

UDC 005.342:334.7

Review paper

Recived: -

Acceptee: March 21, 2021.

Corresponding author: aleksandra.pavicevic@fjsp.edu.rs

REDEFINING VALUE FOR CONSUMERS

Aleksandra Pavićević

Faculty of Business Studies and Law, Union Nikola Tesla University, Belgrade
aleksandra.pavicevic@fjsp.edu.rs

Abstract: *High expectations of the modern consumer in terms of delivered value, require continuous research of the expected value. A significant opportunity in getting to know consumers is provided by connecting with consumers, who are increasingly involved in creating and using value and are a key source of valuable, highly personalized information. They become collaborators and active participants in the development of new products and services. By relying on the competencies of consumers (knowledge and skills) in business processes, they become co-creators of value and its users. The modern consumer actively participates in creating his own, but also the experience of other consumers. In the process of consumer transformation, it is important to encourage active dialogue, creating consumer communities, especially thanks to the use of the Internet. Given that organizational culture can be a generator or a limiting factor for the success of change, in a modern organization, special emphasis is given to creating value for consumers. An important topic within this paper is the optimization of the rate of winning and retaining consumers, as well as establishing a balance between winning and retaining consumers based on continuous review and adjustment of marketing decisions. This paper presents a traditional and modern understanding of consumers within the fundamental principles of consumer value. Emphasis is also placed on modern elements of Customer Relationship Management, which implies a designed strategy based on identifying and differentiating consumers depending on their requirements in terms of expected value. Importance is attached to marketing strategy planning and the development of a superior and flexible market offer in order to interact with consumers. Depending on the types of consumers, the importance of redefining values for consumers is emphasized. Knowledge of consumer needs by companies provides an opportunity to meet these needs in an appropriate way and thus gain an advantage over the competition.*

Keywords: *delivered value, modern consumer, value, business processes, value chain*

1. INTRODUCTION

In the previous period, due attention was not paid to relations with consumers. The development of compatible marketing and management concepts that is slower than technical-technological innovations has resulted in insufficient effectiveness of consumer relations management. The new era of marketing that marked the previous decades, and which will undoubtedly mark the next ones, inevitably requires paying more attention to the study and monitoring of new tendencies and concepts. (Pavićević, 2008; 4).

The last decades of the past and the beginning of the new millennium were marked by new trends in purchasing and consumption (Vuković, Pavićević, 2019; 1). Substantial changes in the patterns and priorities of consumption of the modern consumer, make it difficult to identify and understand their needs and requirements. Differences in desires, needs, purchasing power, lifestyle, consumer experience are more pronounced and are used as a basis for adjusting and personalizing values. Simultaneous action of personality characteristics and a large number of environmental factors to which they belong, deepens the differences between consumers. Along with the emphasized tendency to approach, even equate the tastes of modern consumers in many markets, certain ethnic and local specifics are manifested. The interaction of individuals with a particular cultural milieu and its specifics results in appropriate consumer behavior in shopping and consumption, which is sometimes difficult to elucidate and understand (Sharma, Sheth, 2004). On the one hand, the need for self-identification and self-affirmation is emphasized, as a result of which consumers demand individual treatment and respect. On the other hand, a certain number of people have a tendency to socialize and integrate, and to manifest behaviors that are “socially acceptable.”

Common values, beliefs, interests, activities and situations are manifested in various formal and informal groups, such as ethnic, religious groups, clubs (Gupta, Lehman, 2005). Socially acceptable behavior is very often expressed by ethnocentrism in shopping, which is not always related to the level of development of society. The starting point in the strategic analysis of consumers and building relationships with them in the future is to consider the priorities in consumption. Increasing the volume of existing and developing new needs is based on population growth and purchasing power in certain markets and segments, changing tastes and preferences, the intensity of the social environment, technology.

2. FUNDAMENTAL PRINCIPLES OF VALUE FOR CONSUMERS

Value for consumers should be based on three fundamental principles: value should be realistic, value should be superior to the competition, and value should be profitable for the creator.

Each of these three principles requires the fulfillment of certain conditions. Thus, in order for the value for consumers to be realistic, the following conditions must be met: that the market is realistically determined, that consumers are defined, that consumer segments are defined, that what can be significant for consumers is determined, that all value factors for consumers are established. There should also exist possibility to quantify consumer value.

Superior value for consumers in relation to the competition implies that this value is significant and relevant for consumers, that the value is superior to certain segments of consumers, that this value improves the market position of the company and that this value differentiates the company from the competition.

