

Customer centrality

[Business](#), [Marketing](#)



It is of knowledge in marketing literature that the producer or the marketer should have focus on what the customer needs and wants in order to achieve success in business. A customer greatly affects a company's strategy. Customers have undeniable affects to how each producer in the market works and strategize. This concept is referred to as marketing concept. The marketing concept is widely used in marketing literature and serves as a guiding principle used in the business sector.

The idea in using this concept is prioritizing customer perspective in any ventures of a business. Any theory regarding the marketing strategies, models used in the strategies and development of conceptual frameworks should be based upon on customer perspectives. This will result to an effective marketing plan and strategy that will yield beneficial results for the company once it holds great understanding and knowledge on how customer thinks and reacts to situations enforcing their purchasing powers or capabilities.

Once a company had placed customer's perspective, integrated their knowledge regarding their customer with their models, theories and conceptual framework in devising an effective marketing strategy, it will guarantee a successful business venture.

BACKGROUND: A company's objective in either producing or marketing goods and services is to get as much profits through establishing a strong relationship with its customers. The consumers play a great role in every decision-making processes of the company.

The consumer, being the target individuals of the company to advertise or promote their product is greatly given importance to. The research is regarding customer centrality of a United Kingdom-based company Tesco. To effectively target a particular network of consumers, the company had established a loyalty program called Tesco Cardholders to improve their relationships with their consumers. Tesco is considered as the largest supermarket chain in UK. The essay will focus on how the company has established a network of customer with its e-tailer program which started in 1995.

The program of the company has generated loyal customers over the introduction of the program as several benefits from holding the company's card rewards individuals with different offers the supermarket had planned for them. This resulted to a loyal customer network. The effective marketing strategy of the company is accredited to strong economics and marketing concepts that greatly helped the company devised a plan to reach their customers with their interests as the company's priority.

CONTEXT:

Relationship marketing is a new paradigm in the marketing concept brought about by the changes in marketing and by the importance given to customers. It was introduced in 1960's and later emerged in 1980's as a way to build long-term relationships rather than just the short-term day to day transactions given to the customers. ("relationship marketing", 2006) The focus in the business sector is not just to attract customers, but also building

strong relationship with them in which at the end, loyalty is formed and the company or organization takes care of its customers. Discover the question in a free-market system, producers are most strongly driven by which

In relationship marketing, value is given importance. With the realization of companies that they need to provide customers with values of product according to their perception will enhance customer satisfaction so that the relationship is strengthened and loyalty will be formed. Customer satisfaction is one of the most important criteria needed to be considered in relationship marketing. A customer is satisfied when he or she receives the value of the product she needs and wants.

This in the end will develop loyalty for the customer to the company who satisfied his needs or wants. It is also important to consider what the customer sacrifice or gives off in his desire to be satisfied. ("relationship marketing", 2006) Customer retention is one aspect needed to be considered in creating loyalty programs to adapt relationship marketing techniques in a company. A study conducted by Buchanan and Gilles in 1990 presented several factors why customer retention happens along with increase in profit sales of a company.

According to the study, the cost of acquisition at the beginning is high relative to the decreasing mortised cost that happen as time passes. The maintenance costs and expenditures also decline with the percentage of total cost of the company in building customer retention. There is also a chance to develop long-term relationships with customers who are less likely to switch patronage of a company once it becomes less sensitive to price

changes. This is beneficial for the company as the unit sales volume of the company becomes stable as income sales volume increase.

The establishment of long-term customers with strong relationships initiates a network of promotion with other consumers as well. This is due to referrals made by the loyal customers. The customers are also more likely to purchase products which are of high margin and are supplemental. Customers make it hard for competitors to enter the market once a strong loyal relationship is made between customers and a company who greatly satisfies his demands. Loyal customers were also found to be less expensive for the company to maintain as they are satisfied with consistent products and services.

In adapting relationship marketing techniques and concept in companies, several concepts are also considered in the decision-making process in creating marketing strategies. The first concept is customer valuation. This is a description of how customers are valued according to their financial and strategic value. This will greatly help in creating strategies to help develop and invest deeper relationships with its customers. Another concept is customer retention measurement. This is an assessment by the company of their customers based on how long they remain as a loyal customer to the company.

A longer retention rate means that customers are able to be patrons of the company for a longer period of time. It is also important to determine the reasons for defection. The success of companies creating a strong relationship with their customers is through planning and analyzing the situation based on the root cause, not just with the mere assumption of

things. As part of building relationships, the company must also address to the customer's interest, complains and suggestions.

