

# Customer perceived value analysis



In the marketing literature the focus today is on providing to the customer superior value through the creation of a value proposition that matches their value

Using suitable models identify the customer perceived value for the customers for a product/division/company of your choice. 20%

10% for value (customer point of view)

10% for quality of analysis (tools, techniques, concepts)

Refer to several theories and models from lecture 1 and 2

Perceptual map

Positioning

Design, branding, benefit

Question 2

Critically evaluate the existing value proposition of the product/ division/ company you have chosen.

Compare and contrast the value proposition with that of the leading competitor in your sector. 40%

15% for arguing for and against- giving a balanced argument

15% for competitive proposition- compare and contrast- balanced conclusion

10% for quality of analysis (tools and theory)

### Question 3

In the light of your analysis of your existing value proposition and what you have learnt in this module produce (40 %)

A new value proposition that will match the value criteria of your customers (15 %)

Which will be acceptable to customers

A plan to implement the value proposition externally and internally.

4/7 p's. process, people, physical evidence.

Internal: production, sourcing

External: promotion

10 % for quality in theory and tools used.

### Introduction

Hewlett Packard has the tradition to introduce innovative products in IT and technological solutions to their customer.

The first scientific calculator developed by hp in 1970. With its headquarter situated in Palo Alto, California with 304, 000 employees worldwide and a revenue of \$114. 6 billion at end of 2009, Hp ranks no. 10 in the 2010 fortune 500 ranking.

Hp formed by, Bill Hewlett and Dave Packard in a garage with the initial investment of 538\$. They use participative decision making management

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system in their organization, which gives them an edge in the industry. In 1957 the company went public and went for the other markets of the world for the expansion.

At the end of 1990's they spin off some of their operations and try to reinvent the company for better growth by numerous innovations and various collaborations with some large companies in the market.

In 2002 Hp completes its merger with Compaq computers and provides outstanding solutions of IT in the market.

Today more than one billion customers in over 170 countries in various continents are served by hp.

Question 1

PART 1

## **Customer perceived value**

CV is regarded as an essential prerequisite for long-term company survival and success (Porter, 1996; Woodruff, 1997; Payne and Holt, 2001; Huber, Herrmann and Morgan, 2001). Understanding the way customer's judge and value a service or product is crucial to achieving a competitive advantage. Scientists and practitioners have recognized the power of the CV concept in identifying value for customers and managing customer behaviour (Johnson, Herrmann and Huber, 2006; Kothari and Lackner, 2006, Setijono and Dahlgaard, 2007). The goal of CV research is to describe, analyze, and make empirically measurable the value that companies create for their customers and to link these insights to further marketing constructs.

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Even the term CV is used and evaluated in very different ways in the marketing literature (Woodruff, 1997). There is no consistent definition for “customer value” by now.

The CV approach encompasses many more facets than quality alone, e. g., by taking into account cost or risk attributes (Bolton and Drew, 1991; Zeithaml, 1988).

### Definitions of Customer Value

Zeithaml (1988)

“ Perceived value is a customer’s overall assessment of the utility of a product based on perceptions of what is received and what is given.”

Gale (1994)

“ Customer value is market perceived quality adjusted for the relative price of your product. [It is] your customer’s opinion of your products (or services) as compared to that of your competitors.”

Holbrook (1994)

Customer value is “ a relativistic (comparative, personal, situational) preference characterizing a subject’s [consumer’s] experience of interacting with some object ... i. e., any good, service, person, place, thing, event, or idea.”

Woodruff(1997)

Customer value is a “ customer’s perceived preference for and evaluation of those product attributes, attribute performance, and consequences arising from use that facilitate (or block) achieving the customer’s goals and purposes in use situations.”

### Perceived Benefits

Customer -perceived value = \_\_\_\_\_

### 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

(red)

### Importance of Customer value

A good customer value proposition will provide convincing reasons why a customer should buy a product, and also differentiate your product from competitors. Gaining a customers’ attention and approval will help in build sales faster and more profitable, as well as work to increase market share[2].

. Understanding customer needs is important because it helps promote the product. A brand is the perception of a product or service that is designed to stay in the minds of targeted consumers. It is desirable to build a strong and positive brand association with your offering[3].