3. VALUE RATIO FOR CONSUMERS

In reality, there are three relevant value ratios for consumers: the expected value ratio for consumers, the agreed value ratio for consumers and the delivered value ratio for consumers.

Kotler's understanding of delivered value for the consumer is especially interesting (Kotler, F., 2004). The value delivered to the consumer is the difference between the total value the consumer expects and the total cost to the consumer. The total value that a consumer expects is the set of benefits that a consumer expects from a product or service. Total consumer costs are the set of costs that a consumer expects in valuing, acquiring, and using a product or service (Pavićević, A., 2008; 5).

The consumer receives value, not a product or service. His decision to buy was motivated by the belief that he would get more value than expected.

After the purchase, the consumer should evaluate the value delivered to him, and the result is the ratio of the delivered value for consumers. The consumer must, through delivery, receive a value greater than or equal to what is agreed to be received. This relation leads to repeated purchases by consumers. If the consumer does not receive what was agreed, then there may be a problem with payment, resolving consumer complaints and not repeating the purchase (Kotler, F., 2004.).

To maintain a competitive position in the market, companies need to consistently provide this relationship between value ratios for consumers.

Assessing and adjusting value for consumers no doubt becomes the basis for building long-term relationships with consumers. The result is the ability to partner with consumers and proactively anticipate their desirable benefits and relative costs. This relationship with consumers creates a long-term sustainable competitive advantage (*Kiefer, Carter, 2005.*).

4. STRATEGIC ANALYSIS OF CONSUMERS

Strategic consumer analysis can be performed at different levels of aggregation: at the level of the total consumer base (individual strategic units), at the level of certain consumer groups (market segments) and at the level of individual consumers.

If the clients come from another organization, the necessary information can be obtained more easily, since there are fewer consumers. The level of precision in cost allocation is higher at higher levels of aggregation, given that there are fewer incremental costs and those that can be avoided, than at the level of individual consumers.

Strategic analysis at the level of the consumer base provides information on the value of the total consumer base and the structure of relations with them, ie the number and types of relations and especially their various contributions to sales and profit. This information is the basis for classifying consumers according to past purchases and future intentions, as well as quantifying consumer feedback in order to identify indicators of change. Many researches are project-oriented and start from certain assumptions or assessments of specific market opportunities. Differentiation of consumers is the basis for choosing the structure of relations with them, starting from abilities and key competencies. "The consumer portfolio is a combination of consumer types that generate sales and generate profit" (*Maričić, 2005*). It is necessary to analyze consumers individually, and not only in groups or segments. Today, every consumer represents a person for himself who has a special mental structure, beliefs, attitudes, preferences.

Consumer retention programs are precisely based on these personal characteristics and the linking of effects and costs to activities caused by a particular consumer. Continuous or periodic feedback from consumers (surveys, call centers) provides crucial information for calculating important indicators of change. The key questions to be answered by the strategic analysis are: How is profitability distributed to indi-

vidual consumers? How can consumers be grouped? Which consumer (segment) has the highest profitability? What is the rate of consumer retention / abandonment in the database? How should resources be allocated to individual consumers? How to differentiate consumers? The key technique to answer these questions is to distribute profitability within the database. It can also be used to measure the dependence of the company on the consumer and the dependence of the consumer on the company, as a basis for determining the mutual potential value and risk profile.

5. DEVELOPMENT OF SUPERIOR AND FLEXIBLE MARKET OFFER

An essential part of creating value for consumers is the development of a superior and flexible market offer. Such an offer should contribute to the creation of value for consumers that will be distinctive or in some way special, differentiated, superior to the competition, profitable and targeted.

Distinctive - means that it attracts the attention of consumers, while differentiated means a unique combination of different desired benefits and relative costs for each market segment. Superior - means that there are elements that are identified and quantified better than the competition. Profitable means that such value for consumers enables the company to achieve acceptable economic profit over a period of time, while targeted means that market segments are identified and selected in a way that guarantees the realization of profit and coverage of investment costs.

It should be emphasized that the success in creating value for consumers is determined by three general market requirements: markets are becoming increasingly diversified, consumers are adamant in their demands to be sold at the lowest prices, due to the success of total quality management (TQM) many consumers start from the fact that quality is given and they believe that only a few variations differentiate the offer of competitors. The solution is a flexible market offer (*Pavićević, A., 2008; 7-9*).

When creating a market offer for target market segments, there is a need for it to be different by individual segments, but also in relation to the competition. Many companies overlook this fact, so to meet the needs of market segments, they provide a market offer composed of a "standard" package of products and services. Equally bad, in many cases, companies provide essentially the same offer for all segments. As a result, some consumers pay for services they do not need, while others do not receive the services they seek, and for which they are willing to pay an extremely high price.

