Types of Competition in the Market in the Context of New Value for Customers

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ABSTRACT: The use of modern technology adds a new dimension to competition in the market. There is no doubt that modern information systems have become a space for multilateral communication, searching for information, performing transactions, and even co-creating value. Companies are increasingly building partnerships with the use of modern information technologies, as an opportunity for achieving tangible benefits such as cost reduction, acquisition of new customers (recipients) and building customer loyalty. The aim of this work is to introduce the possibility of customer value management using modern technology, including a presentation of the mechanisms that shape this process. This work is also an attempt to answer the question of how to capitalize on existing opportunities in the market, in the process of delivering value to customers, so as to increase their value, and thus increase the value of the company and generate benefits for shareholders. Reflections contained in the paper do not have definite characteristics and should be treated as an opinion in the discussion.

Keywords: customer, value, competition, communication, cooperation.

Introduction

In every economic system, the primary entity is the consumer (customer). Customers play an extremely important role in the operation of companies. They provide companies with cash inflow and other values. The value received from customers enables companies to deepen their relationships with other market participants, such as shareholders, suppliers or employees. As a result, customers are increasingly seen as a resource of the company, whose value can be measured and maximized. Activities in the field of customer relations are therefore a prerequisite for the development of the company, increasing its value and profit.

Linking the two areas, relationships with customers and the Internet, creates an important challenge for businesses. The goal is to create lasting and profitable relationships with customers, often in new, otherwise inaccessible markets. This requires companies to have an innovative approach adapted to building value based on an extremely valuable resource, the wallet of clients.
In a competitive economy the client, and their needs and expectations, are of utmost importance. In many markets, the client is becoming the most important actor in the verification of the company's offer. Creation of value should therefore be viewed through the prism of customer satisfaction and loyalty, and of course cost effectiveness, not only of production or individual transactions, but of the whole business relationship with the customer.

A factor contributing to the perception of customers as a business resource, thereby increasing customer value management rationality, is technological change. ICT development makes it significantly easier to communicate with clients, as well as to gather and process data about them. Development in technology led to the implementation of CRM (Customer Relationship Management) systems to help companies with customer relations. These systems enable organizations to respond faster to the changing habits of customers, leading to increased revenue, customer retention and a reduction in marketing costs.

Research Methodology

The aim of the paper is to present a chosen group of mechanisms used in competition in today's market. Focus has been put on the new dimensions of competition and the acquisition of competitive advantage in e-commerce. New areas (fields) of competition, in the context of creating unique value for the customer, are displayed. The work is also an attempt to present a new concept for creating unique value for the customer.

In this work, the methods used were the study of literature and source materials in electronic form, observation, and analysis of case studies. The study method used was descriptive analysis based on extensive literature studies. The use of foreign literature was necessary because of the dearth of Polish studies. This enriched the arguments and discussion of new aspects, and permitting showing the research problem in a broader perspective.

The concept of creating value for the customer

Value for the customer are all benefits gained through acquiring and utilizing a product or service. Researchers suggest that value for the customer can be: the price; the expectations tied to the product or service; quality in comparison to the price the client had to pay or what he had to sacrifice in order to attain the product, including time, effort and risk.

Value for the customer can be understood as the difference between the expected evaluation of all the benefits that the customer can receive and the expense to obtain them. A client understands expense as expenditure of money and time, as well as the risk associated with the selection of the brand and offer. It should be noted that the customer seeks to maximize benefits and minimize costs (Ismal, Alsadi, 2010, pp. 546-49).

The modern approach to the concept of creating value for the customer is different from the traditional concept, based on the 4Ps, in that it offers more benefits to the client, offering complex solutions and takes into account the point of view of the customer and their perception of value (Dobiegała-Korona, 2010, p. 27-28).

It includes such values / customer benefits as:

- closer alignment of products (services) to individual needs, preferences and expectations (functional value),
• choice of the form - this value gives customers the choice of shape, size, design, equipment (form value),
• the supplying of products to a convenient location in order to make a purchase (location value),
• the availability of the offer at a time convenient for the customer, or when they need it (time value),
• a diversity of ways to transfer the right to use the product from the seller to the buyer (ownership value) – allowing the purchase of this form of ownership through cash, leasing, credit, etc.,
• adapting information about the offer, the conditions for using the product, the conditions for acquiring the product, to customer needs; addressing customer concerns when they have them, e.g. around the clock (communication value),
• customer experience in the periods prior to the acquisition, during acquisition and during use of the product (experience value),
• educating clients to make better use of product features (educational value),
• trust based on high levels of satisfaction (Dobiegała-Korona, 2007, pp. 23-24).

