy products from those company that can provide satisfactory customer value^[4].

Modern company obtains competitive advantage by aid of customer value strategy. The customer value strategy is a decision made by company about which customer value would be accepted by target market, and how to create, transfer, and communicate customer value in order to win customer satisfaction and loyalty. The company tries to identify, supply and communicate customer value. In this way, the company can make profit, get improvement, and obtain competitive advantage. The competitive advantage can be mainly indicated as customer satisfaction and loyalty, higher market share and great profitability. Depending on existing competitive advantage, company invests further to maintain its competitive advantage and promote its resource advantage. The resource advantage can be mainly indicated as excellent technique and brand, outstanding physical resource and controlling. By aid of strong resource level, company resource advantage can facilitate company to carry out customer value delivery strategy. It is a perfect circling, shown as figure1.

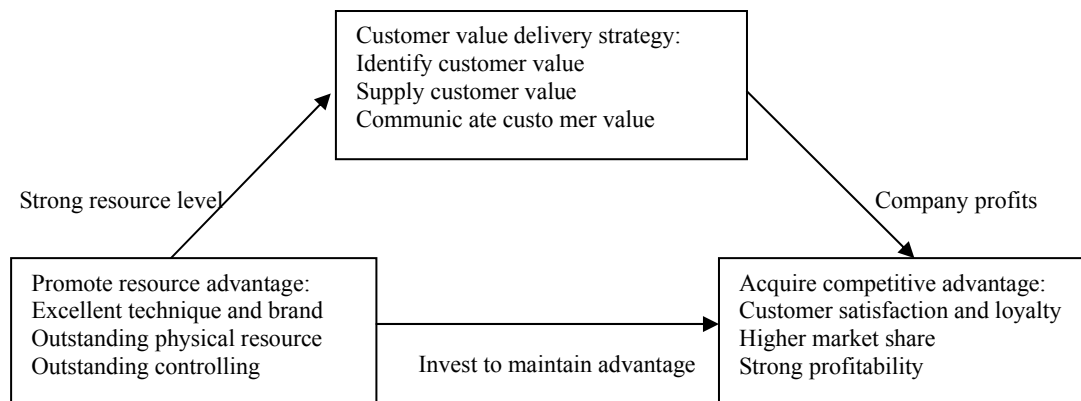


Figure 1 Correlation of Customer Value and Company Competitive Advantage

2 Integrating Marketing Tactics Based on Customer Value

American professor Jerome McCarthy put forward the concept of marketing mix (4PS), which was spread widely in Western marketing academic field^[5]. The marketing mix is the combination of product tactic, pricing tactic, placing tactic, and promotion tactic. Company integrates all those tactics aiming to its target market, and makes effort to achieve its profitability goal. The marketing advantage of a company more greatly depends on the integrated marketing tactics, instead of any single tactic. Thus, the competitive position and marketing features of a company can be implied by its marketing mix.

2.1 Customer value is the key of marketing tactics

In 1990, Professor Robert F. Lauterborn put forward the concept of 4CS corresponding to 4PS^[6]. 4CS consists of consumer needs and wants, consumer cost that they willing to pay, buying convenience, effectiveness of communication. 4CS aroused big reaction in marketing and business field, which made company paying more attention to customer value and customer satisfaction instead of its profitability goals.

Centered on customer value, 4CS is the new thinking of traditional marketing mix (4PS). In the 4CS, every marketing tactic is used to deliver value and interest to customers. 4CS concept holds that the company should put products aside, and research consumer needs and wants first. The company should sell the products those consumers are willing to buy. The company should forget pricing tactic, but should realize the cost that consumers need to afford to satisfy their needs and wants. The company should forget promotion, and replace it by communication. The 4CS concept emphasizes on customer satisfaction maximizing, customer cost minimizing, convenient purchasing, as well as effective communication. It means that the company should satisfy customer needs economically and conveniently, and keep effective communication with customers in the meanwhile.

2.2 Integrating marketing tactics to create customer value

In current marketing environment, companies are confronted with intensive competition, which are epitomized as supply exceeding demand, consumer individuation, media splitting, information explosion, critical customers, and lower loyalty. The modern company's marketing process consists of selecting customer value, creating customer value and communicating customer value. It is the process of marketing tactics integration based on customer value.

At first, company selects customer value through STP process, which process includes market segmentation, selecting target market and market positioning. Then, company creates customer value. In this period, company should focus on customer value to develop products or service, to erect goal price system, and to select distribution channel, which all comprise the main content of marketing tactics. At last, the company should communicate customer value. In this period, company organizes sales force to do personnel selling, to release advertisement, and to undertake sales promotion. Thus, the company can early acquire all information related with products, and in turn to incur customers buying motivation.

