

A question on ivp, ibs and customer value

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



In the offline world, products and services are advertised based on their unique selling point (USP). In the online world, an organisation's website must be able to convey the online equivalent of the USP, the Internet Value Proposition (IVP). As organisations develop their e-business and create corporate, micro, product, and brand sites, it is extremely important to define the Internet value proposition. The IVP is the unique attributes that differentiate a site from its competitors.

The importance of this is emphasised online as competitor sites are only a click away. This assignment will first discuss the relationship between the Internet value proposition and the Internet business strategy, and secondly, the specific values of the Internet customer to consider when developing the Internet value proposition. Concepts of IVP and IBS Though the new way of business - digital economy, appear big opportunity to the firm, success of Internet business cannot be achieved as easily as expected.

This is because the characteristics of digital media on which Internet business takes places give firms threats as well as opportunities.

Characteristics of Internet such as low access cost and ease of use allow more suppliers to do business, also resulting in more furious competition. In addition, the connectivity of Internet makes it possible for customers to switch to other suppliers with more ease, resulting in huge customer fluidness. These characteristics of Internet environment made it difficult for the Internet business firms to gain profit.

Moreover, the characteristics of digital media affect the market with different economic rules from those in the conventional markets. For these reasons,

different directions of business strategies that fit with Internet environment are required to survive and become more important in Internet environments. Analysis of internet business strategy should start with value. Thus, know what is internet value proposition become essential before we establish our internet business strategy.

The term Internet Value Proposition (IVP) can be best understood by breaking it down into its parts. The Internet, sometimes called simply "the Net," is a worldwide system of computer networks, in which users at any one computer can, if they have permission, get information from any other computer. The Internet is a big resource for people to gain information and knowledge from all over the world. Value is the inherent worth that companies offer to their customers. In other words, it defines what the customers get for their money.

Company must provide unique value of product or service that distinguishes from as many of competitors as possible. Merriam-Webster defines Proposition as "a statement containing only logical constants and having a fixed truth or value." It is company's factual and truthful proposal to customer. Therefore, the internet Value Proposition (IVP) is a statement of differentiated and timely value of products or services which meet a need or solves a problem for an individual customer or group of customers.

It consists of a package of benefits from which a customer is persuaded that he/she derives greater value than from a competitor's offering. The Internet offers two key sources of value: the ability (1) to transform customer relationships and (2) to displace traditional sources of business. (Treese,

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1998). Customers can now choose the hours of business they desire, receive service at their location, serve themselves, and receive focus on their particular needs. In addition, the source of value moves from physical products (atoms) to digital products (bits).

As a result, the Internet is able to deliver information in digital form, mass customized for each user, easily assimilated, economically distributed, and global in its reach. Based on these two sources of value, we can outline several competitive roles that a company might adopt. These four roles compose Internet Business Strategy for company: Channel Master:

Companies can establish a direct Internet channel to customers or other partners. Most companies use the channel to complete transactions or trade information more easily.

Companies can master their Internet channel by giving customers the same level of service on the Internet as in person, by personalizing interactions to build customer loyalty, and by providing valuable new services, such as online receipts and shipping status. (example: Cisco) Customer Magnet:

Companies can use the Internet to become the dominant player in the electronic channel of a specific industry or segment, controlling access to customers and setting new business rules.

In becoming a customer magnet, companies can organize themselves around a specific type of product or service, a particular segment of customers, an entire industry or a unique business model. Over time, a customer magnet could become the electronic gateway to an entire industry. (example: Tripod) Value-Chain Pirate: Companies can bypass competitors in

their value chain and eliminate layers of costs that are built into current distribution systems. In pirating its value chain, for example, a book publisher can bypass retailers or distributors and sell directly to readers.

(example: ONSALE) Digital Termite: Businesses can develop and deliver new online products and services for new customers. Companies can create value by mining their digital assets and then offering salient information to customers inexpensively or for free. For example, a distributor that sells competitive products can post product information and reviews on the Web to help customers make more informed buying decisions. (example: Classifieds2000) Each of the four internet business strategies can be used alone or in combination.

An each combination used by company forms a different Internet Business Strategy (IBS). For example, CDNow, it is a digital distributor because it provides technology and it is a customer magnet because it focuses on all aspects of CD's and their technology. How the IVP affect the choice of the IBS
Three Major Differences of IVP A primary advantage of the internet is its efficiency and relative lower cost that can deliver information of products and services.

Geographic reach is increased and need for a sales force is diminished, allowing many types of transactions to be completed efficiently and effectively on the internet. But, as Michael Porter notes in Strategy and the Internet, " the great paradox of the Internet is that its very benefits-making information widely available; reducing the difficulty of purchasing, marketing and distribution; allowing buyers and sellers to find and transact business

with one another more easily - also make it more difficult for companies to capture those benefits as profits.

