MARKETING IN THE 21ST CENTURY

Customer Value: The Next Source for Competitive Advantage

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Driven by more demanding customers, global competition, and slow-growth economies and industries, many organizations search for new ways to achieve and retain a competitive advantage. Past attempts have largely looked internally within the organization for improvement, such as reflected by quality management, reengineering, downsizing, and restructuring. The next major source for competitive advantage likely will come from more outward orientation toward customers, as indicated by the many calls for organizations to compete on superior customer value delivery. Although the reasons for these calls are sound, what are the implications for managing organizations in the next decade and beyond? This article addresses this question. It presents frameworks for thinking about customer value, customer value learning, and the related skills that managers will need to create and implement superior customer value strategies.

We are witnessing an amazing transformation in organizations. Driven by more demanding customers,[1] global competition, and slow-growth economies and industries, many are on a journey, searching for new ways to achieve and retain competitive advantage. Nearly two decades ago, quality management became popular, and managers learned how to improve the quality of both their organization's products[2] and internal operations processes. These efforts brought important performance improvements (Garvin 1983; Leonard and Sasser 1982), but, ironically, too often they reinforced an internal orientation. Most quality tools help managers make internal process and product improvements.

Managers have been implored to consider their customers when determining which improvements are needed, and customer satisfaction measurement (CSM) has emerged to bring the "voice of the customer" into quality efforts. However, application of CSM has fallen short of its promise for several reasons. First, many organizations have responded by setting customer satisfaction goals and strategies, but only a few have rigorously measured their customers' satisfaction (Dutka 1994). Second, even those companies that measure satisfaction may not act on the results (Dutka 1994). If CSM is not backed up with in-depth learning about customer value and related problems that underlie their evaluations, it may not provide enough of the customer's voice to guide managers in how to respond.

Third, as experience has grown with CSM, organizations have noticed problems. Sometimes satisfaction data do not correlate highly with organizational performance, as indicated by customers who say they are satisfied but buy elsewhere (Jones and Sasser 1995). Even when organizations initially find a strong relationship between satisfaction scores and performance, that relationship may decline over time. This can occur when CSM does not keep up with changes in what customers need or want. Such problems erode managers' confidence in CSM and open the door for criticism of the often substantial resources devoted to it.

Searching for Advantage Beyond Quality

Although necessary to compete in today's industries, quality may no longer provide a clear source of competi-

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tive advantage. More and more managers lament that product innovation and quality no longer provide the basis for a competitive edge (Butz and Goodstein 1996). Some organizations have turned inward again by trying to improve performance through more encompassing structure and process changes. Downsizing, restructuring, and reengineering have emerged as popular management tools for creating "lean and mean" organizations. Unfortunately, experience is mixed as to whether these tools have delivered on their promise. The way organizations do work may change but still do not have the desired impact on bottom-line performance (Hall, Rosenthal, and Wade 1993).

Quality improvements and organizational tinkering continue, but so do the external market-based pressures that gave rise to them. Consequently, the search for advantage goes on, and so it is important to ask where organizations will look next for sources of advantage. Instead of the same focus on internal processes and structure, the next major management transformation likely will come as organizations turn more of their attention outward to markets and customers. Consistent with this prediction, there are no shortages of calls for organizations to reorient strategy toward superior customer value delivery (Band 1991; Day 1990; Gale 1994; Naumann 1995). These advocates typically point to one or more of four kinds of evidence to support their position: (1) widely publicized success stories of companies that manage this way (e.g., AT&T, Federal Express, Xerox, Eastman Chemical Company); (2) analysis of Profit Impact of Marketing Strategy (PIMS) data that show a strong relationship between quality, market share, and profitability (Gale 1994); (3) studies finding a positive relationship between market orientation and organizational performance (e.g., Jaworski and Kohli 1993; Narver and Slater 1990); and (4) analyses of costs demonstrating that customer retention is substantially less expensive than customer acquisition (e.g., Birch 1990). The issue does not seem to be whether an organization should compete on customer value delivery, but rather how it should do it.

Everyone seems to agree on two things. First, adopting a customer value delivery orientation requires organizations to learn extensively about their markets and target customers. Deciding how to compete on superior customer value delivery raises difficult questions, such as the following: (1) what exactly do customers value? (2) Of all the things customers value, on which ones should we focus to achieve advantage? (3) How well do customers think we deliver that value? (4) How will what customers value change in the future? Second, managers must translate customer learning into superior performance with customers. For instance, an organization's internal processes for delivering value must be brought in line with what customers value.

