CUSTOMER VALUE PROPOSITION AND ITS CUSTOMER PERCEPTION IN CZECH GRAPHIC-ARTS INDUSTRY

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Abstract
The article deals with identification of customer value proposition elements demanded by customers of graphic-arts industry enterprises. The aim is to identify value attributes for this line of business customers. A partial aim rests in the market segmentation based on these findings and consequent description of these individual segments. Finally, partially it is aiming at exploitation of these findings in research of perceived levels of individual graphic-art industry enterprises offers from the viewpoint of their customers. To meet these objectives, in spring 2010 a quantitative research among randomly selected 36 customers of a large graphic-art enterprise in the Czech Republic was carried out using the method of individual interviews. The obtained data was processed using statistic analysis method and synthesis of obtained findings.

Keywords: Customer value, customer value proposition, graphic-arts industry, Czech Republic.

JEL Classification: M10, M40.

Introduction
Globalisation increases dependence of markets and national economies. It is triggered by highly dynamic trading with goods, capital, services, and technology and know-how transfer. The main external globalisation motive power is a more and more demanding customer. The constantly more demanding customers are reflected primarily in requirements addressed to the suppliers. The customers require integrated benefits of a product, service and service method, further they demand customization, promptness, adaptability and flexibility in meeting customer requirements, as well as agility (a strive for an intensive innovativeness of products and services, active work upon creating customer’s needs and requirements by the producer themselves) faultlessness and reliability.

The global economic crisis that occurred in 2008 brought about a substantial weakening of the demand for products in many areas of industry and the subsequent overall decrease in production not only in the businesses directly affected by the decline in interest, but also enterprises bound to these businesses. A chain reaction transferred this problem, to a greater or lesser extent, to all areas of production and services. Despite the many measures taken by governments, the adverse effect of this phenomenon can be increasingly felt throughout the society.

The graphic-arts industry is an area affected by the "crisis" too. The advantage of this industry is a great diversity of customers using its outputs. In this line of business, the adverse effects of the "crisis" therefore show fitfully, but slowly. Currently, the market of printing products and services in the Czech Republic and across Europe is well developed. As for the number of competitors, we can talk about a market with an almost monopolistic competition. The influence of "crisis" has intensified the battle for customers. Many manufacturers have approached price cutting, even to the lower quality products and services. As a result, larger companies took over customers of smaller businesses. In the past two years, a large number of printers and several smaller companies involved in the printing production and services disappeared. The businesses that remained in the market have begun to explore ways to handle this difficult situation and survive.

The literature (Kashani, 2007, Woodsite et al, 2008, Lošťáková, 2009, and others) emphasize the need in this situation to seek even more actively an innovative value proposition and create an extraordinary customer value via a value chain. These general principles of value management are well-known, what is missing, are concrete procedures for particular lines of business. This is also true for the printing industry.

Customer Value and Value Proposition
Definitions of customer value can, generally, be grouped into three categories, with some variations within each category (Khalifa, 2004, p. 647; Lošťáková et al., 2009, p. 48):

- Utilitarian or benefits/costs ratio models,
- value components models,
- means-ends models.
These models, taken separately, are incomplete in themselves and as such their usefulness is limited. Each category highlights a particular dimension of the concept and pays little attention to others. It should be noted, however, that these categories of the definition of the value are not mutually exclusive. Conversely, there is a large intersection (overlay) among them that can be used to configure an integrated concept of the customer value.

In benefits/costs ratio models customer value is defined as the difference between customer’s perceptions of benefits received and sacrifices incurred (Leszinski and Marn, 1997). Customer’s benefits include tangible and intangible attributes of the product/service offering (Gale, 1994, Loštáková, 2009). The sacrifice component includes monetary and non-monetary factors such as time and effort needed to acquire and use the product/service (Naumann, 1995; Butz and Goodstein, 1996; Grönroos, 2000; Kotler, 2007; Loštáková, 2009).