6. REDEFINING VALUE FOR CONSUMERS

Redefining value for consumers is evident in the incorporation of flexibility into the market offer. First of all, it is necessary to find a general solution for each market segment - a minimum of products and services that all consumers in the market segment value equally. It is important that they are sold at the lowest price, which, on the other hand, will be profitable for the company. This solution consists of a number of options that are aimed at individual consumers within market segments.

Although a flexible market offer enables the satisfaction of special requirements and consumer preferences, it should not be equated with mass customization. Mass customization implies the possibility of offering individually specified products and services on a large scale. It has three key characteristics: attraction (a mechanism of interaction with consumers in order to obtain specific information); flexibility (technology that provides products that are in line with information) and logistics (delivery of the right things to the right consumers).

Flexible market offering includes several solutions that are carefully chosen before being offered to consumers. In addition, the flexible market offer includes all product components and all service components.

The greatest degree of flexibility of the market offer is achieved thanks to the services that are its important component. Namely, services due to their characteristics (intangibility, inseparability from the production process, exceptional heterogeneity) are more flexible than products where it is necessary to make great efforts to adapt quickly. In such conditions, the role of trade in providing value to consumers is fully expressed, given that trade companies provide a wide variety of services to consumers, which production companies are not able to provide. For this reason, the formulation of a flexible market offer relies on three strategies related to services: redefining existing standard services, redefining optional services, building flexibility through new services.

The starting point of this strategy is the re-evaluation of already existing standard services, as an essential component of the market offer. By discounting or reducing some of these services, as well as redefining their options or variants, the company only retains a subset of the standard services it will provide, which will be the basis of the updated standard offer.

The success of some services in terms of the value they provide to consumers largely depends on the prevalence of their use. One example of such services is the ability to send an order via Web-mail (*Pavićević, A., 2008; 18*).

Those elements of services that are difficult to differentiate from the competition represent potential elements for harmonization or adaptation and, most likely, for inclusion in the standard offer. Such elements are seen as standards within the market supply and they represent an essential part of it. It is important that consumers perceive them in such a way that they provide them with greater value than the competition and that these elements of services are offered to them at the lowest possible cost.

It should be emphasized that companies may face some difficulties in implementing this strategy. This occurs when a company introduces a surcharge option for some services that consumers expected to receive for free. An additional problem arises when competitors offer this service for free, as part of their standard offering. Exceptions may be services that are provided to consumers at a specific time, which increases the value provided to them. Examples of such services include the installation and assembly of complex technical products.

Redefining optional services is necessary to make a decision to lower their price, expand them or continue doing business in the same way.

The construction of optional services should begin with a serious attempt to reduce existing optional services. Services that exceed consumers' willingness to pay for them are potential for reduction (due to changes in technology or due to insurance risk). For example, due to the risk of insurance, many trading companies that sell goods in large quantities are not ready to provide transport services to small traders who are willing to pay extra for that delivery. However, these trading companies can direct small traders to someone else who is willing to provide a transportation service.

Therefore, a company should carefully consider additions to the standard offer by offering a set of services and allowing consumers to pay for them either in full or in part. When identifying new services to be offered, companies can rely on their own strengths and capabilities, but also on the cost structure and strategic imperatives of target consumers.

New services provide the best way to build a flexible market offer. They should be selected in a way that allows the expansion of the existing market offer, and one of the possibilities is to add new services by anticipating and responding to changing consumer demands.

As new services that are introduced into the existing market offer, there may be: services whose costs are the highest at the stage of initial development and expansion,

services whose further costs largely depend on the number of consumers who use them and services that in some way reduce total costs companies.

Offering new services creates an option to add value to consumers. For each service offered at the standard level, it is necessary to define alternative levels that will provide different value for different consumers.

After building a flexible market offer, its implementation is necessary. This means that the company decides how to present its market offer. In theory and practice, two approaches for presenting the market offer have been differentiated: presenting the market offer as an optional menu and presenting the market offer as a value-adjusted package. (*Pavićević, A., 2008; 25*).

Presenting a market offer as an optional menu is an approach that makes a flexible market offer transparent to consumers by listing all the optional elements. In this way, consumers are enabled to choose different levels of service, which are offered to them on that occasion, in accordance with their special requirements and preferences. On the other hand, companies are able to take a high part in meeting the specific requirements and preferences of consumers.

