

# [Using suitable models identify the customer perceived value marketing essay](https://assignbuster.com/using-suitable-models-identify-the-customer-perceived-value-marketing-essay/)

Tesco is the largest food retailer in UK and it is amongst worlds top 5 largest retailers by annual sales behind Wal-Mart and Carrefour. It started in 1919 and now it operates more than 3000 stores in UK and it also has stores in rest of Europe, North America and Asia. This company is multi category that also runs telecom and banking services apart from food retailing but for the purpose of this paper the focus will be will be on customer perceived values for the customers of TESCO.

Tesco is based on trust and respect. They have learnt over the years that if customers like their offers, then there is higher rate of possibility that they will come back and shop with them again. So they will do every possible thing to retain their valued customers.

## 1. 2 Vision of TESCO

Tesco’s vision is to be most highly valued by the customers they serve, the communities in which they operate, their loyal and committed staff and their shareholders, to be a growing company, a modern and innovative company and winning locally and applying their skills globally.

## 1. 3 Customer Perceived Value

The Customer Perceived value of a product is the customer’s evaluation of all the benefits gained against all the cost of a product or service.

Zeithaml defines customer perceived value as consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given. Though what is received varies customer to customer because some people want only quantity other may want quality in the specific product, similarly what is given also varies customer to customer like some people are only concerned with the price of the product others may be concerned with the time and efforts they are putting in to buy the product.

(Source: Zeithaml, V. A., 1998 Consumer Perceptions of Price, Quality, and Value: A Means-End Model and Synthesis of Evidence Journal of Marketing 52 (July): 2-22)

In simple words customer perceived value is the benefits you get after your sacrifices.

It is often expressed as the equation:

## Customer perceived value = Perceived Benefits

## Perceived Sacrifice

## Benefits = attributes of core product/service and supporting services, perceived quality and price

## Sacrifice = customer costs involved in purchasing, such as time, travel, repairing faulty work, etc. – NOT just price.

Perceived Benefit

Perceived Sacrifice

Price

## Money

Quality

## Time

Status

## Effort

Convenience

## Psychic cost

## Talking about TESCO, benefits associated with perceived value are:

• Price: Customers get great saving offers when purchasing their favourite products in Tesco.

• Quality: At Tesco, quality and freshness has always meant handpicked groceries carefully packed so customer knows every item is carefully checked before it reaches them.

• Status: Being UK’s biggest retailer Tesco has a very high status amongst the customers and it has great goodwill in the market so customers are aware of the prestige of the company.

• Convenience: Tesco has got many facilities for its customers like online shopping, home delivery, self-billing counters and wide range of products to choose from plus now it is introducing free Wi-Fi in the stores for its customers so that they can keep connected to internet always.

## Sacrifices associated with perceived value are:

• Money: if consumer find the cost of product higher than expected, they need to decide if it is worth taking or not.

• Time: it is the amount of time consumer has to spend on finding and purchasing the product in Tesco.

• Effort: involves the physical energy devoted by people to find products that suits their needs in the store so it takes efforts to do shopping also.

• Psychic Cost: shopping is stressful and frustrating experience and Perceived risk is considered for the performance of the product (will it do the job), physical (may be bodily harm done by the product), financial (danger of economic loss from the purchase).

## 1. 4 Holbrook’s typology of consumer perceived value

Extrinsic

Intrinsic

Active

Efficiency

(O/l, Convenience)

Play

(Fun)

Self-Oriented

Reactive

Excellence

(Quality)

Aesthetics

(Beauty)

Active

Status

(Success,

## Impression

Management)

Ethics

(Virtue, Justice,

Morality)

Other-Oriented

Reactive

Esteem

(Reputation,

Materialism,

Possessions)

Spirituality

(Faith, Ecstasy,

Sacredness,

Magic)

Source: Holbrook, M. B., 1999 Consumer Value: A framework for analysis and research.

If we first consider extrinsic versus intrinsic, there will be higher extrinsic value for the customers of Tesco because they emphasise on the end result of their purchase. Talking about self-oriented and other-oriented it is seen that here focus is on self-oriented more while shopping in Tesco because the customer is doing it for his or her own purpose or objective. When we come to the final part of Holbrook’s framework, active versus reactive, it is seen that customers of Tesco are from different cultures and societies so they prefer different type of food material like Chinese would prefer Chinese food and Indian will prefer Indian food so it is difficult to keep all the customers happy at once but for customers reactive is more important.

What Holbrook’s framework does enable is the ability to identify the key values of customers, and in the case of Tesco, whilst it can be stated that the customer perceived value is multidimensional, the application of the typology of consumer value identifies two key values, efficiency and excellence.

## 02) Critically evaluate the existing value proposition for the one you have chosen. Compare and contrast the value proposition with that of the leading competitor in its sector.

## 2. 1 Value Proposition

It is defined as an analysis or statement of the combination of goods and services offered

by a company to its customers in exchange for payment (Investopedia, n. d.). It is actually

a promise of value of the company to deliver the services that the customers expect to

experience in the future.

## Tesco’s Market strategy:

Tesco focused to develop the UK market as it is their biggest business in the group. As for the worldwide market, Tesco’s objective is to be a spectacular retail store in the world as well as online.

Tesco kept its customers through numerous ways. One of it is through the Tesco Club-card program. Tesco has been very inventive in the Customer Loyalty field. The loyalty programs they have developed have kept customers attached to their brand.

Tesco had the dreams to know its customers and their need and it was the key to customer loyalty and satisfaction. This Club-card has changed Tesco’s connection with its customers and the data from the database tour guides all the key decisions to be taken for company. The loyalty club-card design permits for numerous advantages one of which is aimed at communication. There are more than 4 million variations of its quarterly customer mailing to double-check that its offers and discounts are according to their individual customer. Hence, this scheme assists to keep its present buyer and bring a feel of commitment to the organization. The advantages of this loyalty scheme will apply to new customers and assist Tesco to gain larger market share.