



Chapter 2

Chapter 2

Building Customer Satisfaction

through Quality, Service, and Value

Presented by Fanaee

Objectives

- ✓ Define value & satisfaction - understand how to deliver them
- ✓ The nature of high-performance businesses
- ✓ How to attract & retain customers
- ✓ Improving customer profitability
- ✓ Total quality management

Value and satisfaction

- o In terms of marketing, the product or offering will be successful if it delivers value and satisfaction to the target buyer.
- o The buyer chooses between different offerings on the basis of which is perceived to deliver the most value.

$$\text{Value} = \frac{\text{Benefits}}{\text{Costs}} = \frac{\text{Functional benefits} + \text{emotional benefits}}{\text{Monetary costs} + \text{time costs} + \text{energy costs} + \text{psychic costs}}$$

Customer Satisfaction

- o The customer satisfaction is depend on the offer's performance in relation to the customer's expectation.
- o Satisfaction : a person's feelings of pleasure or dissatisfaction resulting from comparing a product's perceived performance (outcome) in relation to his or her expectations.

Customer Satisfaction Formula:

- If $P < E$ → Dissatisfied
- If $P = E$ → Satisfied
- If $P > E$ → Highly Satisfied/Delighted

P=Performance
E=Expectation

Customer Expectations

- How do customer form their expectations?
 - From past buying experience,
 - friend's and associates's advice,
 - and marketer's and competitor's information and promises
- If marketers raise expectations too high, the buyer is likely to be disappointed
- If marketers set expectations too low, the buyer won't attract the company's offering.

Delivering High Customer value

- o The important key to generating high customer loyalty is delivering high customer value.
- o A company must design a competitively superior value proposition aimed at a specific market segment .
- o The value proposition : consist of whole cluster of benefits the company promises to deliver.

o In a hypercompetitive economy a company can only win the competition by creating and delivering superior values.

o This involves 5 capabilities :

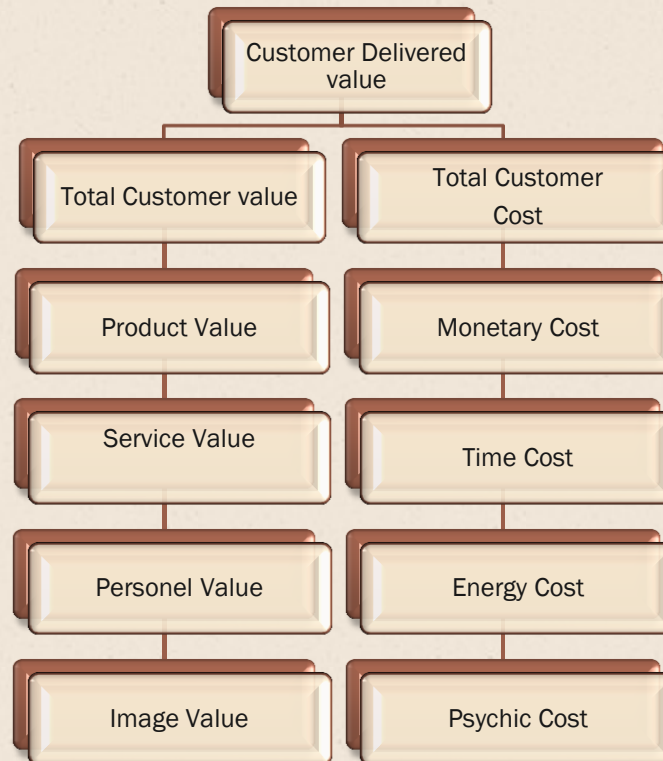
1. Understanding customer value
2. Creating customer value
3. Delivering customer value
4. Capturing customer value
5. Sustaining customer value

o To succeed, a company needs to use the concepts of a value chain and a value delivery network.

Defining Customer Value

- Customer perceived value (CPV) :
 - The difference between the prospective customer's evaluation of all benefits and all the cost of an offering and the perceived alternatives.
- Customer perceived value (CPV) =
Total Customer Value (TCV)-Total Customer Cost (TCC)
 - Total Customer Value : the perceived monetary value of the bundle of economic, functional and psychological benefits customer expect from a given market offering.
 - Total Customer Cost : the bundle of costs customers expect to incur in evaluating, obtaining, using and disposing of the given market offering.

Determinants of Customer Value



- o Does the customer will always buy the product which delivering the greater customer value?

Not Necessarily.

