

# The concept of customer value in marketing

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



Marketing is a fundamental aspect of a business' behaviour and, in recent times, its importance has been increasingly recognised and enhanced. Marketing can be defined as the process of “ achieving organisational goals by determining the needs and wants of the markets, and delivering the desired satisfactions more effectively and efficiently than competitors”. The concept of customer value in marketing has been heightened with the increase in technology and the increased importance placed upon customers in business making decisions.

### **The Importance of marketing**

Marketing is vital in today's society due to its universal impact on all people, intentional or otherwise. Whether it's the buyer or the everyday citizen, this fundamental concept of the universal influence of marketing demonstrates its significance in our lives. The definition of what marketing is has been redefined over the last 30 years – developing with society.

On a base level, satisfying the buyer is perceived to be marketing's main objective. However, delving deeper, it is evident that marketing can have a significant impact on everyday people as well. A buyer differs to an everyday person as a buyer generally has a known need for a good or service while an everyday citizen may not yet have a desire for this good or service.

Marketing's role in fulfilling a buyer's desire is to convey that their good or service will excel at meeting the buyer's needs. A marketer's role in regards to an every day citizen is more complicated. While the marketer wants to create a want for a good or service and turn the everyday citizen into the buyer, the everyday citizen will often also be concerned with the social standing of the business.

Peter Alexander's behaviour towards their buyers differs from their behaviour to everyday citizens. Peter Alexander ensures the satisfaction of everyday citizens by actively documenting the company's charity work for animal welfare, for example raising over \$662000 for the RSPCA (peteralexander, n. d). This behaviour satisfies a common conception by people that Peter Alexander is a worthwhile brand. This demonstrates the importance of marketing in its universal impact of people who aren't even customers. Customers or 'buyers' are marketed to through the iconic catalogues and product placement in popular shows such as Big Brother Australia. Therefore allows them to be shown potential products that will fulfill their needs; allowing us to understand the widespread influence of marketing.

Redefined and reinvented; the concept of marketing is continuously evolving and developing to suit the current timeframe. The 1980s involved a change in business structure; bringing forth the significance of not only acknowledging the importance of a customer, but also the vitality of knowing your competitor. Going into the 2000s, with increasing enhancements in technology; marketing was able to step forward into becoming a constant "societal process". These developments are important; they have enhanced the concept of marketing into something that is consistently valuable to business success. Peter Alexander's development as a business demonstrates these key modifications over the decades in regards to their marketing technique.

In the 1980s, Peter Alexander products were first distributed through department stores and advertised through word of mouth and television advertisements; preventing potential competitors from selling a similar product by filling the niche gap in the market for comfortable women's pyjamas. In the late 1990s and early 2000s Peter Alexander became a strong online presence and becoming a brick and mortar company by joining the Just Group demonstrated their understanding of the importance of a focus on the value of customer experience.

Although these aspects demonstrate the overall importance of marketing in everyone's lives, they also show that the consumer and everyday citizen are all influenced in very individual ways. Marketing affects everyone differently, and understanding this is a fundamental concept in regards to demonstrating the importance of marketing itself.

### **Concept of Customer Value**

Zeithaml (1988) states that, " From a customer's perspective, customer value is what they ' get' (benefits) relative to what they ' give up' (costs or sacrifices)". According to Smith and Colgate (2011) there are two main aspects to this broad concept - value for the customer and value for the firm, with the former referring to the benefit for the customer to purchase this particular product, and the latter referring to how the customer is beneficial and valuable to the firm.

To understand customer value it is important to recognise a customer's role in business; recognition of this role demonstrates the value for the firm in customer value. McFarlane (2013) deems that customers should be treated

as “ long-term strategic partners” to a business as this will allow for more informed and influential business decision-making. Also, it’s vital that the needs of the customer are fulfilled as it establishes increased brand loyalty and a reduction in price sensitiveness. This ability to recognise who a customer is to an organization allows the business to effectively grow through the recognition and acceptance of their customers’ needs and wants; increasing success.

Value for the customer ensures that the needs of a customer are met. However, what these needs are is widely contested. While motivation theories such as Maslow’s Hierarchy of Needs provides insight into what motivates a customer and what they need, it does not determine the cost aspects of customer value – such as is demonstrated by the Seth, Newman, and Gross (1991) framework. This framework shows customer value as being measured through its functional value, an experiential or hedonic value, a symbolic value, and the cost sacrifice value that Maslow lacks. The cost sacrifice aspect is imperative when measuring customer value as it illustrates the flaws in a good or service for the consumer (i. e. convenience of good to customer). This is vital to having a more rounded understanding of the customers purchasing behaviour. A customer will often recognise at least one of these forms when making a decision about a purchase; therefore proving it to be an effective way to measure customer value.

In an article written by The Examiner (2014), Alexander has demonstrated how much he values customer input when making business decisions, evident from him using customer feedback via Facebook and other online

sources to decide where to open a new store. He understands that meeting customer needs (i. e. location wise in this article) will help result in business success.

This is further illustrated in an article written by Sydney Morning Herald (2016). Alexander's decision to sell his brand to the Just Group followed his recognition that he didn't have the ability to meet the level of customer satisfaction necessary to successfully run his business. Stating that "[he] knows what [he's] good at and what [he's] bad at", Alexander's understanding that to satisfy he's customer's needs and to stop "damaging [his] own brand" he needed help from a more skilled partner demonstrates an excellent ability to fulfill the concept of customer value.

### **The link between customer value and marketing**

Customer value most commonly integrates with marketing when it involves a marketer's ability to determine how to successfully sell a good or service. By understanding the customer, an organisation is able to market a product that will meet their needs and therefore increase sales as a whole. The increase in understanding the value of customers is beneficial to marketing as it, in recent times, more easily allows the company to view customers as an asset instead of being just another aspect of business that had to be fulfilled. This strong focus on the customer's needs incorporated into the base idea of what marketing fundamentally is, shows the strengthening of the link between customer value and marketing and places customers in a significant role in the decision-making process of an organisation. Deemed as "the new marketing concept" customer value, and more than this, marketing itself, is seen as a "central concept in the behaviour of the firm".

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However this integration of customer value and marketing in business took years of development. Whilst the acknowledgement of the importance of customer's mostly began in the 1980s; marketing's development as a societal process only truly flourished in the early 2000s with the development of technology. The link between these two concepts has grown alongside these timeframes as people began to understand the value of marketing in the success of a business and consequently how customers link in with this value.

Alexander's understanding of a 'need' woman had - to own comfortable pyjamas that weren't necessarily sexy - allowed him to create a product that would fulfill a hole in the market. The ability to know what his customers wanted shows the value he placed upon them. His understanding of how to use marketing strategies such as listening to customers to form a successful product further illustrates this value. Also, as Peter Alexander has recently been under fire for a pyjama top labeled 'boys will be boys' due to its misogynistic connotations - their ability and willingness to retract the style and acknowledge that this is not the message they wanted to associate with demonstrated the value they place on customer input. It further illustrates their understanding that if customers are unhappy, they are not fulfilling consumer needs and wants appropriately.

### **Conclusion**

Marketing's importance is well founded and has allowed for the development of concepts such as customer value. This evolution of marketing allows the business to recognise the pivotal aspect customer's play in business success. Peter Alexander understands the importance of customer value and the

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function marketing plays in a business; consequently strategising aspects of their business around their customers.