

How to Create Knowledge System for Value-Based Management

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Abstract This paper deals with creation of knowledge system for a unique customer value creation and delivery at applying CRM strategy differentiated according to both customer needs and wants and a customer value to a company. It defines a process of general analysis of market environment, a detail analysis of customers, their segmentation according to their needs and consumer behaviour, analysis of competitors and analysis and evaluation of conditions at single target markets and at single customers. It shows that this way of dynamic strategic marketing analysis is a base for value-based management and leads to discovery of latent customer needs and wants and increasing of delivered customer value.

Key words: market knowledge system, creation of unique customer value, CRM strategy

I. INTRODUCTION

Industrial businesses are forced, within the fight for customer's favour, to be more and more flexible and active. The increasing dynamics of technological changes and innovation boom lead to growth in surprising ways and forms of customer need satisfaction and also to deepening in customer need differentiation and shortening of the life cycles of the products and to intensifying the competitors fight. As a consequence the destabilisation and variability in the world of business have become standard. These facts lead to a need of knowledge system transformation in the companies so that there is a possibility of revealing and presenting a special offer to single customers and this offer has to be understood as more valuable than the one proposed by the competitors. It means to recognize customer value as a key performance indicator and a key improvement indicator. (Setijono, D., Dahlgaard J. J., 2007). This is the only way of achieving growth in the company market value and assuring their constant prosperity. (Gosselin, D. P., Bauwen, G. A.: 2006)

Formation, delivery and permanent value improvement for more and more demanding customers require value-based management development in a process context within the company. (Kaye.M., Dyason, M.: 1999)

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Dynamically understood strategic marketing analysis should be considered as its inherent part, which is leading to deeper understanding to the market environment, to revealing not only the expected but so far also the unexpected – latent customer needs and requirements and to finding the target segments and markets, key customers respectively. (Lewis, M.: 2005) Since the service delivered to them will lead to building up a market position of the company. It is important to create tight and long term relationships with these market segments, customers respectively. They are the relationships which will consequently strengthen the company's competitiveness at the market.

The arising question is, how to form a complex knowledge system about the market macroenvironment, microenvironment and the company's position within the system, in a way to allow finding new market opportunities and their fast utilisation? The research carried out in the last three years mainly in the large and medium enterprises in the Czech Republic, operating on the B2B and B2C markets leads us to a model of dynamically understood process of strategic marketing analysis, as described hereafter.

II. STRATEGIC MARKETING ANALYSIS PROCESS IN THE BUSINESS UNIT – ELEMENTARY BASE FOR THE VALUE- BASED MANAGEMENT

The fundament for value-based management implementation should lie in thorough market and market position knowledge, i.e. strategic marketing analysis in the strategic business unit (hereafter SMA SBU). SMA SBU should precede creation of the strategic and tactic-operation plan variations both the basic strategy for SBU, and marketing strategy for SBU and consecutively also for other functional SBU strategies (innovational, processing, purchasing, personnel and financial strategies).

Strategic marketing analysis for SBU is supposed to comprise of three logically connected phases, where every each of these phases has its specific significance in composing an elementary SBU strategy and consequential marketing strategy for SBU aimed at particular target markets, customers respectively. These will lead to special value creation for the customers according to their significance for the company. (Lošťáková, 2005, 2006):