Models of the customer value according to the components of the value (value components models) deal with various levels of benefits to the customer. This concept is incomplete in that it considers only benefits for the customer, ignoring its victims as a counterweight to the benefits. According to Kaufmann (1998, p. 5), are classified as” esteem value or “want”, exchange value or “worth”, and utility value or “need”. Kaufman asserts that each decision to acquire goods or services includes one or a combination of all the above value elements, where the sum of the elements results in a buy decision. Kaufman defines these elements as follows: “Esteem value or “worth” invokes the buyer’s desire to own for the sake of ownership… Exchange value or “worth” explains why the product interests the buyer and how and when the buyer will use the product… Utility value or “need” is the primary value element which describes the performance and physical characteristics of the product.” Kano proposes another model of the value components (Joiner, 1994, s. 68-69). It includes three components of value: dissatisfiers (must be), satisfiers (more is better) and delighters (exciters). It is based on the disconfirmation model that is prevalent in the consumer behaviour literature (Rust and Olivek, 2000).

These models are especially useful in thinking about product features in the process of developing new products and/or services. They pay, however, modest attention to the interaction and relationship between customers and “suppliers in product/service delivery. They pay much less attention to the full customer activity cycle that span from need identification through purchase, use and disposal of the product.

Means-ends models are based on the assumption that customers acquire and use products or services to accomplish favourable ends. This view is prevalent in consumer behaviour literature in particular where value is defined in terms of personal values, mental images, or cognitive representations underlying customer’s needs and goals (de Chernatony et al., 2000; Huber et al., 2001).

In an attempt to consolidate the diverse definitions, Woodruff (1997, p. 142) proposed” “Customer value is a customer’s perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use those facilitate (or block) achieving the customer’s goals and purpose in use situations.” Woodruff (1997) emphasises that value stems from customers’ learned perceptions, preferences and evaluations. His model demonstrates that the customer value hierarchy explains both desired and received value. Moving up the hierarchy suggests that customers think about products as bundles of attributes and attribute performances. They form preferences for certain attributes based on their ability to facilitate desired consequences, reflected in value in use and possession value. Customers also learn to prefer those consequences that help them achieve their goals and purposes. Moving down the hierarchy, customers use goals and purposes to attach importance to consequences, which, in turn, guide customers when forming preferences of attributes and attribute performances.

The means-ends models of customer value fill a gap in the literature by being able to explain why customers attach different weights to various benefits in evaluating alternative products/services. They also take into account the negative consequences of certain product/service attributes but fail to pay sufficient attention to the sacrifices a customer is likely to bear in acquiring, using, or disposing of the product/service. They also do not elaborate on the trade-offs customers are expected to make between benefits and sacrifices.

It is useful to use these concepts of the customer value when searching for customer value propositions (customer value attributes). It should be noted that the customer uses a rich set of valuation criteria, which can be either objective or subjective or combination of both. This depends mainly on the perceived type of relationship with the supplier (a mere transaction or a genuine interaction), the type of needs he/she intends to satisfy (utility or psychic), and the way he/she is treated by the supplier (as a consumer or as a person). The relationships between the supplier and the customer are either transactional or long-term, intensive and interactive. The customer value accumulates as the satisfied needs advance from utility to psychic, as the
customer benefits offered transcend tangibles to intangibles, as the nature of the relationship between the customer and the supplier develops from transaction to interaction, and as the customer treatment shifts from being a consumer to being a person. This accumulation of value may take one of four distinct forms that can be arranged from low to high as follows: functionality; solution; experience; and meaning. The first three forms are well articulated in literature (see, for example, Horovitz, 2000; Loštáková, 2009). Functionality means an outcome that the customer obtains from basic (and facilitating) product features. Solution obtained by extending the offering to include support features that cover some of the activities the customer usually performs to, for example, acquire, install, use, and maintain the product. Experience involves adding intangibles to the tangible offering of the firm. The customer becomes part of the transformation process rather than mere recipient of its and results. Experience takes into account not only the rational expectations of the customer concerning functional attributes of the product or service but more importantly the emotional elements derived by the total experience (Smith and Wheeler, 2002). Meaning magnifies the worth to the experience. It links the immediateness of the experience to the durability of strongly held personal philosophy. It takes the experience to new heights of self-actualisation. The difference between experience and meaning is that the former can be understood as “living through” something; while the latter can be thought of as “living for” some purpose. In other words, when the customer discovers, for example, that his/her experience is consistent with and advancing his/her beliefs and purpose in life the value he/she attributes to it intensifies.