These values can be expanded, improved and differentiated in offers for specific groups of people or individual clients. Each company should build its own set of values to not only meet the needs of selected customers, but also to stand out from the competition. This creates the conditions for positioning the company in the market.

Value for the customer is a unique combination of benefits acquired by buyers, including quality, price, convenience, punctual delivery and servicing in the period before and after the sale. The value perceived by the customer can be characterized as the difference between perceived benefits and perceived costs (sacrifice). Benefits perceived by the buyer typically include elements such as the physical attributes of a product, the service accompanying the product, purchase price, etc. In turn, the perceived costs include, among others, the cost of acquiring or ordering a product, and the risk of making a bad purchase.

It should be noted that the customer selects the provider that he feels has the greatest value. Customers are not motivated by the product itself, but by the ability of the product to meet their needs (solve their problem). When creating value for the customer, companies should remember the important principle that it is more favorable to build long-term relationships than focus on individual transactions (Borle, Singh & Jain, 2008, pp. 103-107). Companies aiming to modernize (innovate) their offer of value for customers should focus their attention on closer relationships with customers willing to share their problems, expectations, and opinions about current offers, all of which may give rise to innovation. In conditions of strong competition, where customer acquisition can be particularly difficult, an important role in the organization is played by customers who cooperate in the field of co-creation of value closely tailored to individual needs and expectations.

Each company can and should build its own unique map of values for customers, including a set of priorities and their order of importance, because existing customers expect professional service. Construction of a map of values for customers requires a look at the process from the customer's perspective and identifying what causes customers to expect certain benefits, in order to adjust values to their expectations.
In general terms, the construction of value for customers consists of several stages:

- recognizing the aspirations of customers by identifying their needs and problems,
- understanding the sources of value for customers - they may be economic (a search for efficiency, savings), functional (having a range of functions), or psychological (prestige, membership to a particular group),
- planning process of creating value for customers and its delivery (operational processes),
- measurement of customer value in order to estimate the value of the program. An important issue here is the calculation of expenditures that are necessary to produce a package of values and an estimate of the benefits for customers from the value created by the company, as well as the price they will accept,
- communicating and delivering value to customers (informing and educating the market), taking into account different distribution channels.

Strategies for the management of values for customers, with the aim of providing the best value for customers, are an important part of operations of enterprises. Investment in customers must be treated as a long-term expense (Akroush, Dahiyat, Gharraibeh & Abu-Lail, 2011, pp. 158-162). The more accurately a group of clients is recognized in terms of their expectations and the values generated for them, the better the strategy for delivering value to customers will be matched. More effective strategies will increase customer value (Dobiegała-Korona, 2007, p. 85).

The long-term relationships that companies are trying to build with customers have two objectives: the inclusion of the client in the process of identifying, creating and delivering value to customers, and the building of loyalty, which stabilizes the operating conditions and value of companies (Forsythe, Liu, Shannon & Gardner, 2006 , p. 72). By co-creating value, customers provide access to information about their needs, preferences, expectations and share the responsibility of creating value for customers.

It should be noted that cooperation with customers in the decision making process and in production can sometimes create new, better value. In some situations, the client may specify and design an offer tailored to their preferences and expectations. In this arrangement, the client is somewhat responsible for shaping values.

Creating unique, exceptional value for customers has become a strategic imperative for businesses. In conditions of strong competition in many markets, meeting the needs of consumers has become a key factor for success (Mróz, 2010, p. 283-284). Creating a non-reproducible, unique composition of values (and then properly communicating them) is particularly important for companies operating in a competitive environment where buyers have very high expectations and expect special (often individual) treatment.

Values – or defined benefits – for the customer may be increasingly communicated or delivered using modern information technologies. An interesting system of values offered to customers in e-business is presented by J. Joo. He singled out values such as convenience, speed, efficiency, personalization, community, emotions and trust (Joo, 2007, pp. 55-59). The system correctly reflects the values delivered by e-business, but lacks criteria for the measurement of how well they were able to satisfy consumer needs.