" Wherever how many differences existed, internet business is still business and is fundamentally no different than traditional business - that is competitive advantage - establish Unique Internet Value Proposition. There are three major differences in value adding activities between conventional business and Internet Business. These three differences compose the unique internet value proposition that lead to four basic strategies for business to consider both in exploiting the internet and in defending itself against competitors.

First, the value concept is ever changing. Traditionally, values are mainly offered to the customers as the forms of product or service (Porter, 1980). Internet business, however, can afford to provide the customer with total value or total satisfaction. Values to the customer in Internet business do not simply mean providing product or service. It is something that satisfies what customer wants with product or service. The product or service is the only main tool for providing value to the customer.

For example, someone who buys a bottle of wine do not want 450 ml of 12-year old red wine itself, but emotional satisfaction or joy by drinking it. For this reason, he/she would like to know the information that optimizes smell, tastes, and even best applicable side dishes and backgroundmusic. Under Internet environment, firms, rather than delivering some wine alone, can satisfy these requirements by providing them with additional information and materials such as music files or pictures. In conventional business, it might

be difficult for firms to create and provide the total value to the customers in an effective way.

But, in Internet business, this kind of total value could be created and delivered with ease at a low cost. These are attributed to the characteristics of digital media that have the capability to create and distribute high value to the customer. What's more, a variety and high customers' requirements and high competition drove the firms to do business in such a way. Second, the importance of value delivering process is ever increasing. It is crucial how to deliver value to the customer as well as how to create value.

While firms add value through series of value adding activities, the customers acquire the value through value acquisition process. The value to the customer is all that customer acquire in each activity of value acquisition process. In conventional business, the value adding possibility through transaction and delivery of product or service is relatively under estimated. Under the internet business, as there exists the possibility to add value for the customer in the transaction, value delivering processes get much more importance to provide higher value to customers.

In the case of e-mail card (e-card) business, though final offerings to the customer are electronic card and its delivery service, customers can get much value through the process of transaction. A customer can be given a lot of benefits if he/she is notified on the birthday of his/her best friend, recommended the type of card or gift that his/her friend may like to receive, or if he/she perform the transaction in a convenient and comfortable way. In

addition, the role of information in value adding activities is getting more important.

In conventional business, information is considered a supporting element in value adding processes. Under Internet environment, information becomes the main source of value and value-adding activities are performed through and with information (Rayport and Sviokla, 1995). Information becomes one of the major offerings in Internet business. In conventional business, most of information is categorized as information product, information service, or as the addition to the product for the constraints of the physical media that restrict the distribution of information as separate offering.

As rich information of diverse format can be distributed freely and rapidly, demand of information becomes increased and information is recognized as important resources in Internet environment. On the contrary, the business that creates and provides information as main offering becomes viable and appears important business area. Information, which lies at the heart of the digital good, can be easily transformed and increased in their value. For this value-adding possibility of information, many of product and services transformed as digital format.

Information plays an important role even in value improvement of product or service that cannot be transformed as digital. Value of these types of offering can be added by providing additional information. Most products as well as services are composed of both physical and information component. Information component means everything that the customer needs to know to obtain the product and use it to achieve the desired results (Porter 1985).

In a word, information might play a critical role in value adding activities under Internet environment.

These three factors compose main internet value proposition that affect firms' internet business strategies. Internet business must be able to define a unique value proposition in a highly integrated value chain which is self reinforcing. Dell Computers, for example, began with the unique value proposition that it would custom build a computer, exactly as and when a customer orders it, and deliver it at a very competitive price, because its "just in time" system eliminated the cost of overhead and mistakes in calculating demand.

The Internet, harnessing powerful new software, enabled Dell to improve on their value proposition by allowing the customer to go online and configure his own computer, selecting all the options herself, with the final selection becoming a purchase order fed into the Dell manufacturing system, which could complete the assembling of the individual computer, bar coded with all the unique specs, within an 8 hour time frame.

Internet technology eliminated another layer of costs, and introduced another level of customer control and self service, which enhances Dell's system of delivering value and underscores the validity of its basic value proposition. Value-based Strategy - Specific Values of Customer is the Core
The customers of internet present a vast array of challenges and opportunities. Different with the traditional commerce, internet business transform from supplier-centered to being customer-entered. This is both a challenge and an opportunity for the business.

Understanding the specific value of internet customers will definitely require hitting a moving target! There are 5 key areas where customers are most likely to focus their value judgments in the internet. 1. Relevant features and functions and ability to customise solutions Traditional manufactory and market was to pack as many features and functions into the product and then let the customer choose which ones they want to use. This strategy will no longer win loyal customers, particularly with the astute customers of the 21st century.

Customers will want to have more says in which features and functions are loaded onto their products. Dell Computers created an entire new business model by giving customers the opportunity to select which features and functions to be put into their computers. It won't be long until the same customised manufacturing process is applied to Internet. More choices for customers mean they are going to be price or cost conscious. The customers of the internet are extremely " value conscious," in that they will seek the best value-for-money option made available to them. 2.

