NEW DIMENSIONS OF MARKETING AND THE ECONOMIC CONDITION OF THE COMPANY

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ABSTRACT

Companies which use mechanisms of customer value management achieve a better economic condition (higher value) than those which do not. Customer value for the company is the best synthetic measure not only of the efficiency of investments on marketing activities, but also of the efficiency of all decisions concerning strategic and operational options, market segmentation and individual customers. The concept of customer value management is one of the most important areas of resource management in a modern enterprise. The contemporary competitive economy forces companies to create value for consumers, because the current and future value of enterprises must be estimated on the basis of customers' loyalty and profitability. The aim of this work is an attempt to show new areas (dimensions) of marketing in the context of building the value of a company.

Keywords: Management, value of company, knowledge, information, marketing.

INTRODUCTION

At present, the economic condition of a company depends mainly on its value. The value of a company, treated as the basic aim of its activity, depends on the customer value it possesses. There is no doubt that the majority of an enterprise's financial resources and its business comes from customers. Various surveys confirm that 90% of the value of a company is made up of buyers as consumers of goods and services (Fisk, 2009, p. 271). R. Martin calls it the new paradigm, shifting the priority of companies from the pursuit of producing value for its shareholders to ensuring customer satisfaction, as a better formula for maximizing the value of the company.

Nowadays, more and more researchers verify the possibility of valuating companies through client equity, and analyze its impact on the financial result of enterprises and the value for shareholders, through marketing strategies geared to increase customer value (Best, 2005). In a competitive economy, enterprises need to measure the value of their current and future customers. The development of relationships with loyal customers has value when it contributes to better knowledge of their needs. Consequently, this contributes to the building of marketing strategies leading to increased customer value for the company.

The main intention of the management of customer value must be concentrated on how to utilize past, current and future relations with customers to gather knowledge about the customer. This knowledge should then be exploited to increase the customer's value for the enterprise. Using this approach to customer value management means shifting away from the management of the product portfolio to the management of the customer portfolio.

Research Methodology

Today, companies compete on three main markets: on the market of finance, employees and customers. Concepts of financial management and human resource management have been the subject of analysis in economics and management for many years. Their academic and practical output is significant. The concept of client resource (equity) management is quite a recent subject of analysis. There is a great gap both in the theory and the practical adaptation of client equity management. The author of this publication has set a target to fill, at least partially, this gap.

Companies are increasingly utilizing customer value management and are seeing the benefits of this process. The subject of consideration in this article is the analysis of the current directions of development of customer equity management and their practical adaption in building a company's value. The main areas of this analysis are the following:

- Increase in awareness that customer value significantly affects the realization of the basic objectives of modern companies (value for shareholders, employees, consumers, local and global communities and other stakeholders). Companies that use customer value management achieve a higher value than others;
- Customer value management is not a separate sphere of activity of the company, but is the basis for modern marketing management. What's more, it also plays an integral role in the strategic management of the whole enterprise, using the newest methods of management;
- The awareness that the role of customer value management is increasing as the basis for building customer value and the competitive advantage of the enterprise.

In this work, the results of research carried out by world-known researchers of management were incorporated, including:

- S. Gupta & D.R. Lehmann
- V. Kumar & D. Shah.