Marketing thought has advocated this outward, customer-focused philosophy for managing organizations for a long time (Day 1994). Arguments in favor of managing toward customers are persuasive, and frameworks exist that describe conceptually how managers should develop customer-focused competitive advantage (e.g., Day 1990; Day and Wensley 1988; Slater and Narver 1995). Yet this philosophy, at best, has been slow to work its way into management practice.

Although there are many reasons for the gap between philosophy and practice, one may be that marketing thought has been more concerned with conceptualizing than with offering operational tools for implementing a customer focus. We can learn from the successes of quality management by emulating the way it has linked the "tools of quality" to the philosophy of continuous improvement. If organizations are to become better at competing on superior customer value delivery, they will need a corresponding set of "tools of customer value." Using these tools, tomorrow's organizations will have to become much better at matching internal quality management capabilities with an external strategic focus that is consistent with how customers see value (Burns and Woodruff 1992).

Purpose of the Article

This article discusses operational capabilities for organizations wanting to improve at competing on superior customer value delivery. At the core of these capabilities is a shared understanding of the concept of customer value. The first section assesses differing points of view on the meaning of customer value and offers a conceptual definition that adopts a customer perspective. The second section of the article explores what and how organizations should learn about customer value. It considers both processes for customer value research and for integrating that research into a larger customer value-oriented marketing information system (CVOMIS). Organizations must build competency for translating learning into action. The third section presents a translation process framework for bridging customer value learning, strategy thinking about customers, and internal process management. Finally, the last section of the article discusses implications of customer value for management practice, future customer value-related research, and the education of managers of the future.

THE CONCEPT OF CUSTOMER VALUE

At a broad level, the term *value* shows up in several very different contexts. For example, an increasingly common perspective on managing organizations argues that creating and delivering superior customer value to high-value customers will increase the value of an organization (e.g., Slywotzky 1996). The latter two value concepts consider value from the perspective of an organization. *High-value customers* quantifies the monetary worth of individual customers to the organization, whereas *value of an organization* quantifies an organization's worth to owners. *Customer value*, on the other hand, takes the perspective of an organization's customers, considering what they want and believe that they get from buying and using a seller's product. This section addresses this customer-directed concept.

Defining Customer Value

More often than not, commentaries on customer-oriented management practice provide only a vague sense of what customer value means. Fortunately, some of these commentaries recognize that making customer value strategies work begins with an actionable understanding of the concept itself. Yet even a cursory look at their definitions reveals a surprising diversity of meanings:

> Value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given. (Zeithaml 1988, p. 14)
>
> Value in business markets [is] the perceived worth in monetary units of the set of economic, technical, service and social benefits received by a customer firm in exchange for the price paid for a product, taking into consideration the available suppliers' offerings and prices. (Anderson, Jain, and Chintagunta 1993, p. 5)
>
> Buyers' perceptions of value represent a tradeoff between the quality or benefits they perceive in the product relative to the sacrifice they perceive by paying the price. (Monroe 1990, p. 46)
>
> Customer value is market perceived quality adjusted for the relative price of your product. (Gale 1994, p. xiv)
>
> By customer value, we mean the *emotional bond* established between a customer and a producer after the customer has used a salient product or service produced by that supplier and found the product to provide an added value. (Butz and Goodstein 1996, p. 63)

Some areas of consensus. At first glance, commonalities among these definitions stand out. For instance, customer value is inherent in or linked through the use to some product. This characteristic distinguishes customer value from personal or organizational "values," those centrally held and enduring beliefs about right and wrong, good and bad that cut across situations and products or services (Burns 1993; Burns and Woodruff 1992). In addition, customer value is something perceived by customers rather than objectively determined by a seller. Finally, these perceptions typically involve a trade-off between what the customer receives (e.g., quality, benefits, worth, utilities) and what he or she gives up to acquire and use a product (e.g., price, sacrifices).

Where customer value concepts diverge. Delving deeper into customer value concept discussions reveals substantive meaning differences. One difference lies in the way definitions are constructed. They typically rely on other terms, such as *utility*, *worth*, *benefits*, and *quality*, that, too often, are themselves not well defined. That makes it difficult to compare concepts. For example, is customer value as quality the same thing as customer value as worth or as benefits? Is a benefit built into and part of a product, or is it something that customers experience as the result of using a product in a use situation? We cannot answer these questions without examining exactly what these secondary concepts mean. On the positive side, exploring these differences may lead to a deeper understanding of customer value.