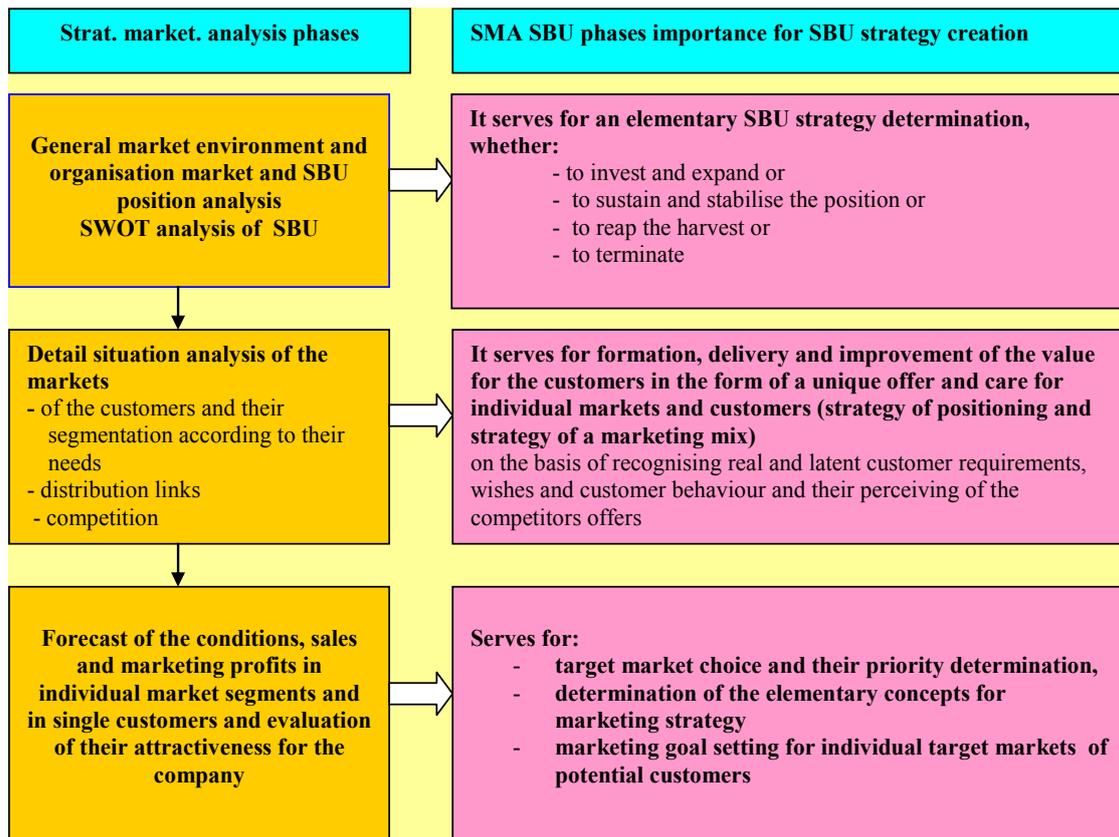


Figure 1: The significance of strategic marketing analysis phases for SBU

Detailed look at individual phases of the process of strategic marketing analysis for SBU is schematically demonstrated in the Figure 2 and described in general hereafter.

II.1 GENERAL ANALYSIS OF THE MARKET ENVIRONMENT AND THE COMPANY'S POSITION AT THE MARKET

A purpose of the general analysis of the market is to identify and assess overall development trends in the market environment, both in the marketing macroenvironment and also in the branch in terms of global market structure, the market size and its development, and also in terms of global situation in the competitors environment. It is also beneficial to conduct a detailed analysis of the existing results of SBU in the context of the total results of the organisation and of the operated market in a way that it is clear what share of SBU is taken in the overall results of the company and what are the key bearing products and markets and how have the previous results met the ambitions of the SBU management and the company, its owners and other stakeholders/interested parties. General market environment analysis will reveal broad perspective in the field of SBU and the elementary SBU strategy orientations – if to primarily expand and grow in the given branch of business or whether to

maintain the market position or if to make a maximal profit out of the market or last whether to gradually withdraw from the position. The general analysis should be concluded by a SWOT analysis. The SWOT analysis will show the business prospects in the examined business branch.

II.2 DETAILED SITUATION ANALYSIS OF PARTICULAR MARKETS (CUSTOMERS, MARKET SEGMENTS)

The next phase of the strategic marketing analysis of SBU shows the utility of conducting an in-depth situation analysis of the customers, their segmentation according to their needs and buyer behaviour, competitor analysis and own analysis of the company. Only this knowledge makes a basis for finding the customers value attributes and on the basis of these facts to frame an offer and customers care approach, which are designed to surprise and to be better than the offers made by the competitors.