In providing the customer value and determining the customer value propositions, the present time requires providing our customers with:

- comprehensive benefits (basic performance, benefits in ordering and purchasing, using and servicing, renovating, maintenance and repair and disposal of products)
- customization of products and services,
- speed,
- adaptability and flexibility (adaptation to customer demands, rapid and accurate responses)
- agility (sustained effort on high innovation of products and services, actively influencing customer needs and requests by the manufacturer itself)
- perfection and reliability.

This means that only the supplier who is perfect in terms of customers’ opinion brings them the highest value bid. When creating and delivering the value, a system should be further developed of cooperation between all stakeholders in the value network. (Hart, 2003; Kannegiesser, 2010).

**Aim and methodology of primary marketing research**

Further we deal with identification of customer value proposition elements demanded by customers of graphic-arts industry enterprises. The aim is to identify value attributes for this line of business customers. A partial aim rests in the market segmentation based on these findings and consequent description of these individual segments. Finally, partially it is aiming at exploitation of these findings in research of perceived levels of individual graphic-art industry enterprises offers from the viewpoint of their customers. To meet these objectives, in spring 2010 a quantitative research among randomly selected 36 customers of a large graphic-art enterprise in the Czech Republic was carried out using the method of individual interviews.

The primary research was initially concerned with finding the requirements and preferences of customers of a large printing company by individual in-depth interviews. Surveyed were their requirements for the product design, the behaviour of suppliers and the range of services and the extent to which individual customers consider individual supply and service attributes important.

As regards the products, requirements were determined for such aspects of products (printed material):

- the size of the printed material - several dozen standard formats + custom formats;
- the paper weight - 9 standard weights in different finishes + special papers;
- the colour - full colour printing, printing in black, spot colours, combinations thereof;
- the number of pages;
- the binding - V1 (soft back), V2 (glued), V3 (block), V4 (stitched + glued) V8 (book);
- the surface finishing - lamination (matte, glossy), paint (matte, glossy; dispersion, printing, UV, all-over, partial) and combinations thereof;
- other - embossing, cut-out, numbering, grooving, perforating, folding.
The research in customer priorities in terms of behaviour of suppliers inquired how important for customer is responsiveness, credibility, reliability, availability of suppliers, their speed of order processing, flexibility and ability to comply with deadlines. The research in customer priorities in terms of the range of services was concerned with the importance of providing information about the production process, personal contact, provision of advisory services, individuality of the approach, speed and clarity of quotations, import and unloading in the customer enterprise, speed and simplicity of complaints.

The obtained data was processed using statistic analysis method and synthesis of obtained findings.

Customer value proposition in Czech graphic-arts industry

Statistical analysis detected by statistical software IBM SPSS Statistics using cluster analysis revealed that customers of printing companies can be divided according to the importance of product quality and importance of low prices in three market segments:

- Segment with emphasis on quality (hereinafter referred to as the segment of "Quality")
- Segment with emphasis on low price (hereinafter referred to as the segment "Price").
- Segment with emphasis on quality at a reasonable price (hereinafter referred to as the segment of "Quality for a Reasonable Price").

The Quality segment includes customers for whom product quality attributes are more important than the price of the product. They include mostly companies that are particular about their prestige, expecting high quality (for which they are also willing to pay accordingly) from everything they present themselves with, including graphic arts products. In a smaller proportion, this group represents organizations that are not created for the purpose of making profits and, simply said, "do not have a thin time".

The Price segment includes customers for whom product quality parameters have less importance than the product. This group includes mainly companies and organizations for which good looks and high quality are unimportant. In their case, the printing products serve in particular the information or utilitarian function. In a smaller representation, there are firms here that might wish fair and quality prints, but their current financial situation is pushing them to the efficient design of printing products.