3 Integrating and Managing Retailer Marketing Tactics Based on Customer Value Strategy

Retail industry is the main distribution channel of fast moving consumption goods (FMCG). It is the frontier industry to pull ordinary commodity manufacture, distribution, as well as related service industry growing up. It plays an important role in our Chinese national economy. David E Bell has pointed out that retailing marketing needs to resolve how to satisfy consumer varying demand of products and service, and in the meanwhile, how to realize retail company profitability^[7]. He said that company value realization depends on customer value satisfaction. Retailing marketing activities are surrounding with customer demand, which means that retail companies should put customer interest on the first position, and think about customer demand and motivation, and also manage operation activities to realize customer value maximizing.

3.1 Integrating marketing tactics of the retail company

When the retail company organizes its marketing activities, it should recognize the total customer value delivered by each marketing touch point. The total customer value is the gap of customer perceived benefit and customer perceived cost. The total customer value is a combination of each value creation activity, which needs company to integrate all marketing activities and to deliver value in every touch points, such as target position, shop location, products assortment, pricing, promotion, environment and atmosphere, shop display and exhibition, as well as customer service. The customer value delivering process depends on not only how well each department performs, but also relies on how effectively each department coordinates.

3.2 Marketing process management of the retail company

(1) Managing the process of identifying customer value

Identifying customer value means that the retail company should make sure to supply value to which customers, in which location, and by what ways. Those all comprise the strategic management of retail companies, namely selecting target market, market positioning, and location. The STP strategy is very important to retail companies, because it is the base on which the retail company makes marketing tactics considering customer features and value position.

At first, the retail company should recognize target market, and determine customer value and product position. If consumers are price sensitive, the retail company should sell medium-price products. If consumers are high salary group and they pursue high quality and fashionable consumption, the retail company should sell fashionable, exquisite up-grade products. If the target market position is not clear, and consumers can not perceive customer value position and product position very clearly, consumers will not have longer reliance and preference of the retail company. The retail company still has to select suitable running method and shop location, so as to save consumer cost in transportation and purchasing, thus to increase customer value.

(2) Managing the process of supplying customer value

Customer value supplying includes products assortment, pricing and customer service, which are based on customer recognizing and to reconstruct product tactic, pricing tactic, as well as promotion tactic. This process is preoccupied to supply value to customers.

When the retail company designs product assortment, the company should make certain its product line concerning about customer features and value position, and then to make certain the product assortment and specific products. For example, there is an appliance shopping mall, which target consumers are medium and up-grade income families. Its commodity assortment includes color TV set, refrigerator, water heater, air-condition, washing-machine, and so on. And there are different products in color TV set, such as LG, SAMSUNG, SIEMENS, HAIER, TCL and so on. And in the same brand, there are many different sizes, style, prices. So, the retail company should pay attention to customer demand of brand preference and products varieties.

When the retail company sets price, it should concern about demand, cost and competition. The retail company should not only consider customer perceived value, and the impact of customer changing demand on profit structure, but also concern about company cost and profitability goals, as well as intensive competition of main competitors. The retail company could use prestige pricing, mantissa pricing, canvass pricing, special offer, binding pricing, demand pricing, season pricing, and so on, in order to increase customer value and enhance customer consumption.

When the retail company supplies customer service, it should develop differentiated service items to increase customer value. For example, the retail company offer green approach and VIP coffee bar serving high income group whose year expenditure exceeds 40,000 RMB. In the meanwhile, the retail company should concern about improving service quality, enhancing service value. Service has two important characters, which are intangibility and inconsistency. Customers can not see and touch service, but they can evaluate service value through perceiving service quality. If customer perceived value exceed their expectation, they will be satisfied. If customer perceived value fall short of customer expectation, they will be dissatisfied. The service inconsistency means there are great quality difference if different person offer service. So the retail company should strengthen personnel cultivating and management, making effort to standardize service, in order to attract customer and increase customer value.

(3) Managing the process of communicating customer value

The retail company has millions of products, and it should know how to exhibit products, how to demonstrate products to customer effectively, how to search products customer need, which all need excellent display skill of products. Retailers should pay attention to the best-selling products and customer favorable brands. The high profits products should be put on good display location, so that it will be convenient for consumers to obtain and increasing company profits, such as the position on the shelves in line with eyesight, customer concentrating location, the center of shelves, as well as beside the cash register. The retail company should use color, figure, words on the new POP to attract customer attention and to stimulate purchasing. And the pop in display should be in position near sell products, and according with the product image, and not affect the whole shop atmosphere.

Shopping environment is also very important for the retail enterprises to improve customer value. Good environment atmosphere can bring pleasure purchasing experience, and wonderful enjoyment. The retail company can use interior decoration, exhibit design, lighting effects, music, painting posters,

photos and hang, color, smell as to create a comfortable shopping environment, especially in different holidays and activities. For example, the retail company uses Christmas tree, painting, posters, and music to create a festive atmosphere, in order to tie in retailer's promotion activities.

The retail company takes two-way communication with customers. Promotion and advertising are main methods to bring favor and reliance of the company, thus to increase customer value. The retail company should recognize customer value, and choose different promotion methods, such as reducing price, discount, coupon, giving samples, thus customer will perceive retailer's sincerity and its desire of increasing customer value. Anymore, the retail company could use TV advertisement, newspaper, outdoors advertisement, broadcasting, shopping guide book, magazine, direct mail and so on to introduce retailer's activities and product information, so that customer could acquire retailer's information promptly and reduce searching cost.