General information is obviously not sufficient. That is why it is necessary to make a detailed analysis of the current customers, possibly controllable potential buyers, and recognise and understand their buyer and consumer behaviour and value perception. It means to realize customer value chain analysis (Donaldson, Ishii, Sheppard: 2006) and describing of all customer value propositions (Smith, J. B., Colgate, M.: 2007).

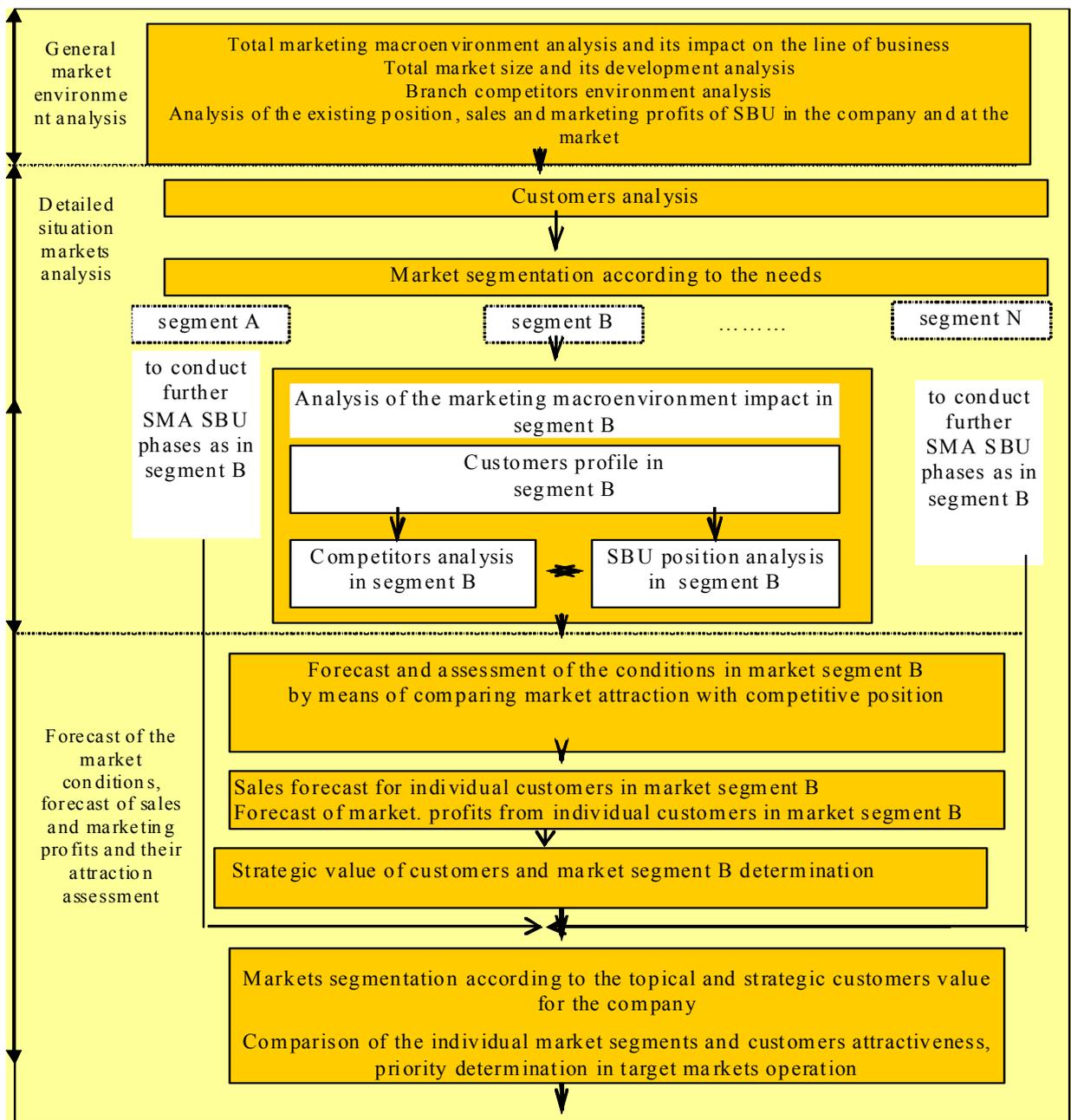


Figure 2: Process of the strategic marketing analysis

On the basis of previously mentioned facts it must be recognised how significantly the individual customers differ in their needs, requirements and buyer behaviour. Then the analogical customers are grouped into the markets segments or even subsegments according to their needs. Market segmentation by needs creates assumptions for better control of SBU operation in the market environment. The following phases of the SBU strategic marketing analysis are to be carried out separately for each particular segment. It is effective to analyse the changes impact on each market segment in the marketing macroenvironment, because future behaviour is being determined and a prediction of changes in customers' requirements and behaviour is made easier. It is also suitable to build customer's profile in each segment and consequently to

recognise the position and behaviour of the competitors and the company itself in detail. At the same time we have to judge the competitors goals and behaviour on the supply side and also the requirements of each market segment.

II. 3 FORECAST AND ASSESSMENT OF EXTERNAL ENVIRONMENT AND OF THE COMPANY'S POSITION AT PARTICULAR MARKETS

The analysis results serve for forecast of future market conditions and of realistically obtainable SBU results – of future sales and Customer Lifetime Value (hereinafter CLTV). (Pepper, Rogers, M.: 2004) In this SMA SBU phase a determination of planning premises about the future development of particular environment elements is

involved. Afterwards comes the forecast of SBU sales according to the customers, market segments respectively. The estimation of net marketing contributions obtainable in customer service during the following years of cooperation should be also part of this step. On the basis of this estimation a CLTV of each individual customer, market segments respectively has to be assessed here. This value is expressed as a current total value of all future net marketing contributions.