The segment Quality for a Reasonable Price includes clients for whom the quality attributes of the product and the price of the product are of approximately equal importance. It includes customers who need high-quality and slightly products, but also require low-priced products for various reasons. These reasons are: limited financial resources, a simple effort to reduce costs, and last but not least, knowledge of the customers that they are important for the suppliers, is not dependent on a single supplier, and that suppliers will seek to acquire and retain them as a customer.

The research has shown that the value propositions of particular market segments differ, particularly in terms of perception of the importance of product design and types of services required (see Figures 1-3). The research examined the preferences of customers on a scale from 0 to 100, where the 0 value meant that this aspect is not important at all, while the 100 value meant that this aspect is particularly important.

The overall comparison of consumer preferences regarding the quality of the printed product showed various demands for quality of products. The summary chart of the Price group clearly shows the reduced importance of qualitative aspects of the product and the high importance of low prices. The only major difference with the groups of Quality and Quality at a Reasonable Price is in the importance of low prices, while the importance of qualitative aspects is roughly the same. The reduced importance of binding quality with the Quality group is caused by some customers who require binding only rarely, because they attribute only little importance to.

In each group, the customers had very different demands on quality of binding and product packaging; therefore these figures are marked by a high value of standard deviation. The importance of particular services to the customer varies widely with groups of customers as well as individual customers. Each customer is in this area its own ranking preferences. Nevertheless, it is possible to identify certain characteristics of individual groups.

The market segment focused on quality considers the personal contact and consulting services less important, which can be attributed to a certain level of professionalism, experience and printing knowledge of this group of customers. Similarly, in comparison with the other two groups, quick and easy claim is less important to them. The reason for this difference is probably best reflected by the words of several representatives interviewed in this group: "If something buggers up, the claim won’t save it". Probably for similar reasons, the individual approach to their needs from the supplier’s side has a higher value than for
other customers. Contrarily, the market segments targeted at "low cost" and "quality at a reasonable price" consider the personal contact, advisory services, quick and easy claim to be more important.

**Figure 1.** Importance of aspects of the quality of printed products to customer groups

**Figure 2.** Importance of supplier’s various services for individual market segments
For all three segments, and for each customer as an individual, all aspects of supplier’s behaviour are of high importance. Customers in the graphic-arts industry appreciate “supplier’s goodwill,” and that is so whether they prefer the quality or quality at a reasonable price or low cost primarily. It testifies to the fact that individual labour market and developing close, long-term relationships with customers are very important in this sector.

In addition to these aspects of the customer value, a query was made if customers have other important requirements to production of printed products. The customers stated: frequency-modulated raster, exact observance of technological processes, colour control, the ability of implementation of atypical products, print on fireproof paper. Furthermore, the question was asked whether they have other important requirements for suppliers’ service. Here, the customers stated: providing information about all available services; proofing (for colour control); possibility of imprimatur (approval for printing after seeing the first copies); possibility of displacement of products, complete execution of orders with one supplier. Customers were also asked a question of what form of communication they preferred. 10 customers prefer e-mail communication, 9 prefer telephone communication and 7 prefer personal form of communication.

It is important to note that customers do not consider the quality of product or service supplier to be the most important criteria, but the behavioural aspects of the supplier, particularly reliability and timeliness. Greater demands on the quality of design were particularly prominent with the companies that need their printed material to show a clear high prestige.

Figure 3. The importance of the aspects of supplier’s behaviour for market segments

Conclusions

The research has revealed the customers in graphic-arts line of business differ in terms of their preferences and their consumer behaviour. Three segments can be identified in the graphic-arts industry market: 1. Printing quality, range of assortment and service quality sensitive segment; 2. Good value for a reasonable price segment; 3. Price-sensitive segment. Each of these segments demonstrates various value propositions in terms of parameters of printing, service and customer treatment. It should be reflected in research into customers’ perception of offer and service values of individual graphic-arts industry enterprises. Only this way the resulting value map and polarized profiles of customer value perceived
attributes can reveal the differences in individual enterprises offers. It enables improving value propositions and conceiving the offer as a complex solution for customers. The article outlines the ways of solution in the process of increasing customer value in graphic-arts industry, being a prospective inspiration also for other industries.

References