- o **Why?**

- o Because the customer also examines his total cost of transacting with the product and the alternative, which consists of more than the money before making the buying decision.

Increasing perceived Value

- o Based on this decision making theory, there are three (3) ways to making success in selling to the buyer :
 1. Increasing total customer value by improving product, services, personal, and/or image benefits.
 2. Reducing the buyer's non monetary cost by reducing the time, energy, and psychic cost.
 3. Reducing it's product monetary cost to the buyer.

High Performance Business

**Set strategies to
satisfy key...**

**Stake-
holders**

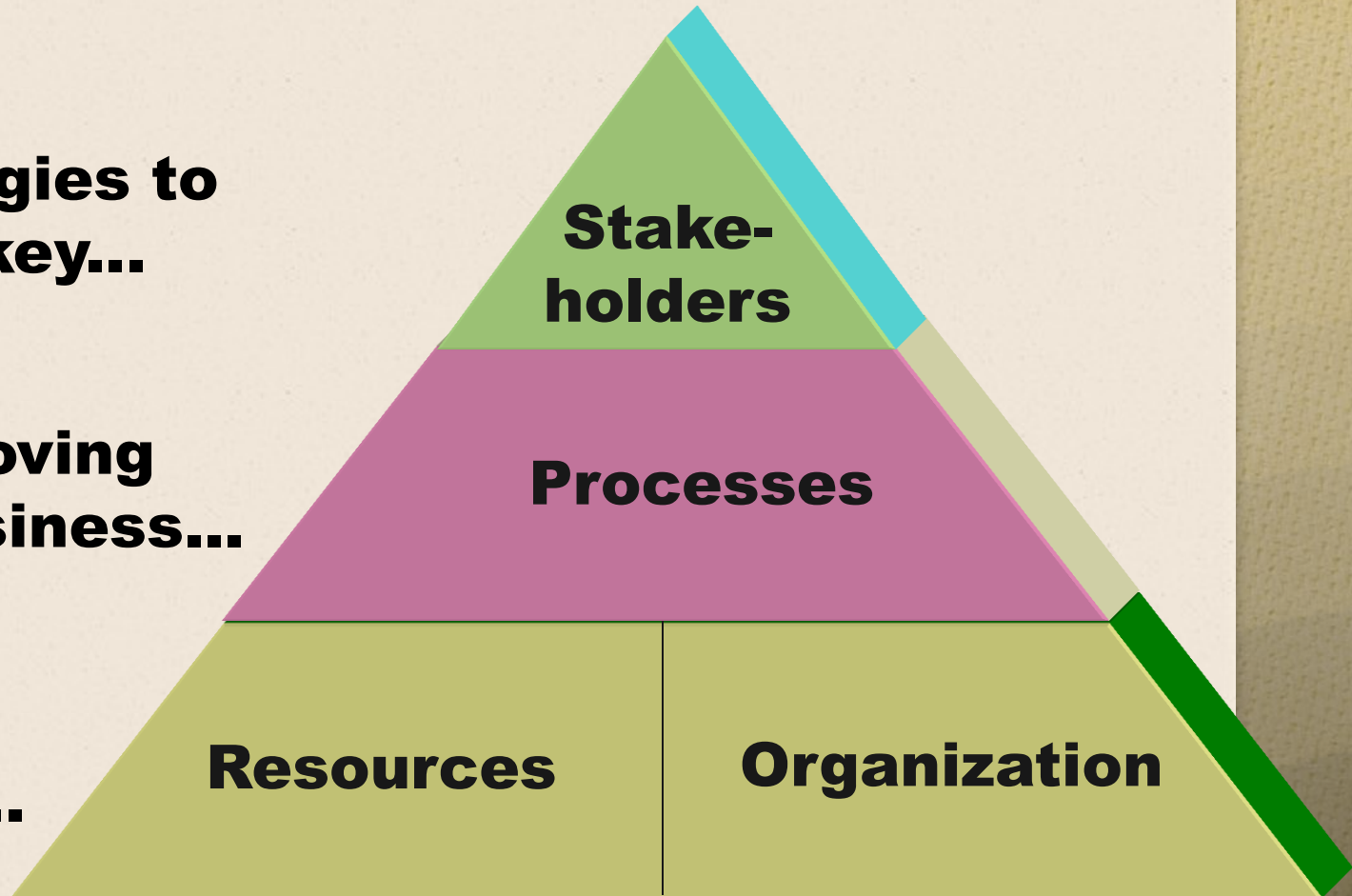
**By improving
critical business...**