Building customer loyalty is often based on providing unique value that can allow the continuation of the relationship between the customer and company. Certain Internet services,
especially those for communication, are available round the clock, therefore building customer loyalty is based on eliminating factors that could cause a customer to resign from the services of the company, rather than offering additional value. A rather interesting case is Google, which provides a number of services, the most important being its search engine. In this regard, the company is the market leader, has a portfolio of loyal customers, but does not apply mechanisms of loyalty. The factor influencing customers to use the services of Google is the company’s delivery of high quality results.

Strategies for building customer loyalty by increasing the value offered are related to the strategy of increasing the cost of switching suppliers. Increasing the value offered is usually combined with the active participation of customers who, based on their knowledge of the product assortment, adapt it to their needs. The effort put into the process of co-creation of value contributes to the cost of changing suppliers, and thus increases customer loyalty.

W. Dolfsma describes the risk of reduced benefit for the customer after they have made specific investments in order to develop a relationship with an entity, which may be a producer, middleman or retailer. In this case, specific investment means the work put into initiating or developing a relationship with the entity, the results of which will be of limited use when there is a switch in supplier. In this way, the client imposes on themselves switching costs, meaning the need to re-pay costs at the start of the relationship with a new supplier. This may lead to a situation where the customer intends to continue the relationship with the company, even if they are not satisfied with the relationship. In the digital economy, customers who co-create value with a company, but at the same time are unable to end the relationship, are identified as customers - subcontractors, clearly emphasizing their menial character in the relationship with the company (Dolfsma, 2006, pp. 177-183).

Fields of competition and new value for customers

P. Doyle recognizes key business processes in a very interesting way. He claims that although there are a number of processes being implemented in any one organization, it can be assumed that there are only three key processes leading to the formation of shareholder value (Doyle, 2008, pp.98-99):

• The innovation process: analysis of market opportunities, verifying and developing solutions tailored to the expectations of the market;
• The operation process: designing, preparing for production, production and delivery processes;
• the process of acquiring and maintaining customers (customer creation and support) which consists of strategy, research, communication and service.

Creating exceptional and unique value to consumers has become a chief strategic imperative for businesses. In conditions of strong competition, meeting the needs and expectations of consumers has become a key factor for success on the market (Mróz, 2010, p. 283). Creating a unique composition of values is particularly important for firms in a competitive environment where buyers have very high expectations and expect special treatment.

The process of communicating specific value to the customer can also relate to regional products. The basis for the promotion of regional products should be communicating the
distinctive characteristics of local products, hand-made and derived from centuries-old tradition, in contrast to conventional commodities produced on a large scale. Many consumers are willing to pay a higher price for a good product that fulfills their needs, but they must be aware of the existence of this product on the market and they need to have reliable information about it (Kraus, Chorób, 2009, pp. 390-391). The development of tourism and mobility of societies means that there will be an increase in demand for products of regional origin.

Information technology can be used to promote the traditions and culture of the country, including regional (organic) food. The potential of the Internet stems from global coverage, the low price of reaching potential clients, and a wide range of applicable methods for reaching consumers. These include business cards, government information pages or various forms of product promotion on thematic web sites. This potential can be used by local governments, as well as by entrepreneurs offering organic products.

Today’s customers are interested in products and services that improve their quality of life, help them in maintaining a slim figure, good appearance, physical performance, etc. This is connected with the trend called wellness, wellbeing. Putting the word "fit", in red, written in a way that suggests a slim figure, can be treated as a value for the customer. Fitness centers, dietary supplements, and special cosmetics are all examples of products and services joining in on a mainstream trend associated with quality of life.

Customers (recipient) appreciate convenience. All product and service improvements, which serve to make life more convenient, bring value to the customer. Examples of this would be the development of Internet services that allow payment, exchange of information, shopping, and advice. Increased income among the population has caused increased interest in services that make life for consumers in a given society easier.

It should be noted that today’s customer is becoming more mobile. This affects the development of tourism and the many services associated with this trend. An example might be medical tourism. There is a creation of value in this case. Besides experiencing something new, exploring interesting places, the client uses the medical services of his destination, and pays for them a much lower price than he would at home (in the case of travel from a richer country to a less affluent one), (Mruk, 2010, p. 224).

Clients may at times participate in the process of creating new products and services. Some companies offer customers the opportunity to participate in creating a product or service. Using websites and other means, customers can influence the final shape of the product or service package which they will use.