The impact of customer value on the condition of the company

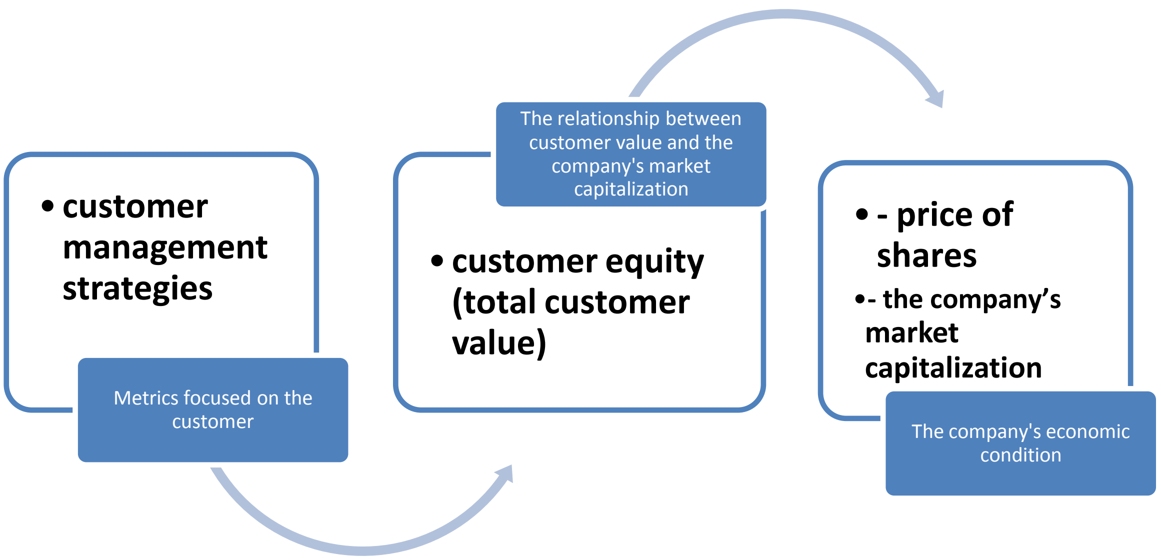
The value of the company - under market economy conditions – has to be estimated on the basis of customer loyalty and profitability. An increase in income from customers causes a flow of investment capital, which requires confirmed information, such as: how many customers the company has, how well they are matched, what their value for the company is and how fast this value is growing.

The results of a study carried out by financiers, marketing agents and analysts of financial markets, showed a certain breakthrough in the analysis of the impact of customer value on the value of the company. Based on the available data from companies of the new economy, they compared customer value and the market value of those companies. Although initially these values differed, within a few months these values converged to a large extent (Gupta & Lehmann, 2005, pp. 93-95).

Other studies have shown that companies which implemented customer value management achieved higher growths in their value than others (Kumar & Shah, 2009, pp. 119-133). The profit margin, frequency of purchases and the rate of additional sales increased. This resulted in an increase in customer equity by 19,4%. The value of companies in the B2B market increased by 32,8%. The customer value on the B2C market rose by 23,3%. The market value of companies grew by 57,6%. This growth was much higher than the average growth seen on the S&P 500 stock market index, widely used by analysts in the US to compare the value of shares; twice as high in the case of B2B and 3,6 times higher in the case of B2C, respectively.

As part of the study, the change in stock market price of two companies which incorporated customer value into their business plan were compared with three of their largest competitors. The growth of B2B companies amount to 32,8% in the study period, while the value of competing companies grew an average of 12,2% in the same period. The growth of B2C companies amounted to 57,6% while their competitors grew at an average of 15,3% in the same time period. Figure 1 presents an overview of the above relationship (the impact of customer value on the economic condition of the company).

Figure 1: Customer value and the economic condition of the company



Source: own research

The results of empirical studies, and the models created based on these studies, indicate and confirm the strong relationship between customer value and the value of the company. This is also a confirmation of the thesis that it is possible to quanitify the impact of various initiatives and marketing programs on the value of the company. A prerequisite for the effective use of the close relationship between customer value and the value of the company is the valuation of what the customer brings to the company, and a focus on organizational structures that increase customer value.

New functions of marketing within the modern enterprise.

New areas (dimensions) of marketing, in the context of creating value for the customer, are illustrated in Figure 2. At the beginning, it is important to identify the problems, needs and expectations of customers. The main goal of the company is to solve these problems, and this is the deciding factor in the company's ability to operate in a competitive market. Another