Presenting the market offer as a value-adjusted package is an approach that makes a flexible market offer non-transparent for consumers. Namely, the company in contact with consumers develops a list of specifications and then shapes the offer based on the optional menu. This approach requires a precise understanding and satisfaction of the formulated consumer requirements. In practice, this is most often accomplished by offering several different packages and allowing consumers to choose between them.

7. CONCLUSION

In the event that the value for consumers is operational and economical for them, and if consumers demand higher quality and a more standardized offer, the company's ability to develop innovations becomes less important. Supply chain efficiency, cost management capabilities, indirect sales capabilities, speed, and current transaction capabilities are valued more.

Gap analysis is a good tool used to identify competencies and abilities that need to be acquired, developed, increased or improved. This must be completed before creating value for consumers. Gap analysis is a structured approach to defining what needs to be created, developed, sold and delivered to consumers. When defining the

necessary staff, resources, processes and systems, it is necessary to assess the current level of capabilities and competencies of the company for each of these key identified elements. However the gap is identified, it is necessary to decide how to cover it, which may include internal development and partnership (Pavićević, A., 2008; 48).

There is a need to accurately identify all possible ways to improve, ie redefine the value for consumers, as well as possible barriers to improving that value. In order to improve the value, it is necessary to carry out the following activities: adjusting the business to include all those who have an impact on customer satisfaction, preparing participant reviews, data collection and analysis, differentiating changes into short, medium and long term, identifying possible solutions to identified problems, ranking solutions from those with the lowest to those with the highest probability of success, setting measurable goals, determining responsibility for implementing the solution and determining the time required to implement the solution.

The efficient implementation of these activities as an ultimate goal has improved value for consumers. As a logical continuation of further activities, there is an anticipation of changes in the environment, which includes the market, competition, existing and potential consumers, the impact of competition on the success of the company, etc. By anticipating changes, the company acts preventively on the appearance of gaps or discrepancies between the delivered and expected value for consumers.

Anticipating change and planning for the future is possible by defining market opportunities or consumer segments based on the value that consumers are looking for, good organization of staff and on considering the impact of value on target consumer segments (Pavićević, A., 2008; 56).

An extremely important way of anticipating future changes, ie consumer expectations in the future, is to consider the impact of value on target market segments. Considering this impact provides insight into current consumer decisions, but also future intentions and needs. Building future value deepens relationships with consumers in such a way that consumers from customers of products or services become integral partners of the company (Pavićević, A., 2008; 117-119).

The basis of a redefined marketing strategy is the choice of a rational approach to the market that eliminates, or reduces to acceptable limits, the discrepancy between the strategy and its implementation. There is no universally best approach to the market, because every market segment, and more recently every consumer, requires a customized (individualized) offer. Market management companies have reoriented themselves to mass adaptation to the individual needs of consumers, as a rational

way to deliver the expected value. The shift towards mass adaptation is more intense in rapidly changing industries, but also in traditional ones, if the company's commitment to resources and capabilities is used to create a substantial competitive advantage. The emphasis is on the economy that is achieved by creating a large number of product variations, connecting different entities in the value chain, focusing on key processes and jobs and freeing from activities that do not contribute to increasing competitive advantage. The strategic response of a company is based on the creation and delivery of a unique value that is the result of a combination of valuable and rare resources and capabilities of related entities. The potential of resources for developing certain types of relationships between subjects is different.

8. REFERENCES

- [1] Barac, N., Milovanović, G. (2006). *Strategijski menadžment logistike*, SKC Niš, Niš
- [2] Barac, N., Milovanović, G. (2002). *Upravljanje odnosima između firmi u poslovnim mrežama*, Zbornik radova: „Menadžment u novom okruženju”, SymOrg '02, Zlatibor
- [3] Farrell, D. (2004). *Beyond Offshoring Assess Your Company's Global Potential*, Harvard Business Review, December
- [4] Foss, B., Stone, M. (2002). *Successful Customer Relationship Management*, Kogan Page Limited, London, UK
- [5] Fournier, S., Dobcha, S., Glen Mick, D. (1998). *Preventing the Premature Death of Relationship Marketing*, “Harvard Business Review”, January–February
- [6] Fredriksson, P., Gadde, L-E. (2005). *Flexibility and Rigidity in Customization and Built-to Order Production*, “Industrial Marketing Management”, 34
- [7] Gupta, S., Lehman, R.D. (2005). *Managing Customers as Investments, The Strategic Value of Customer in the Long Run*, Wharton School Publishing, Pearson Education, Inc.
- [8] Gupta, S., Lehmann, R.D., Stuart, A. J. (2004). *Valuing Customers*, “Journal of Marketing Research”, 40, February
- [9] Johnson, C.W., Weinstein, A., (2004). *Superior Customer Value in the New Economy, Concepts and Cases*, CRC Press