Relationships based on trust and rewarded with loyalty. Will the customers of the Internet reward trust with loyalty? I believe they will. Loyalty, however, cannot be bought. It has to be won or to be earned. True loyalty will not result from reward schemes and customer loyalty point schemes. Loyal customers are created through consistent product quality, brand characteristics, and service excellence received each time a purchase be made and a product is used. Consistent delivery of these three attributes

builds trust. It will lead to repeat purchases, which in turn lead to brand, product, and website loyalty.

Customers of the Internet, place a higher value on the brands and websites they trust. Trust not only simplifies the buying decision process, it also saves the customer time and mental aggravation over having to make a decision. Anything that can save the customer time and confusion are sure to be seen by the customer as highly valued benefits. 3. Sufficient knowledge and information The customers of the Internet are highly knowledgeable.

Therefore, they will be used to making purchase decisions after having done thorough research and investigations into the multitude of options available.

As a result, they will place a high value on Internet companies that provide them with full, or at least sufficient, knowledge and information while they are in the research phase of the buying process. Will the access to information make customers even more price sensitive, and price knowledgeable, than they are today? Undoubtedly yes, at least to an extent. However, as it is today, price is not always the key or final determinant in the purchase decision. Some customers, of course, only buy on price, but those tend to be company's lowest margin customers anyway.

Understanding the need of Internet customers for ready access to information, organizations will need to adapt their customer support operations accordingly. Doing business in the Internet, company need more value adding on their products and services. 4. Complete and full satisfaction Customers of the Internet are likely to have one characteristic: desire the products and services they purchase and use, to deliver complete and full

satisfaction. For this reason, it is easy to anticipate that customers will place a high value on products, services, and organizations, which consistently deliver complete and full satisfaction.

It will be the total experience with the product or service that will count beginning with the search for information right through to usage, disposal or return. 5. Speed and convenience The key advantage for customers of shorter product cycles is that putting off a buying decision becomes less painful. There's no need to order the latest mobile phone, or the latest notebook computer, a newer model will be available within months, and the price of today's model is most likely to drop when the next new model appears.

However, this is not to hint or infer that the customers of the future will accept shorter life cycles due to poor product quality or short durability. They demand high quality and durability of products lasting well beyond their initial ownership periods. Internet customers will place increasing value on short order lead times and fast delivery times. For consumers, the ability to shop on the Internet and know that delivery will take place with days is fast becoming an expectation. It will be woeful to the company that finds itself short of inventory for its electronic customers.

Customers want speed, convenience, quality and reliability. Obviously, these categories will not apply equally to all. Also, it can be anticipated that individual customers will use different value judgments for different product and service categories. How to Use IVP to Establish IBS for Internet Companies The direction of firms' strategy that focuses on creating and

providing superior value to the customers can be the most effective strategic alternative in Internet environment. This strategy is called " value-based strategy".

The value-based strategy stresses on the importance of the values delivered to the customer. In this view, creating and providing higher value to the customer becomes the strategic goal. This is based on the assumption that Internet business can be successful only by offering higher value to the customer. The firms that accept value-based strategy should allocate their resources to maximize value for the customer. The strengths, weakness, opportunities, and threats (SWOT) framework is perhaps the most well-known approach to drawing strategy (Andrews, 1971).

Performing a SWOT analysis involves describing and analyzing a firm's internal capabilities - its strengths and weaknesses - related to the opportunities and threats in its competitive environment. The value-based strategy can be the most attractive in that it is the action to preserve strengths, offset weaknesses, avert threats, and capitalize on opportunities. Opportunity The most important thing among the opportunities given to the firms that performs business in Internet may be the possibility to create and improve value for the customer.

As offerings and transactions become digitalized, they can be improved in their value for the customer. The possibility to know about the customer in detail makes it possible for firms to create and provide the value that fit the requirements of the individual customer. Value-based strategy gives firms directions to exploit the opportunities of Internet business. Another

opportunity of Internet business is the market enlargement, which means that firms can do business with wider range of customers. Values that are created or improved in Internet business can be distributed to a large number of customers without requiring additional costs.

Firms can utilize the opportunities of digital media by establishing high value to the customer as their strategic objective. Threat The threats given by the digital media such as fierce competition, high requirement and low switching cost of customer, cannot be overcome by short-term tricks or myopic solutions. It requires fundamental measures that overcome the threats, and the benefits to the customer can be used as the essential tool to lighten these threats. Strength and Weakness The strengths and weaknesses of the firm should be evaluated by their capabilities to create and improve value to the customer.

A firm cannot create every type of value to the customer. A firm should focus on the value that it feels the most confident it can create within their resources and capabilities. The weak point of their capabilities to create value for the customer should be complemented in the first place. In the long run, organizational competence should be focused on to accumulate the capabilities to create and improve value for the customer. In this context, creating and providing higher value to the customer can be the best strategic direction that capitalizes on opportunities and mitigates threats of Internet business environment.

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