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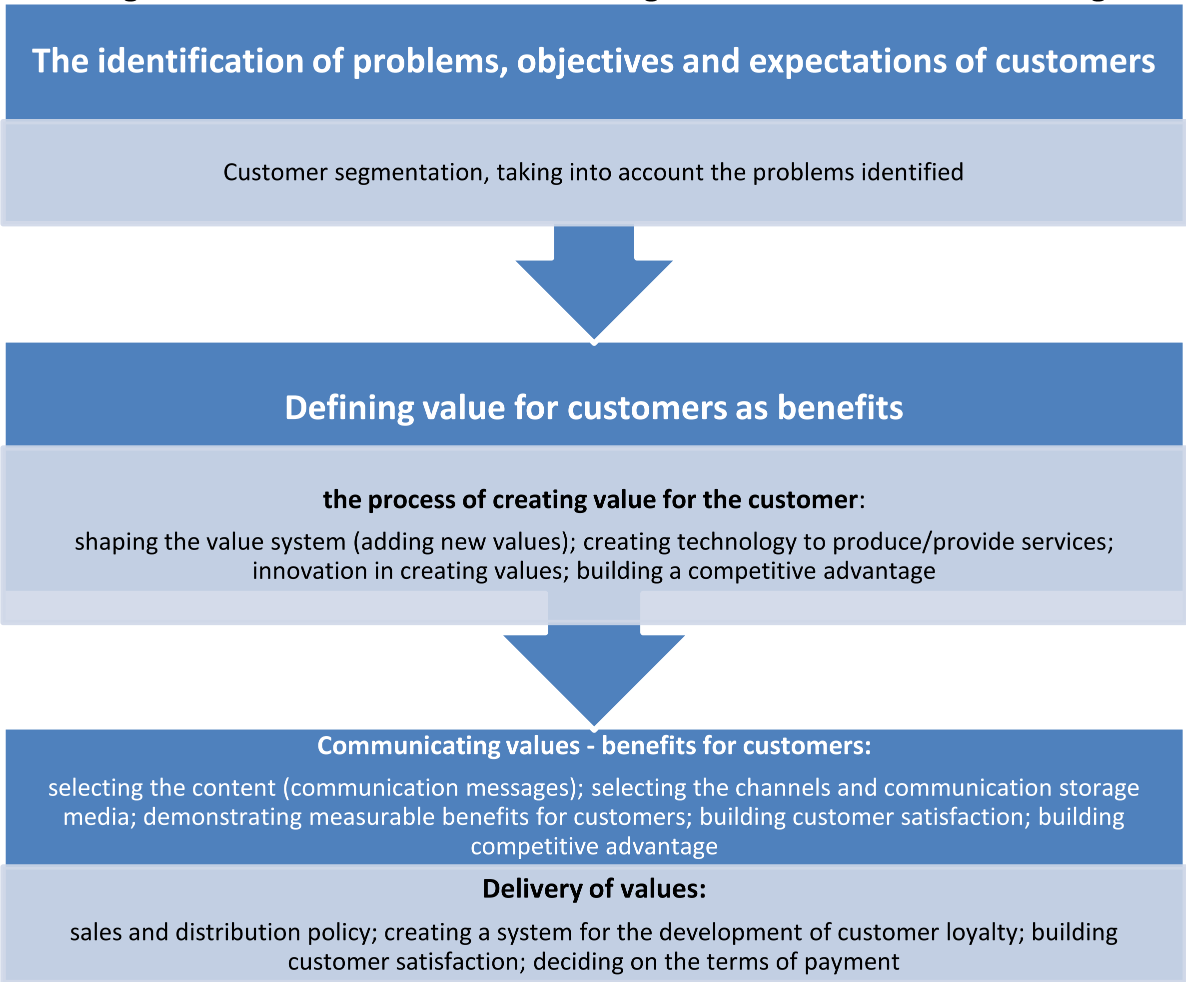
issue is the organization of innovative processes in order to create new values for customers according to their needs.

Figure 2: The mechanism of value management in new areas of marketing



Source: own research.

An important issue in the management of values for the customer is to recognize and identify the values that arise from the segmentation process. These are important values for the customer at a given time and place. The next part of the process relates to the transferring of the value the company wants to provide customers with, to the company's operations, including functions related to production, finance, delivery and sales. The third stage of this process must be associated with market communication and with the delivery of these values to customers. The ability to transfer this process into effective actions will determine the economic condition (value) of the company (Robbins, 2000, pp. 176-178).