Consumer value plays a crucial role at the heart of all marketing activity (Holbrook, 1999 p. 1)

### **Types of consumer value:**

**All Benefits** – Most managers when asked to construct a customer value proposition, simply list all the benefits they believe that their offering might deliver to target customers. The more they can think of the better. This approach requires the least knowledge about customers and competitors and, thus, results in a weaker marketplace effort.

**Favorable Points of Difference** – The second type of value proposition explicitly recognizes that the customer has alternatives and focuses on how to differentiate one product or service from another. Knowing that an element of an offering is a point of difference relative to the next best alternative does not, however, convey the value of this difference to target customers. A product or service may have several points of difference, complicating the customer's understanding of which ones deliver the greatest value. Without a detailed understanding of customer's requirements and preferences, and what it is worth to fulfill them, suppliers may stress points of difference that deliver relatively little value to the target customer.

**Resonating Focus** – This approach acknowledges that the managers who make purchase decisions have major, ever-increasing levels of responsibility and often are pressed for time. They want to do business with suppliers that fully grasp critical issues in their business and deliver a customer value proposition that's simple yet powerfully captivating. Suppliers can provide a customer value proposition by making their offerings superior on the few

attributes that are most important to target customers in demonstrating and documenting the value of this superior performance, and communicating it in a way that conveys a sophisticated understanding of the customer's business priorities.

Three key dimensions:

Extrinsic vs. intrinsic value

Self-orientated vs. other-orientated value

Active vs. reactive value

See: topology of customer value

## PART 2

How does a company define what they are selling to the user?

Is it an object (a unit, a box, a software package) or does that object get linked with a solution, or feeling or a belief?

In this day and age of globalization, it is relatively easy to get another 'article' made cheaper and do more. Certainly, products get copied relatively fast and get commoditized rapidly.

But a solution, or feeling, or a belief is more than the product, it is the combination of services, trust, partners, ecosystem that you can create as a vendor. To provide some simple examples:

- If I'm in the Security space, I'm selling safety.



- If I make software tools, I enable easy communications.

These are the basic (and non-specific) examples of what a value proposition needs to be. It is not a part of software that has 9 features vs. somebody else's software package that has 8 features.

## **Value proposition by hp**

According to research and development at hp, following is the customer value proposition for hp:

### **Hp provides Greater Return on IT with its reasonably priced Advanced Technology**

#### **(Price/Performance Leadership)**

Hp offers products with High-performance and no-compromise functionality at reasonable prices.

Hp's development of Adaptive EDGE Architecture capitalizes on return on current infrastructure and easily adapts to future needs.

Constant upgrades provided by hp help expand product and solution life

### **Reduced Complexity through Proactive networking by focusing primarily on Innovation**

Plug and Play / Find; Fix and Inform

Operational effectiveness with reduced expenditure, better employment of assets and increased productivity

Central command. Control to the Edge

## **High Security With Reduced Complexity by providing secure solutions**

safety measures for wired and wireless networks

stout security features

Leader in security industry standards

## **Hp offers Reliability through exceedingly Available Legendary HP Quality**

Hp puts forward Industry-leading service and support

Scrupulous quality testing

Industry's top warranty and the only true lifetime warranty

Adaptive EDGE Architecture facilitates highly available networks

## **Hp provides Choice and Flexibility in the Industry Standards**

Leadership in open industry standards allows scalable growth with solution and vendor choice

Adaptive EDGE Architecture can balance and adapt to upcoming needs.

HP started a new advertising campaign, announced in the WSJ and Business Week in april 2006, for personal computers. As the advertisement read, and from the looks of the visual, it seems that HP is going to sell trust in the product and the connection between people that computers enable. The tagline is “ The Computer is Personal Again.” The overriding image is a hand,

to reinforce the personal relationship to the PC and show consumers that HP enables connection with the touch of a button.

SOURCE: <http://rubiconconsulting.com/nilofer/view/2006/05/hp-redefines-their-value-propo/>

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SOURCE: <http://www.hp.com/rnd/pdfs/valueprop.pdf>

(2)<http://marketing.about.com/od/marketingplanandstrategy/a/valueprop.htm>

(3)<http://www.helium.com/items/1161368-increase-sales-how-to-increase-brand-recognition-writing-a-strong-value-proposition>

Types of customer value

^ Anderson, J. C., Narus, J. A., & Rossum, W. v. (2006). Customer Value Propositions in Business Markets. Harvard Business Review

^ Parasuraman, A. (1997). Reflections on gaining competitive advantage through customer value. Journal of the Academy of Marketing Science , 154-161