In conclusion of the strategic marketing analysis of SBU it is advisable to carry out a market segmentation not only by a current customer's value for the company, but particularly by their CLTV. On the basis of the segmentation we should assess the attraction of market segments (customers) and to determine priorities in allocation of resources for enterprise development in each of the segments. (Best, 2005)

In this dynamic concept of strategic marketing analysis of SBU the particular phases are logically connected. Previous phases implicate the following ones and only in their total they form a basis for strategic and tactic SBU management decision making on target market operation. It is proved that only hereby conducted complex strategic marketing analysis of SBU can function as a sufficient basis for finding attractive market opportunities, differentiation of target markets operation according to strategic significance of particular markets for the company and for finding a suitable marketing strategy and tactics for the markets in a way that the company's prosperity is permanently being increased.

III. CONCLUSION

Knowledge system in the form of a sophisticated strategic marketing analysis of SBU should be designed in order to enable SBU management to:

1. Select target markets, define a framework for the marketing strategy (mass marketing, marketing directed to market segments, personalized marketing – CRM) and to determine priorities among these markets in terms of their strategic values for the company.
2. Set marketing goals for target market segments within the meaning of:
 - size and changes in sales turnover, market share, respectively key customers share, net marketing contributions and their CLTV for the company;
 - satisfaction level and change in satisfaction rate, rate of customers retention and loyalty, but also relative value of supply from the customers perspective and in comparison with competitors
3. Formulate positioning strategy for the target market segments on the basis of identified competitive advantage for each segment.
4. Create, deliver and improve a special value for the target customers by unique marketing mix. The value should be superior to competitors' abilities.

Solely deep knowledge of the market environment and the company's position at the market, knowledge of the

customers' needs and requirements and of their perception of competitors' offers enables us to serve the customers in a way that the offer and service value brought by the company is higher than the one brought by the competitors. (Tournois, 2004) An accomplishment of a complex strategic marketing analysis of the market environment is required and the analysis should lead to recognising specifics of consumer behaviour of individual customers and their potential benefits for the company.

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