The new functions and activities of marketing, shown in Figure 2, provide the basis for building the company's development strategy directed at managing value for the customer. The new scope of functions in marketing ensures the company gains a competitive advantage in the market and, consequently, affects the value of the company.

An important issue in this model is the creation of value. This is important to ensure the company has the resources, competencies and other organizational solutions necessary to provide specific values for a selected group of customers.

The process of communicating values to customers must attract customers and build their trust in the company. Attracting customers may mean shaping customer needs, preferences and behavior (the concept of market creation) or may mean informing customers about the composition of values the enterprise offers (the ministerial approach to clients' needs) and encouraging them to visit their website. From the point of view of the whole process of building the customer's portfolio, an important element is to signal the credibility of the company and to gain the confidence of customers. Lack of confidence is in fact one of the main reasons that clients refrain from purchasing, using web services and sharing sensitive information with others (Wang, Beaty & Foxx, 2004, pp. 53-69).

The process of delivering values to customers most often includes: segmentation of the customer portfolio, the exchange of values, increasing customer engagement and building loyalty. Segmentation of the customer portfolio consists of dividing customers into groups in order to differentiate the exchange value. This is followed by exchange of value – the transactional element of the relationship with the customer. Here, customers should receive values that satisfy their needs, and the company should receive values that are the basis for generating values for other stakeholders (employees, owners).

Increasing the engagement of customers in their relationship with the company can be understood as increasing the range of values that are the subject of exchange between the client and the company. Enterprises intensify customer engagement by increasing the frequency and scope of the exchange and encouraging the exchange of values with other clients or members of a community that supports the company, its brand or product.

Another element in the construction of the customer portfolio is to build customer loyalty. Customer loyalty can arise both from a desire to continue the relationship with the company, and from the cost of switching suppliers. As their relationship with the company develops, the customer's needs and expectations change. The customer himself can change in value for the company. A need for further segmentation appears. If the customer finds himself in a different segment, there is a need to provide a modified composition of values for the customer and to take different actions to increase his commitment and loyalty towards the company. Providing value to customers is in fact a continuous process. The aim of communication and delivering customer value is to build customer satisfaction.

Currently, investment in the client is treated as a long-term investment that may bring benefits in the future. The more accurately the groups of customers will be recognized - from the point of view of their problems, expectations, experience, knowledge - the better the strategies of providing value to the customer, and the more effective the strategies for customer value growth. Due to the diversity of streams companies create, they should build portfolios of clients to ensure an inflow of these streams, which are necessary for the construction and for the growth of corporate value in a given time and in given conditions (Lavie, Haunschild & Khanna, 2012, pp. 1453-1469).

Companies that operate in a specific market - especially under the conditions of strong competition - must increasingly fight for their customers, and take into account their different needs (expectations). Companies that are entering new markets should focus on clients who eagerly share information about their needs, experiences, feelings, etc. Companies whose priority is to acquire new customers (higher market share), should try to increase the share of satisfied clients in their portfolio, as well as focusing on those who eagerly share their feelings (about recommending the company). Companies whose aim is to modernize their offer of value for the customer (innovation) should focus on building closer relationships with customers who have new ideas and those who gladly share their thoughts, and treat them as a source of innovation (Bromiley & Harris, 2006, pp. 124-125).

The realization of new marketing functions, in the context of new values, requires from the company the adaptation of a strong marketing orientation for the entire company at board level (top management). The second issue is to create departments responsible for customers of a specific segment, which would replace product departments. The third issue is integrating the activities of all employees in the process of creating value for the customer.

This kind of organizational structure limits the risk companies face when introducing new products when these ideas are not based on relationships with customers. Simultaneously, this structure allows for the transformation of knowledge about the client, his problems and goals into knowledge that can be successfully utilized by the company. By managing customer relationships, managers can acquire adequate knowledge of how to raise and maximize customer value for the company (Casadesus-Masanell & Ricart, 2010, pp. 195-198). These decisions must be supported by new methods of measuring the effectiveness and efficiency of customer relationships.