Processes

**and
aligning...**

Resources

Organization



Relationships and Networks

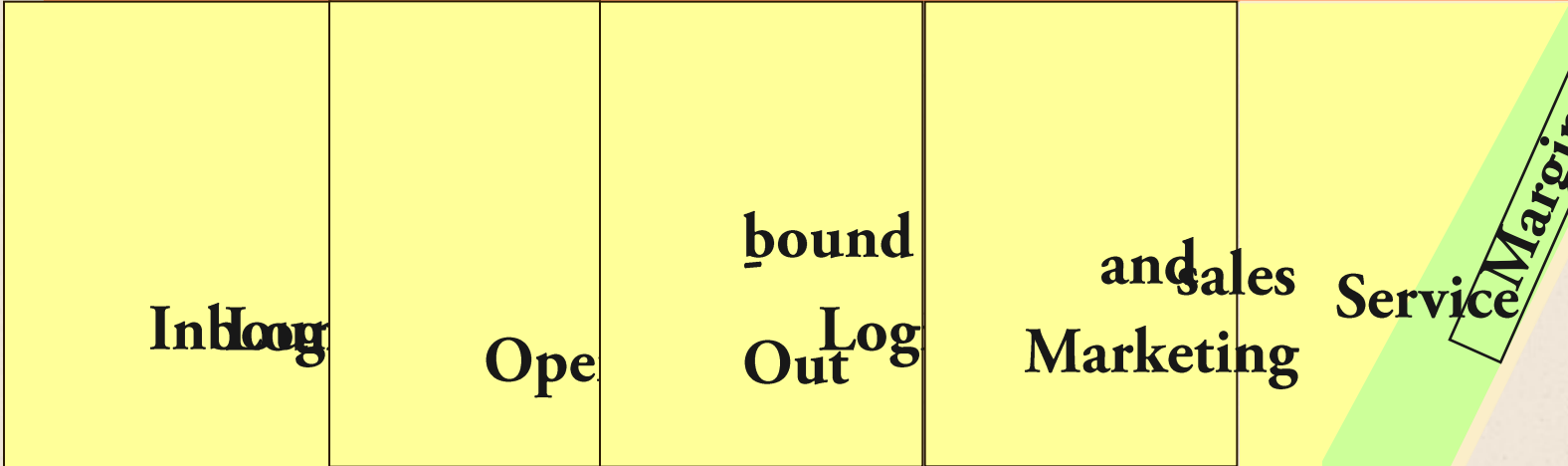
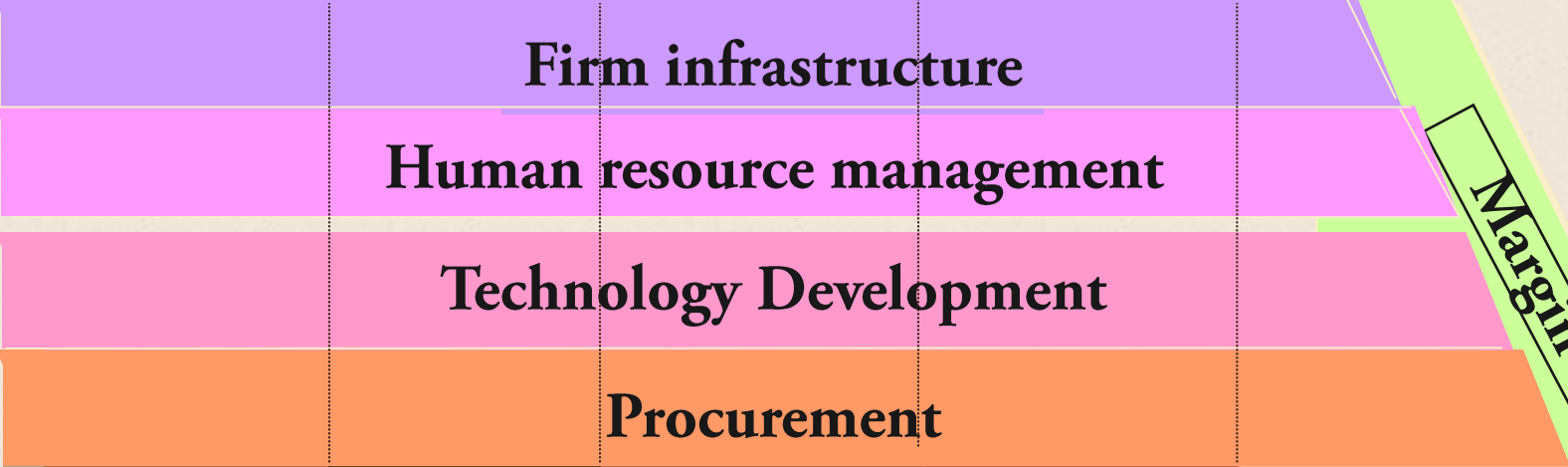
- o Transaction marketing is part of a larger idea called relationship marketing.
- o Relationship marketing aims to build long-term mutually satisfying relations with key parties—customers, suppliers, distributors—in order to earn and retain their long-term preference and business.
- o Effective marketers accomplish this by promising and delivering high-quality products and services at fair prices to the other parties over time.
- o Relationship marketing builds strong economic, technical, and social ties among the parties.
- o It cuts down on transaction costs and time.