It is also a strategic way to devise several plans to make an effective relationship marketing strategy. This enabled the company to address to a problem as quickly as possible to avoid further problems once relationships are established. (" relationship marketing", 2006) The creation of loyalty programs of company is due to their desire to establish relationships and loyalty with their customers. It is also seen as value-adding strategies for company to satisfy the customers. This allows companies to add supporting services for the customer to increase the total value offered to them.

The “ value” concept mentioned in the earlier paragraphs has limitations set in the marketing system. The perceived benefits of goods acquired by customers is relative to what customers perceive as value of the products and the perceived sacrifices they have to make in order to obtain the products and services they wish to acquire.

IMPLICATIONS: The background of the Tesco model of customer centralization is based on the book of Clive Humby and Terry Hunt with the assistance of Tim Phillip entitled Scoring Points: How Tesco Is Winning Customer Loyalty.

The book tackles how the largest supermarket chain in UK designed the program of cardholders that had established a loyal customer network. The authors of the book conclude that the best way to establish loyalty among its customers is to give appreciation for their patronage rather than encouraging them to buy more of their products. This is evident in how the

Tesco cardholder's scheme is applied. Tesco's e-tailer scheme had improved the supermarket's profitability after it had been introduced.

It had enabled the company to expand its branches overseas and established a Tesco-branded bank to improve the system of the supermarket chain. The company placed high importance for their customers in the idea that as a private business sector, the customer holds power over the company. In economics, there is an assumption that in the long-run, consumers will not buy something that costs more than its value, that is why the company has to depend on their knowledge regarding its customers and assures that the customers receives the value of the product greater than what he or she paid for it.

The company is said to be economic efficient due to the fact that it utilized its resources effectively to provide more value for the consumer given the specified resources of the company. Economic efficiency of the company enabled it to provide more or equal value to the customer than any other competitor it has in the market. How does the Tesco program scheme works? The company started by planning a cardholder's program that rewards customers with awards for their membership. The company had followed a cube model with different axis performing specific functions.

As mentioned in the earlier paragraphs, a model is made with the customer's perceptions in mind. This will enhance the productivity brought about by the models created for the programs of the company who wish to have an effective marketing strategy. The first axis is called " contribution". This is a stage wherein the company evaluates customer profitability. It must be noted that all customers of the company is evaluated for this, even the

unprofitable ones. The company is aware of the sacrifices the customer gives off in order to satisfy his or her needs and wants.

That is why the company evaluates what the customer can offer them guided by the principle that they too must satisfy their own demands from their customers. The second axis of the cube model is “commitment”. It is the measure of future customer’s profitability and how long will he remain patronage over the company. In this aspect, the customer’s potential to have increased valued is also studied; this is referred to as “headroom”. This exemplifies how the company had thought of the long-term effects in its marketing strategy.

This will help the company in its marketing planning for it to effectively satisfy the needs and wants of the customer. The third axis is assessment of customer’s potential to become a brand ambassador, or a brand mentor. As a brand ambassador, the customer feels strongly about the product. The company is able to assess this by studying on his or her product list in the supermarket. Patronage of the product is one indicator of the customer’s perception of value regarding the product. Brand mentor is a term coined by Tesco Company as they observed how mothers of pregnant daughters will subscribe their daughters to the Tesco Baby Club.

It is like passing the loyalty indicator of the customers to their family or friends. This is referred to as “championing”. It is of great advantage for the Tesco Company to design the three-dimensional cube to evaluate their customers and plan marketing strategies to benefit the company and this had ensured the company success. The development of a three-dimensional

cube in which the company placed the customers' details and interests at the core had made the company calculate its return of investment.

This is an example at which success is attributed to the strategy taken by company to place the customer's interest at the core of their model, theories and conceptual frameworks. The book had also give background information on how the Cardholder Program of Tesco worked. First, the company studied its customers very well. The marketing strategy of the company had allowed them to create a self-funding program. The company managed to set a limit of 1% of gross sales and maintains to have no activity that can cause the company to yield unsustainable sales.

This had established how effective the company had satisfied its customers with satisfying its own demands. The creation of the Tesco cardholders program has also proved the company's creativity. The company had several challenges beforehand in analyzing the data they need. Thus, the company thought of different ways to obtain the information they need like made surveys and tests, and specify questions for effective data gathering scheme. The creation of the Tesco Clubcard accounts also had established the formal loyalty contract between customers and the company.