The growing interest in protecting the environment has lead to the development of the slow food movement. A locally operated bakery may show nearby fields on its website, from which the grain they use comes from. Other photos of the bakery show the entire process of baking bread. For a group of customers who are associated with the trend of slow food, this is a value that builds satisfaction and loyalty.

The introduction of insurance services to the offer of the Polish Post enriches their offer, creates value for the customer, but also changes the approach to competition. Cooperation between the Polish Post and other entities (such as the Post Bank) creates new opportunities for recipients (e.g. new financial services) and thus creates new value for customers.
An important way of gathering information for the creation of customer value may be the analysis of blogs. Consumers write how they use the product or how they assemble it in their household. This allows the enterprise to change the product, and change the market communication strategy, so that they can demonstrate the new value.

In many situations, development of the company’s database allows the enterprise to build a multi-dimensional portrait of the consumer, taking into account not only demographic data but also psychological information. With this knowledge, it is easier to communicate specific values to the customer.

In empirical studies, when asked about the use of databases, respondents frequently mentioned the promotion of products (49%), and the construction of satisfaction (49%); (Table 1.). This reflects an attitude that is focused on the sale of products. Unfortunately, only 18% of service companies use databases to segment customers, which may mean that the offers clients receive offer little variety. If the step before the individualization of customer relationships is customer segmentation, Polish companies still have a lot of marketing to do.

Table 1.
The use of databases in surveyed service enterprises in Poland

<table>
<thead>
<tr>
<th>The use of databases</th>
<th>Number of service enterprises</th>
<th>Percentage of service enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion of products</td>
<td>58</td>
<td>49%</td>
</tr>
<tr>
<td>Building satisfaction</td>
<td>58</td>
<td>49%</td>
</tr>
<tr>
<td>Increasing profitability</td>
<td>50</td>
<td>42%</td>
</tr>
<tr>
<td>Analyzing values</td>
<td>45</td>
<td>38%</td>
</tr>
<tr>
<td>Customer Segmentation</td>
<td>22</td>
<td>18%</td>
</tr>
<tr>
<td>Building Loyalty</td>
<td>16</td>
<td>13%</td>
</tr>
<tr>
<td>Up selling</td>
<td>8</td>
<td>7%</td>
</tr>
</tbody>
</table>


It should be remembered that it is not the market that is buying certain products or services, but individual customers. Yet managers of many companies still do not see the connection between customer profitability and using information from databases to build loyalty and additional sales. The use of a database to build loyalty was declared by only 13% of companies, to increase additional sales - 7% (Table 1.).

In the quest to create value for the customer, creative thinking techniques have developed that assist in breaking patterns and creating new solutions. By using some of these methods, companies can change their products and services (Jerzyk, Leszczyński & Mruk, 2006, pp. 23-29).
When it comes to new clients, it is important to show them the cost of their operations and benefits provided. People who have never used a debit or credit card before treat the issuance and service fee as something negative, not as a justified cost of using the product (Fatuła, 2010, p. 98). They overestimate the risk of fraud or loss of the card, do not understand the safety rules that the cardholder must comply with, and underestimate the benefits of having such a card. Overcoming these obstacles in the future, where an adequate system of communicating specific benefits/values will have to play an important role, can greatly increase the value for customers on the financial market.

Lack of knowledge about specific types of financial behavior may impede the prediction of the future behavior of customers in this market, even if we have data about these customers, know all about the business strategies and new products which will come into use in the future. Among the most important types of behavior in this field include the incorrect perception by customers of the small probabilities of large losses and succumbing to the illusion of a long continuation of favorable events (Fatuła, 2009, pp. 74-76).

A developed and communicated value should be delivered to the customer and proven in the process of utilization. This means that the company, building their own competitive position, should carefully select the entities involved in the supply chain for delivering products to customers. Created value should be maintained in the delivery stage, and customer service should be available to help in difficult situations (e.g. fast and professional service, assistance, counseling).

Competition in trade is moving towards the inclusion of additional services in the offer of traditional retail outlets to create added value for the customer. A new form of rivalry is taking place in this area of commerce (Kumar, 2004). As is shown in practice on the market, consumers respond positively to retailers who offer additional services, so it can be assumed that this trend will grow in importance in the future development strategies of commercial companies. The element of price is still significant, but its importance will decrease in the future, as price levels equalize among different merchants.