4 Building up Sustainable Competitive Advantage Based on Customer Value Strategy

Sustainable marketing is a new concept put forward by Philip. Kotler in his book << Rethinking Marketing: Sustainable Marketing Enterprise in Asia >>^[8]. Sustainable marketing is a strategic conception. Its aim is to make three main stakeholders----consumer, employees and stockholders to get sustainable satisfaction. In 2004, Philip.Kotler put forward company sustainable marketing system in his latest composing << Kotler's New Thought: Sustainable Marketing Model >>^[9], and made further interpretation of "the sustainable marketing".

4.1 Creating sustainable competitive advantage through STV triangle

Company must have "action system" to get competitive advantage and sustainable development. In this system, all the activities cooperate together to realize the aim of creating practical economic value for the consumer. The company action system should comprise three kinds of activities which are correlative with strategy, tactics and value. The strategic activities aim to establish focus. The tactical activities aim to establish capability. The value activities aim to establish privilege. The company should rely on the STV triangle to establish competitive advantage. Shown as figure2, the competitive action system is actualized.

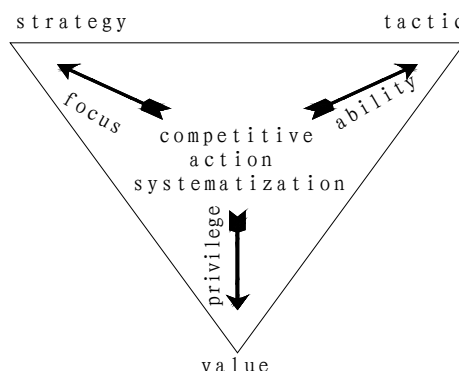


Figure 2 The Actualization of Competitive Action System

The market position, differentiation, and brand have particular correlation. They identify, offer, and communicate customer value for the company. In the meanwhile, they strengthen and reinforce each other to set foundation of competitive advantage. The market position is one kind of promise, which is the process of identifying customer value. The promise must be supported by differentiated tactics. The marketing mix and selling tactics are integrated to offer customer value and cultivate brand image. The brand cultivation activities could maintain differentiated brand image. The brand image could deliver and communicate customer value, so that it can establish persistent brand identification and sensation loyalty. This process could reinforce the market position, and make it clear of customer value identification.

4.2 Building up sustainable competitive advantage of the retail company

The retail company should build up customer value orientation, and strengthen marketing process management, aiming to acquire long-term competitive advantage.

(1) A clear and distinct customer value position

A clear and distinct customer value position is very important for the retail corporation's long-term

development. So long as it recognizes the target market's demand and value expectation, the retail corporation can choose the appropriate operation method, location, and provide appropriate product portfolio, price, and service. In the meanwhile, it could assemble customer preferred purchasing atmosphere and promotion approaches to satisfy customer needs and wants. Compared with competitors, a clear and distinct customer value position can help retailers winning long-term competitive advantage.

(2) Building up brand advantage

Compared with other competitors, the retail company which is customer value orientation will be more likely to gain brand advantage. A retailer who has brand advantage great is the symbol of high quality, considerate service, and reasonable price, and gaining customers reliance and favor. The retailer who has brand advantage has higher market share and the ability to bargain with suppliers. They return the cost reduction part to the consumers through scale of economy, thus to have price advantage better than the competitors. In the meanwhile, the retailers will increase customer value and acquire a larger market share, achieving a good cycle of marketing.

(3) Establishing customer loyalty

Customer loyalty and customer value creation is closely related. By means of integrating marketing process to create customer value, the retail company can get customer loyalty. Customer loyalty offers tremendous value of customers to the company. Customer loyalty is less sensitive to price, which will develop customer satisfaction and increase consumption. If the retailers offer service to loyal customers, they will greatly reduce the publicity and promotional cost, as well as the cost of searching for new customers, and also enhance the efficiency of creating customer value. As for retailers, if they want to establish customer loyalty, they need to offer superior products and services consistently. Creating value for customers is a long term job, but it means to win customer loyalty, and to win competitive advantages of strategic assets. Once the retailer wins customer loyalty, it can remain competitive advantage for a long time.

5 Conclusion

Since 1990's, the customer value has become the most concerned field of management academy and social companies. Obtaining company profit and development by customer value creation has been regarded as the new resource of competitive advantage. Modern company could set up competitive advantage by means of customer value creation strategy and STV triangle actions system. This paper starts with marketing tactics evolution, and holds that the customer value creation is the process of marketing tactics integration and management. Furthermore, it analyzes the retailers marketing tactics integration based on customer value, and emphasizes on managing the process of identifying customer value, supplying customer value, and communicating customer value. At last, it probes creating sustainable competitive advantage through STV triangle, and building up sustainable competitive advantage for retailers. So, this paper has certain significance for modern retail company to establish and maintain its competitive advantage.

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