The membership cards enabled customers to get benefits like coupons both needed and desired by consumers. The benefits given by the company established loyalty because the company ensures that the coupons worth is of value to the consumers. The membership process is also simple that enabled consumers to be in the program without any hesitations. The company's success with this specific marketing strategy is accredited to the

fact that it had exceeded other competitions with the different way it handled customer's satisfaction.

The coupon system used a set of data from different member's purchases of goods from the supermarket. As the company analyzes the data brought by over 10 million members of the Cardholders Club, it enabled them to produce a magazine of coupons with segment-specific content that is sent to each member four times a year. The magazine includes six coupons which are highly targeted by the customers, this is once again based on the data the company had obtained from the purchases made by the member customers.

Four of the coupons are products the customer already buys, and the two other coupons are for products the customer is more likely to buy but has never bought before. This had resulted more than ? 100 million in incremental sales each year. The strength of this system works because the data gathered by the company is accurate and sufficient enough for them to make decisions and plans regarding promotion strategies like these. This had helped them not just in satisfying their customer's demands, but also in their demands as well of a greater profit.

Tesco had certainly thought about the program thoroughly with their customers in mind. The strategy with the cardholders program is that the consumers are segmented according to the category of the products they purchase. The company took advantage of data acquired with the customer's similarities and organized the customers with their similarities. This is also a concept in marketing planning and strategy. In marketing

literature, it suggests that one effective way in targeting the demands of the customer is to target their similarities.

This will be beneficial in both ways. The company can focus on products to be distributed to their customers with minimal concerns regarding how the products can be of value to their customers. Focusing on customer similarities will help a company, or specifically market managers, to make sound decisions based on their acquired data and knowledge of their customers. Tesco Company created the “ Rolling Ball” scheme in which consumers are segmented upon. The company had devised several categories in which the customers are segregated.

Based on the products they purchase every time they visit the supermarket, the customers are grouped according to similar products they purchase. For example, a customer under the “ Adventurous” category will be associated with one another based on the products they purchase. Loyalty programs as such created by Tesco are challenged with intelligent pricing. To address this, the company used its data to evaluate the price-sensitivity of customers to products. It was explained in the book that the company use its data to identify products that are purchased by price-conscious customers.

And for the company to be able to have the lowest possible cost in lowering the products’ cost most purchased by price-conscious customers, consumers are able to benefit from lowered product prices. Having knowledge on how the customer reacts to price changes enabled the company to attract customers with targeted price cuts that would not hinder the company’s profitability. Marketing had evolved with regards to techniques used by different companies. It provides ideological resource to refine measurements

and analytical devices that are improved given the new areas in which they can be applied to.

The importance in integrating customer's perception and interest is given of high importance as marketing strategies are formed.

CONCLUSION: The Tesco Company is one of the successful marketing channels that effectively placed customer's perceptions regarding the products value and their interest with its own interest. Economics and marketing is effective in this system. Because of marketing systems that they have adapted, the company had created a successful marketing strategy that enabled them to create a strong relationship with their customers. The new concept in marketing is relationship marketing.

This idea places customers' interest with high value. The goal of this concept is to establish a association between the company and the customer. An example of a relationship marketing strategy is loyalty program. This aims to adverse long-term relationships between the customer and the company. Each of the variables in relationship marketing has its own interest, and the success of this specified strategy is to satisfy each variables interest. It is understood in the economic concept that demand should be satisfy. The Tesco Company had satisfied the demands of its customers keeping its own demands satisfied.

With their available resources, the company had managed to effectively set its customer's interest as their own while still maintaining a profitable business. This had been a challenge to several companies as they try to maintain a profitable business without a loyal and strong relationship with

their customers. It must also be noted that the company had gathered data really well. The company's data is composed of information about their customer's interest and it had successfully given them enough background regarding how they can serve their customers better.

The success of the Tesco loyalty program is an inspiration to businesses to wants to achieve the same success with their customers. In placing customer's interest and perception in the foremost approach to any model, theories and conceptual framework applied to a company's marketing strategy, it can effectively bring about rewarding events to a company. The company had successfully carried out the goalsof customer centrality. Not only did it satisfy the needs of the customer, but it had also remained the company's interest at hand during the process.

So far, the Tesco Company had successfully carried out it Loyalty program for more about 11 years now. The members or customers are still growing, as profit also continues to grow. The success of the company is an interpretation of how effective it was in carrying out the different concept in economics and marketing and applying such concepts in its strategies. This had created a loyal customer network and established a healthy relationship between the company and the customer. References: 1. Brownlie

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