- [10] Kiefer L., Carter S. (2005). *Global Marketing Management*, Oxford University Press, New York
- [11] Kotler, F., (2004). *Kako kreirati, upravljati i dominirati tržištem*, Adžes, Novi Sad
- [12] Kotler, Ph., Keller, (2006). *Marketing menadžment*, 12. izdanje, prevod, Data Status, Beograd
- [13] Lewis, M., (2005). *Incorporating Strategic Consumer Behavior into Customer Valuation*, "Journal of Marketing", Vol. 69, October
- [14] Ljubojević, Č., (2004). *Marketing usluga*, Fakultet za uslužni biznis, Novi Sad
- [15] Lovreta, S., Petković, G. (2002). *Trgovinski marketing*, Ekonomski fakultet, Beograd
- [16] Lukić, R. (2002). *Računovodstvo trgovinskih preduzeća (kroz primere)*, Ekonomski fakultet, Beograd
- [17] Maričić, B., (2005). *Ponašanje potrošača, CID*, Ekonomski fakultet, Beograd
- [18] Milisavljević, M., Maričić, B., Gligorijević. (2004). *Osnovi marketinga, CID*, Ekonomski fakultet Beograd
- [19] Milisavljević, M., (2001). *Marketing, Savremena administracija*, Beograd
- [20] Ognjanov, G., (2005). *Karakteristike sistema marketing komuniciranja u zemljama Jugoistočne Evrope, doktorska disertacija, 2005*, Ekonomski fakultet, Beograd
- [21] Pavicevic, A., Đoković, G., Pavlović M. (2020). *Branding of state and nation in the case of Spain, Forma poglavlja u međunarodnoj monografiji, Brendiranje država i nacija, mogućnosti i implikacije. Fakultet za poslovne studije i pravo, Univerziteta Union Nikola Tesla, Beograd, str. 3-5*
- [22] Pavićević, A. (2008). *Kreiranje vrednosti za potrošače u savremenim lancima snabdevanja, doktorska disertacija, Univerzitet „Braća Karić“, Fakultet za trgovinu i bankarstvo „Janičije i Danica Karić“, Beograd, str. 4, 5, 7-9, 18, 25, 48, 56, 89-93, 117-119*
- [23] Pavićević, A., Vuković, A., Cvijić L., *Ekološki aspekti lanca snabdevanja - pojam „ozelenjavanja“, ISSN 0354 ~ 3285, Ecologica, Beograd, str. 2, 3*
- [24] Porter M., (2001). *Strategy and The Internet*, "Harvard Business Review", March

- [25] Ranchhod, A., (2004). *Marketing Strategies, A Twenty-first Century Approach*, Prentice Hall
- [26] Sharma, A., Sheth, J. (2004). Web-based Marketing the Corning Revolution in Marketing Thought and Strategy, "Journal of Business Research", No. 57
- [27] Stanković, Lj. (2004). Kreiranje konkurentske prednosti novog sektora, „Ekonomika preduzeća”, mart–april, Beograd
- [28] Vračar, D. (2005). Strategije tržišnog komuniciranja, Ekonomski fakultet, Beograd
- [29] Vuković, A., Pavićević, A. (2019). Ekonomske promene praćene inovacijama u funkciji savremenog razvoja, Nacionalni naučni skup, Savremeni problemi i moguća rešenja strategije i strategijskog menadžmenta (SPSSM2019), Beograd, str. 1, 2
- [30] Vuković, A., Milunović, M., Pavićević, A. (2017). Analysis of the global oil price trends on international markets, International Scientific Conference on Recent Advances in IT, Tourism, Economics, Management and Agriculture – ITEMA Budapest, Hungary, str. 3
- [31] Vuković, A., Milunović, M., Pavićević, A. (2017). Social economy as a concept and strategic direction in the contemporary world, International Scientific Conference on economics and management, EMAN, Slovenija, str. 2
- [32] Vuković, A., Jakšić, K., Pavićević, A. (2015). Migracije – ekonomski, politički i društveni izazovi današnjice, Međunarodni naučni skup UKSP-IS, 2015, Unapređenje konkurentnosti srpske privrede kao okvir i podsticaj investiranja u Srbiji, Zbornik radova, Ekonomski fakultet, ISBN 978-86-80127-75-0, Kosovska Mitrovica, str. 4, 5