Retail chains have introduced mobile services correlated with market turnover at their retail stores. For example, in the Carrefour hypermarket chain, the amount spent on purchases within the chain corresponds to a specific number of earned minutes in the mobile network Carrefour Mova (the promotional offer is called "minutes for shopping"). Discount chains also offer mobile telephone services, such as the Biedronka chain, with its mobile telephone service offer called “Tu Biedronka”.

From the point of view of commercial enterprises, telecom services generate revenues and profits, thereby improving the financial status of the retailer. It is also associated with improving overall brand image – a chain offering additional services (e.g. telecommunications) is seen as more modern and better able to satisfy clients’ needs.

A way to increase consumer traffic at points of sale may be to offer products under brand names owned by the retailer. For this reason, in certain markets (e.g. the UK), developing a portfolio of privately-owned brands has become an important alternative to price competition (Kall, 2005, p. 167).

Experts predict that the world’s commercial brands will generate 30% of sales in food products in 2020 (Euromonitor, Report 2005). ACNielsen conducted research in 38 countries
among super and hypermarket customers. Their results show that two-thirds of respondents treat trademarks as a good alternative to brand manufacturers (Aquino, 2005).

Investing in customers must be treated as a long-term investment. The more accurately a group of customers is recognized from the side of their expectations and the more accurately value is generated for them, the better matched will be the strategies for creating value for customers and the strategies to increase customer value will be more effective (Temkin, 2009).

In order to properly design value for customers, a variety of methods for examining the explicit and implicit needs of consumers should be used. After creating value for the customer, the company should ensure its proper communication and proper delivery to the customer, and provide supervision and support during use.

Each company can and should build its own unique value map for customers, including a set of priorities in order of importance, because existing customers expect personalized service. Building a map of value for customers requires looking at the process from the customer’s perspective and identifying the source that makes customers want such values and not others, and adjust values to their expectations (Czarniewski, 2014, pp. 1-8).

For any given company, an extremely important issue is the most profitable segment of loyal customers. Company employees often know them well enough to remain in constant contact with them. This closeness to customers enables the development of offers (tangible value for clients), which are able to meet their unique needs, and the development of specific methods of providing these services, as well as communicating with clients at the proper place and time. This type of special treatment encourages clients to take care of all their needs at one supplier and reduces their sensitivity to the actions of competitors (Rudawska, 2010, pp. 423-424). Cooperation with these customers is often based on flexibility, full customization of the offer and price, the mutual exchange of information and a common sense of responsibility in the course of cooperation and commitment to the development of relations in the future.

The function of creating value for customers in trade and service companies undergoes constant modification as companies look for new opportunities to build competitive advantage. Regardless of the tools used, the undeniable fact is that value for customers in the field of trade and services plays a very specific role in the modern market economy. This role will grow in the future and is an inherent feature of the transformation of the trade and services sector. Looking for new areas of competition and growth, companies will increasingly resort to marketing instruments, among which the value for customers is one of the main tools.

Social networks open up new opportunities for development of communication activities, and allow for the establishment of a dialogue with consumers (recipients), resulting in better knowledge about services and products, and ideas for new ones. Companies often have problems using online communities and social networking sites to their full potential, because the mechanisms are different from those that they are familiar with in the traditional market. Therefore, top management of companies must first change the attitude toward those services within their own organizations, educate their employees, and show their willingness to change as a result of the suggestions flowing in from online communities.
Conclusions

The modern economy is characterized by great dynamic changes due to, among others, strong competition in the market. Changes in management theory and practice is accompanied by changes in technology and society. The use of modern technologies, including the Internet, adds a new dimension to business relationships with customers. In contrast to traditional mass media, the Internet has become a space for multilateral communication, searching for information, performing transactions, and even co-creating value. Companies are increasingly building relationships using the Internet as an opportunity to achieve measurable benefits, such as the development of innovative business models, reduction of costs, or the acquisition of new customers.

With the increase in competition in the market, the importance of marketing resources (marketable assets) increases, since they determine the survival and development of the company. Hence, this type of resource is considered to be the most important in highly developed, competitive markets. The Internet, where it is easy to compare offers, access many suppliers, and exchange information between consumers, is becoming an extremely competitive market, bearing many signs of perfect competition. The development of a company's marketing resources should be used to reduce competitive pressure by diversifying, imposing exit barriers, etc. In this way, in the field of customer relations, the company affects the form of competition in the market.

References:


