The Marketing Mix-Up 4; The New Values

[The Value Disciplines of Top Companies]

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This is the 4th article in the Marketing Mix Up series. In the first article, we examined the mix-up in strategic marketing. In the second article, we examined the mix-up in operational marketing. In both these articles, we examined the current concepts, theories and models used [or misused].

The major reasons for the mix-up was the lack of understanding of the concepts, application of the models without giving due consideration to the practical aspects, not following up after implementation, poor leadership and most of all a lack of concern for the value derived to the customer.

In the third article, we identified, understood and categorised 'values' sought by customers and how companies have responded. The thinking of that article was based on the 'Value Discipline' approach to business, adopted by 80 world leaders in various industries, based on the highly acclaimed book 'Disciplines of Market Leaders' by Michael Treacy & Fred Wiersema.

The Value Discipline approach to business is based on the argument that different types of customers seek different kinds of values. The articles were aimed at helping companies to select and commit to one Value Discipline.

The aim of the fourth article was to provide some inputs in formulating marketing plans that includes operating models required for each of the Value Disciplines. However there are new findings in this area where some world class companies are seen to use a combination of 5 values, a variation of the three Value Disciplines highlighted in the earlier articles. As such it is appropriate to bring ourselves up-to-date on the new 'values' concept before introducing relevant operating models.

The comparison of the '3 Value Disciplines' vs the '5 Values'

The '3 Value Disciplines' were 'Product Leadership', 'Operational Excellence', and 'Customer Intimacy'. Examples of these approaches of adding value to their customers, based on the earlier thinking, is given below;

Companies such as Apple, Sony, 3M, Gillette, Nike, Intel etc. adopt a 'Product Leadership' value discipline where the focus of the entire company is to inspire their customers by constantly innovating.

Companies such as Fed-Ex, Budget, ARCO, McDonalds, Wal-Mart, Coke, AT&T card [later divested by AT&T] etc adopt the 'Operational Excellence' value discipline. They have organised their companies to provide the value of speed, efficiency and lower prices to the customers. Customers are constantly surprised by these companies, who improve their speed, efficiency and prices all the time.

Companies such as Facebook, Amazon.com, Lands End, Home Depot Store, Airborne Express, Dell Computers, Yellow Freight, Ritz Carlton etc. follow the 'Customer Intimacy' value discipline. They organize their companies with empowered people and systems which would enable them to tailor make solutions based on specific needs to create a superior customer experience.

Given the ever increasing competitive nature in the global market place, companies need to excel in more than one Value Discipline. It is also recognised that customers become more and more discerning and sophisticated with time. Therefore we need to get more specific with regard to value sought by customers, thus the need for 5 values. One wonders if this too is an over-simplification, but let's discover.

The 5 values identified were Price, Service, Product, Experience and Access. Customers seeking 'Price' as a value would seek to obtain the best possible price available. Customers seeking 'Service' as a value would look for the tangible service elements such as availability, timeliness and accuracy. Customers seeking 'Product' as a value would look for reliable quality and the ability of the product to deliver results. Customers seeking 'Experience' as a value would look for a pleasing experience. Customers seeking for 'Access' as a value would look for the ability to access products or services conveniently.

Now how do the '3 value discipline' and '5 values' approaches differ? The easy comparisons would be 'Product Leadership' in the earlier as against 'Product' in the new model. Price was not mentioned in the earlier model, however it indicated that operationally excellent companies such as McDonalds and FedEx were able to offer a lower prices. I suppose Customer Intimacy in the old approach has been re-introduced as Service, Experience and Access. Operational Excellence would also help provide good service and access. In the earlier model it was seen that companies adopted one of the 3 Values and created operating models around them while in the new model it is seen that a combination of values were adopted. This is explained in detail below.

The combination of the 5 new values as adopted by leading companies

It was noticed that leading brands dominated the market in one value, differentiated themselves with one other value and were on par with the market in the other 3 values. They should not be below par on any of the values if they are to survive in the market. Let's first examine the definitions of the 4 levels – "below par", "on par", "differentiated" and "dominated" in relation to the 5 values.

