

Value-Based Management in Graphic-Arts Companies

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Abstract This paper focuses on the concept of customer value dimensions and its managing in the graphic-arts company. It shows that it is necessary to put into practice value-based management that allows delivering a superior, meaningful value to target customers. It describes a contemporary level of single phases of value-based management (1. Discover and quantify customers' wants and needs; 2. Commit to the most important things that will impact customers; 3. Create customer value that is meaningful and understandable; 4. Assess how firm did at creating true customer value; 5. Improve firm value package to keep its customers coming back) in selected graphic-arts companies in the Czech Republic as results of qualitative marketing research. The obtained knowledge is evaluated and discussed.

Keywords – Customer value as a value to a customer, value-based management, graphic-arts companies, Czech Republic

I. INTRODUCTION

Changes of the market environment called for by the process of globalization, trade liberalization and recently by the global economic crisis and connected recession bring along a substantially more saturated and fragmented market structure, intensify competition and force companies to significantly change their way of enterprising. It is necessary to look for new ways of getting a competitive advantage, i.e. of creating and carrying out an offer for customers that will be unique, more valuable and more attractive than the one of their competitors'. It calls not only for understanding specific needs of customers and potential of all other partners in the supply chain, but also implementation of modern technologies into the entrepreneurial process so that the individual customers' specific needs could be efficiently controlled.

It is vital for companies to implement a new approach to marketing which leads to building trust and mutual loyalty between a supplier and their customers, and to rising the degree of customers' endurance and their loyalty to the supplying company. It means not to compromise on applying a strategy of individualized customer service, referred to as CRM (Customer Relationship Management). [1] At the same time it means to set up offers and systems of individual customers' service otherwise the value for each customer differentiated according to the value of each customer for a company. [2], [3]. Primarily the key customers are to be taken care of. [4], [5].

Mass production of standard products and services must be replaced by relevant flexible and high quality deliveries of innovated products and services, individually adjusted to each customer. It holds fully true for B2B markets and more and more also for B2C markets, especially in the area of tailor-made deliveries in small and middle-size businesses, in the services and in the area of mail-deliveries and e-shops dealing with consumer goods. This approach to customers proves to be efficient also in government markets and during preparing and carrying out contracts announced in tenders at government and municipal levels.

The situation shows the critical factor of success in this hard competitive environment rests in investments into long-term abilities to strengthen relations with customers. The innovations of products, services and processes can be achieved only by creation of customer-oriented company culture, harmonized organizational processes based on team work of all staff involved in revealing, creating, supplying, identifying customer feedback and improving the value for customers. Thus in companies it is necessary to put through a modern value-based management concept. [6], [7], [8]

Value-based management have to be an integrated view of the entire business process that focuses on the value needs and expectations of the customer so it is more than traditional functional marketing approach.[7] I mean that it is an enterprise-wide leveraging of powerful market concepts. It is the optimized combination business processes, people, capabilities, resources, and capital that are focused and implemented in five continuous, dynamic steps that help a company to create value for it and its customers.[9] There is a road map of these five steps [7, p. 17]:

- Step 1: Discover – understand the customer.
- Step 2: Commit – commit to the customer.
- Step 3: Create – create customer value.
- Step 4: Assess – obtain customer feedback.
- Step 5: Improve – measure and improve value.

The question is what to do in single steps? Our research that was realized in 2007 discovered the suitable actions that it is necessary to do in single steps. [10],

Value-based management requires reengineering of the whole value chain, requalification of staff, introduction of high technologies and modern logistics. Only this concept of active customer relationship management differentiated according to their contribution to a company may lead to establishing and maintaining mutually advantageous long-term relationships with these customers and to reaching their maximum total long-term value for a company. [11], [12]

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The paper summarises research results on how these problem issues are being approached by graphic-arts companies in the Czech Republic.