Marketing Network

- o The ultimate outcome of relationship marketing is the building of a unique company asset called a marketing network.
- o A **marketing network** consists of:
 - o the company and its supporting stakeholders(customers, employees, suppliers, distributors, university scientists, and others) with whom it has built mutually profitable business relationships.
- o Actually, competition is not between companies but rather between marketing networks, with the profits going to the company that has the better network.

The Generic Value Chain

**Support
Activities**



Primary Activities

Margin

Margin

The use of value delivery network for creating superior customer value

- o Many companies today have partnered with specific suppliers and distributors to create a superior value delivery network (supply chain)
- o For example: Levi Strauss & Company and connections with its suppliers and distributors. One of Levi's major retailers is Sears. Every night Levi's learns the sizes and styles of its blue jeans sold through Sears and other major outlets. Levi's then electronically orders more fabric for next day delivery from Miliken and Company, its fabric supplier. Miliken, in turn, relays an order for more fiber to Dupont, its fiber supplier. In this way, the partners in the supply chain use the most current sales information to manufacture what is selling, rather than for a forecast that may not match current demand. In this system, the goods are pulled by demand rather than pushed by supply.

Levi Strauss' Value-Delivery Network

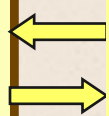
Order

Order

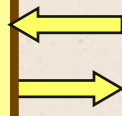
Order

Order

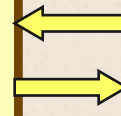
Du Pont
(Fibers)



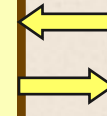
Milliken
(Fabric)



Levi's
(Apparel)



Sears
(Retail)