"Below par" would be what mediocre companies, who do not give attention to strategic clarity, talent management and quality management. Companies below par on 'Price' would have inconsistent, unclear and misleading pricing. Some car sales dealers who would have different prices for different customers are an example of this. Companies below par on 'Service' would disappoint their customers and deliver below promised time frames, quantities, accuracy etc. A restaurant who delays to take orders and further delay to serve food assuming you are enjoying their atmosphere that looks like a horror movie set would be an example of this. Companies below par on 'Product' would launch irrelevant products of Stone Age quality suitable for cavemen. FMCG companies who launch products just to fulfil a marketing plan requirement and produce poor quality products to meet the time line on the plan without given thought to the value sought by customers is an example of this. Companies below par on 'Experience' would ignore or even dehumanize their customers. These companies work as if they are doing the customers a favour and would have a take it or leave it attitude. Companies below par on 'Access' would block and hassle customers trying to reach them. Banks whose teller machines don't work is an example of this.

"On par" companies would provide the minimum required value. Customers are not elated but they would have no reason to complain. Companies on par on 'Price' would have an honest, consistent pricing policy. FMCG companies who would work on a maximum retail price for all goods and advertise the fact would fall into this category. Most processed meat marketing companies displaying their price list at all retail outlets would be an example of this. Companies on par on 'Service' would accommodate customer requirements and deliver at least what was promised. Companies on par on 'Product' would be credible, i.e. they would consistently deliver product utility and quality as per promises made. FMCG companies manufacturing to minimum quality standards would fall into this category. Customers dealing with companies on par on 'Experience' would feel respected. Most private banks, whose staff would smile and greet customers, addressing them in an appropriate form as "Sir" or "Madam" or by name would fall into this category. Companies on par on 'Access' would make it easy for customers to access their service. Consistently working teller machines would be a good example.

Let’s now examine how companies could differentiate on these 5 values. Those who are able to differentiate on price would make customers feel that their prices are fair and should provide the customers a good return on their investment. Software companies who help clients improve productivity, those who are able to provide a good return on the investment made on the software, would fall into this category. Companies who differentiate on ‘Service’ would be able to customise their products to suit their customers. IT providers who customize solutions would fall into this category. Those differentiating on ‘Product’ would provide top quality, dependable products. Airlines such as Emirates and Singapore Airlines would fall into this category. Companies differentiating on ‘Experience’ would make the customers feel they care about the customers. Airlines who have trained staff to look at the varying, even unexpressed needs of the passengers in a genuine way would fall into this category. Companies differentiating on ‘Access’ would make it convenient to customers to reach them. E-channelling which enables patients to channel doctors on the web is an example of this.

Those companies dominating on the 5 values would have to move one notch higher. Those dominating on ‘Price’ would make the customers feel they are able to trust the company to decide on the best price. These customers would get the best price available from the company and would not question prices charged by the company. This happens mostly in business to business marketing situations when the trust levels are high. Companies dominating in ‘Service’ would educate their clients on how best to utilize the companies’ services in the most profitable way to the clients. The authenticity of these companies makes these customers loyal and it would take a lot of effort for any other company to win-over these clients. Those dominating on ‘Experience’ would build a close, intimate relationship which no one else would be able to provide. Customers going to the same beauty salon looking for the same hairdresser over and over are a good example of this type of value. Companies dominating on ‘Access’ would provide a tailor made solution for their client to access their services. Banks enabling customers to access the banking system on the web to do fund transfers or airlines enabling seat booking online would be examples of this level of access.

What do world class brands do?

As indicated earlier world class brands would dominate on one value [we will refer to this as primary value] and would differentiate on another value [we will refer to this as secondary value]. They would be on par with the other three values. Let us examine the primary and secondary values of world class brands.

Dell computers would be primary in service and secondary in price. They are able to have customised selling and servicing and since they go direct to the customer their prices too are very competitive.

Mazda is a good example of a brand primary in product and secondary in price. While focusing on product quality and making top quality products, they have been able to keep prices very competitive too.

Southwest Airlines is a good example of a company dominating in experience and differentiating on price. Southwest being a low price, ‘no frills’ airlines makes travelling interesting, given the innovative ways they make safety announcements, boarding, staff attire, staff greetings etc. Given the no frills nature they are able to offer some of the lowest fares too.

Avon beauty care products are a brand which dominates on access and differentiates on price. It is easy to order on Avon.com at very attractive prices and get products delivered at home.

Conclusion

This article attempted to provide a frame work for brand positioning based on the value sought by customers using the ‘5 values’ framework. In the next articles to come we will share with the readers a practical approach to preparing strategic and operational marketing plans based on workable operating models. Meanwhile you could put your thinking caps on and start thinking which value combination will enable you to be most competitive in the market place.