II. AIMS AND METHODOLOGY OF THE RESEARCH

The aim of the qualitative research was to map particular phases of the value-based management in 4 biggest graphic-arts companies in CR and to propose measures for their improvement. The research was carried in 2009, March and April by the method of individual in-depth interviews. The target interviewed group consisted of top managers of the analysed graphic-arts companies, marketing staff, sales representatives, managers and staff of sales departments, managers and staff of customer care, managers of graphic studios, production managers, technologists, staff responsible for production supplies, purchasing managers and economists. These staff members formed in the researched companies teams managing the value for customers. For the purposes of the research this team was named a “customer centre” or a “job control centre“.

III. RESEARCH RESULTS

The research has proven that the coming recession put the companies of graphic-arts industry into a more difficult situation as this line of industry was in the Czech Republic severely affected by the recession and consequently it has fewer orders in lower volume. This difficult situation has led to mobilisation of efforts also in researched companies and to development of a modern concept of the value-based management there.

In companies the value for customers is seen as a complex concept of solving problems and needs of customers and processes are set for the customers’ expectations (especially of those customers who are very or medium-important for the companies) to be fully met.

PHASE OF REVEALING, UNDERSTANDING THE CUSTOMERS

The companies try to understand customers through frequent personal contacts with them. The aim of these contacts is to get complex information on a customer. The companies gather information about customers’ needs, requirements, wishes and expectations – types of products the customers want to buy, preferred materials, ways of pre-print preparations, ways of packaging, scope of service, transport, time of delivery and an acceptable price. Further they map follow-up manufacturing of delivered products in the clients’ companies, what problems they face during manufacturing, what they want to solve and what their ideas about this problem-solving are. They collect also feedback from their customers, from whom they buy, how and on what conditions and how satisfied they are with their suppliers. This information is mostly gathered by sales reps and customer care staff through informal discussions with customers’ staff in customers’ premise. The important customers are usually

visited every two weeks, medium-important customers once 1-2 months and not significant customers four times a year. The degree of attractiveness of customers for a company is given by the volume of customers’ purchases, record of their cooperation and customers’ loyalty, competitive position of their customers in the market and ability of a company to effectively produce and deliver a customer required types of product.

The findings are always summed up in reports from customer visits and are immediately shared in companies not only with other sales dept staff but also with other staff involved in the value-based management and “customer centre”. This sharing is executed by placing the visit report in a company information systems (SAP, CRM systems etc.), by regular weekly meetings of “customer centre” members and besides, when needed in case of extraordinary customer requirements, also on other days. This way the exchange of information on the market needs is being fastened and so is the company flexibility for meeting customer requirements.

The companies, while formulating an offer for customers, try to find ways of saving customers’ money and time by providing them the products in a required quality and for an adequate price without customers’ need to take care of anything. Thus the companies offer complex meeting of customers’ needs. The companies realize that nowadays the unique customer value cannot be created only in terms of the format of delivered products as they are, though from different suppliers, mostly comparable. They should be created rather in terms of the depth and mutual affinity of sales reps and other company staff with customers, i.e. in emotional, social and ethical dimensions of the customer value. (see [13]).

PHASE OF ADJUSTMENT TO CUSTOMERS

Sharing the customer value across a company requires creation of company culture which means reaching such a condition when all the company staff is market oriented and market focused. It calls for leadership, team work, informal organization and activity and creativity of staff while serving the market. The adjustment to customers is to be controlled both in terms of a strategy, tactics and operation. The strategic aspect concerns investments in new printing machinery and technologies. As these measures are highly investment-consuming, a number of graphic-arts companies in the CR has merged or got integrated recently. Among the strategic measures there is also all company staff education in modern concept of the value-based management and marketing, but also completing their education in advanced printing technologies and their contribution for the offer improvements. Unfortunately, not all staff is willing to study further and it is necessary to change the ways of their stimulation. In tactics and operation levels the “adjustment to customers” has proven the meetings of customer centre staff and their information sharing on customers in company information systems, monitoring customer reactions to supplies and fast solving of complaints and comments as highly effective.