Customer

Delivery

Delivery

Delivery

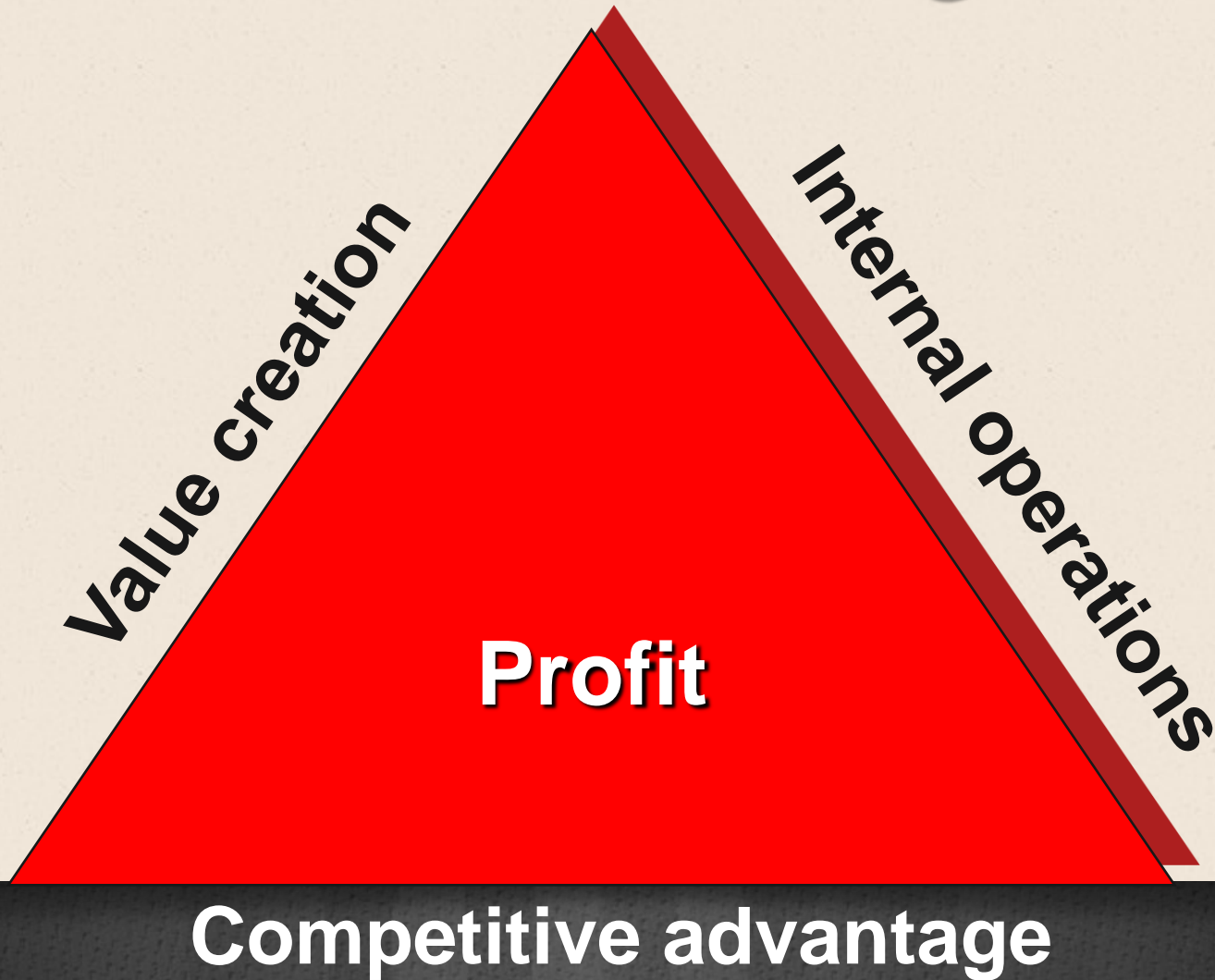
Delivery

Competition is between networks, not companies.
The winner is the company with the better network.

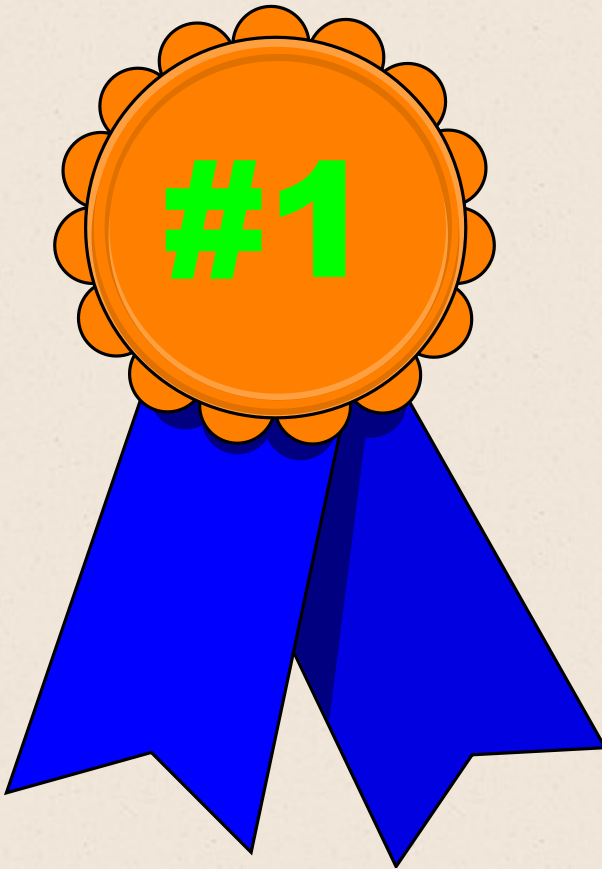
Satisfied Customers:

- ✓ Are loyal longer
- ✓ Buy more (new products & upgrades)
- ✓ Spread favorable word-of-mouth
- ✓ Are more brand loyal (less price sensitive)
- ✓ Offer feedback
- ✓ Reduce transaction costs

The Profit Triangle



Quality



- *Quality* is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.

Review

Define value & satisfaction - understand ✓
how to deliver them

The nature of high-performance businesses ✓

How to attract & retain customers ✓

Improving customer profitability ✓

Total quality management ✓