The challenges in building customer value

Building customer value by supplying the customer with value (benefits) must take into account a dynamic approach. This is due to both the variability of conditions in which customers operate, and the variability of goals and objectives for which they aspire. This has to be reflected in the variability in the types and range of values which companies offer their customers and in their hierarchy (different values are important for the customer under different conditions and periods of time; different segments or individual customers expect different benefits).

It can be said that in the past, the fundamental value for customers were material goods, then broadly understood services; nowadays, the following factors are important: the values associated with the customer experience, the authenticity of the company's promises, trust and responsibility for the overall business relationship with the client (Sungmin, Soonhong & Nobuhide, 2008, pp. 48-58). While goods and services are becoming increasingly similar by characteristics of quality, functionality and efficiency, the other values can be differentiated and adapted to the needs of individual customers.

Innovation and creativity must be the fundamental features of managing values for the customer. Innovation should be understood as a new value for the customer, for which he wants to pay a satisfactory price (Onetti, Zucchella, Jones & McDougall-Covina, 2012, pp. 345-356). This approach will allow companies to stand out in the market by competing through differentiating values for the customer.

There is no doubt that, currently, some of the most important issues for managers are to understand and to implement practically the new role of marketing within their companies, simultaneously creating and using new marketing tools. An important issue is also the integration and collaboration of the company's employees from various departments to build a comprehensive process of identifying, creating, communicating and delivering value to customers (Czarniewski, 2014, pp. 9-13).

The experience for the customer becomes more important than the products and services being sold; mass products must be replaced by individual relationships. In many cases, customers have unlimited possibilities to choose from. The segmentation of markets is deepening and is becoming a dynamic phenomenon. Customers increasingly appreciate such values as: community, authenticity, proximity, and also wish to be active in the creation of products, services and experiences for them.

Customer value for the enterprise can be understood in different ways. The understanding of this value in the category of current flows (cash flow) or profitability dominates. Such a point of view is not wrong, but it is characterized by the perception of values in the short term. If we look at the value of the customer for the company in the long term, buyers are suppliers of many other important streams, like: information, feelings or commitment. These streams transform into the effectiveness of corporate strategy (Teece, 2010, pp. 173-175).

The assessment of market opportunities must be derived from knowledge about the needs of customers that arise from the goals, objectives and outcomes customers wish to achieve. This approach allows for the identification of two areas of opportunity. The first is the opportunity to provide new values (benefits) for the customer that will solve their problem, and act as a new source of revenue and profit. The second is the opportunity to reduce costs in such areas of business activities that lead to improper or excessive customer service (Anthony Johnson, Sinfield & Altman, 2008). The most important reason for assessing market opportunities, according to the above approach, is associated with the fact that this assessment is the basis for the allocation of corporate resources.

An important issue is also to direct resources to where the proceeds and profits from customers will be the highest, as this is the best way to build customer value for the company. Timing can play a critical part in the assessment of the development of opportunities; what is a good chance at present may be a failure in the future, due to changes in customer objectives, or because the competition did it first.

CONCLUSION

1. The valuation of customer value and the management of this value is a very important turning point in the perception of the role of marketing in corporate management. An important question is then the valuation of what the customer brings to the company and the orientation of the organizational structures on the growth of customer value.
2. A great danger in the areas of building customer value and customer management is the stereotypical association of the traditional role and function of marketing with sales and promotion, or only with advertising.
3. Contemporary marketing should assume an organizational function, shaping processes for creating, communicating and delivering values to consumers, in a beneficial way for the organization and its shareholders. Such a marketing mechanism undoubtedly influences the value of the company and also its overall economic condition.
4. Nowadays, within the framework of segmentation criteria, the following factors must be taken into account: the types and levels of customer experience, their knowledge of

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and confidence in the brand, company, products, services, and customer service representatives. This information must be acquired from the customers themselves, processed properly and made available to the workers involved in the construction and realization of the growth strategy of customer value. The more this information is individualized (for individual customers), the higher the effectiveness of segmentation.

5. Knowledge with which companies can construct a strategy of customer value can be acquired and developed only as a result of customers' relationship with the company. It is only then that this knowledge will be impossible to duplicate by competitors.

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