PHASE OF CREATING AND DELIVERING THE VALUE TO CUSTOMERS

Though the researched company managements try to create and enhance the value culture, improve company infrastructures and processes for creating and delivering the value to customers according to their needs, not all staff always understand their roles in this process. The further from a customer they work in the value chain, the less they understand their roles and fully meet them. That is why three out of the five researched companies introduced a system of bonuses based on specifically set-up indicators. These indicators are measurable and linked to the results of particular phases of creating and delivering products and services to customers. They can be directly influenced by the staff and motivate them to better performances. On top of the above to achieve better performances in meeting the tasks in production and sales, companies can use setting the examples of best performing staff, educating by informal talks and awarding appraisals. The processes of creating and delivering products and services to customers were perfected also by introducing modern systems of quality management according to CSN EN ISO 9001:2000 and their certifications in all researched companies.

PHASE OF GETTING FEEDBACK FROM CUSTOMERS

There are introduced and implemented various ways of getting feedback from their customers in all the researched companies. (in detail see [14]) This is assured by processing sales returns, but also by accepting and processing comments and complaints of customers, by monitoring word of mouth references about the company. Most of all, however, it is assured by mapping the customers' satisfaction, by finding out about the reasons of their potential dissatisfaction and seeking the ways of eliminating the downfalls in the company offer and customer service. The customers are regularly personally or by phone contacted immediately after deliveries and are asked if the delivery was in order and how satisfied the customers are.

The target of the companies is to make the customers always satisfied. That is why far more important than just follow-up reactions is the anticipation of these complaints. Thus the whole value-based management rests in a perfect identification and understanding of the customers' needs and wishes before the business is underwritten and also in adjusting to them. Preventing the downfalls is much more important than reacting to the downfalls. The researched company managements realize that their target should rest in reaching their customers' full satisfaction.

If, nonetheless, any customer stops buying from the company, then they are contacted and asked about the reasons for stopping the purchases.

PHASE OF PERFECTING THE VALUE FOR CUSTOMER

The "customer centre" meetings discuss feedback from customers and where the problem arose. Then measures for

eliminating the problems are accepted in a form of assigning tasks with deadlines for staff in charge. All companies have to implement changes in their sales systems several times a year, mostly by a non-investment methods, but also by modernizing plants - investing into new machinery, new technologies and managerial procedures.

IV. CONCLUSION

The market dynamics of the researched line of business are so big, that companies must be far more flexible than the used to be. Only those can succeed that are not only more flexible in serving the target markets, but rather active and creative at the same time. It means to be in a constant contact with customers, to anticipate their needs and requirements and to be able to offer them products, services and ways of care and deliveries of a higher value for them than their competitors are. Admittedly, not always they are successful, however, the company managers must not let be discouraged from their attempts to reach better company market positions. This is the only way of overcoming the current economic crisis. Just those using a better performing value-based management can sustain.

Our research showed that modern concept of value-based management is quite accepted in interviewed graphic-arts companies. Czech managers know that in contemporary difficult market environment is necessary to understand customers and the value set of those customers that drives their needs, buying decisions, and buying behavior, to build a customer value commitment in direct response to that value set that drives customer buying decisions and behavior, to design and develop firm organization, firm people, resources, and other infrastructure based on firm customer value commitments to ensure the relevance of these elements to the creation of customer value, to obtain feedback regularly and rigorously from firm customers about firm customer value commitments and customer value creation, to measure firm performance using the customer's scorecard rather than firm own, to always be looking for ways to improve firm understanding of the customer value segments' needs and expectations, and to improve firm customer value commitments. These processes have several lacks, too. These lacks lie in worse acceptance of modern approach to value-based management by some of the personnel (especially by production staff) and in worse level of value-based company culture. Value-based management asks using of other system of personnel stimulation and other system of human resource management that will be oriented on dynamic creating, delivering and improving of special value to single customers.

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