Customer value concepts also differ as to the circumstances within which customers think about value. To illustrate this observation, consider the two characteristics of customer value captured by the classification in Figure 1. The columns acknowledge that customers may consider value at different times, such as when making a purchase decision or when experiencing product performance during or after use. Each of these contexts centers on a quite different consumer judgment task. Purchase means choosing, and that requires customers to distinguish between product offer alternatives and evaluate which is preferred. In contrast, during or after use, customers are more concerned with performance of the chosen product in specific use situations. Emerging evidence supports the importance of this difference. Gardial, Clemons, Woodruff, Schumann, and Burns (1994) show that customers may perceive value differently at the time of purchase than they do during or after use. For example, thoughts about attributes seem to play more of a role in purchase, whereas consequences are more salient when consumers evaluate use. Also, consumers may consider somewhat different attributes and consequences when purchasing versus when using a product (Gardial et al. 1994; Oliver 1997).

The rows in Figure 1 concern what the customer's perception of value is about. Either prior to purchase or constructed later at the time of use (Oliver 1997), customers may imagine what value they want (i.e., desired value). Customers learn to think concretely about value in the form of preferred attributes, attribute performances, and consequences from using a product in a use situation. In addition, they form evaluative opinions or feelings about the actual value experience of using a product (i.e., received value). During the choice task, customers may predict received value, but during use they actually experience received value.

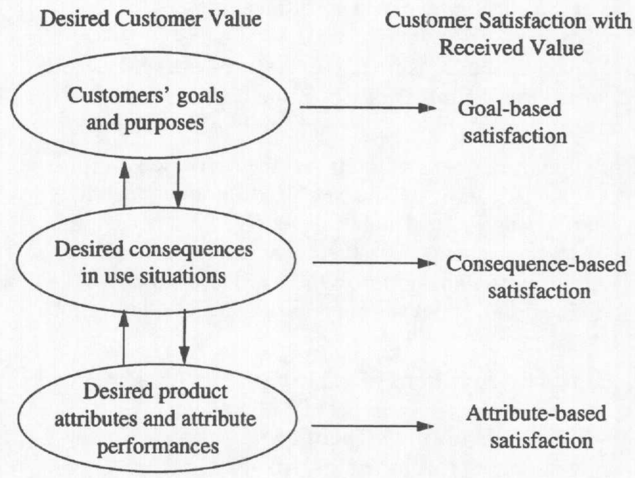
Although the above classification reveals important distinctions among types of customer value, the concept appears to take a much narrower perspective when applied in customer research. Operationally, value frequently is measured as attribute-based desires (or preferences) that influence purchase (upper-left cell of Figure 1). For instance, focus group research is widely used by organizations to identify customers' attribute drivers or "key buying criteria," such as product quality and on-time delivery (Gale 1994; Lai 1995). Similarly, satisfaction research typically asks customers to evaluate the brand or seller on those attributes thought to influence customers' purchase decisions. We are likely to miss important nuances of customer value if we limit customer learning to this narrow point of view. For example, customers prefer dimensions of value other than just attributes, such as use consequences (Woodruff and Gardial 1996; Holbrook 1994).

Finally, there are different classifications of types of customer value. Some provide categories within which to group types of value. For example, Sheth, Newman, and Gross (1991) distinguish between five categories of value that might be provided by a product: functional, social, emotional, epistemic, and conditional value. Holbrook (1994) suggests two aspects on which types of customer value differ. Customer value may be intrinsic to the product or extrinsic, and it may be self-oriented or other—oriented.

FIGURE 1
Classification of Customer Value Concepts

		Nature of information is ... Snapshot	Longitudinal
Information describes...	Customer-determined performance	Short-term customer-focused performance information	Long-term customer-focused performance change information
	Performance causes	Information on determinants of short-term customer-focused performance	Information on determinants of long-term changes in customer-focused performance

FIGURE 2
Customer Value Hierarchy Model



Other classifications go one step further by specifying relationships between value types. For instance, Burns (1993) describes how four different types of value—product value, value in use, possession value, and overall value—link together in a consumer's evaluation process.

Toward a Customer-Driven Concept of Customer Value

The growing body of conceptual knowledge about customer value is quite fragmented, with different points of view advocated and no widely accepted way of pulling all these views together. Perhaps that explains, in part, why applications of the concept in today's organizations probably are not taking full advantage of its richness and complexity. To advance the practice of managing organizations toward customer value, the time is ripe for consolidating these views. Toward this end, consider the following definition:

> Customer value is a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations.

This definition adopts a customer perspective on value derived from empirical research into how customers think about value (Gardial et al. 1994; Richins 1994a, 1994b; Woodruff, Schumann, Clemons, Burns, and Gardial 1990; Zeithaml 1988). It incorporates both desired and received value and emphasizes that value stems from customers' learned perceptions, preferences, and evaluations. It also links together products with use situations and related consequences experienced by goal-oriented customers. This definition is anchored in a conceptual framework provided by a means-end type of model. Although this model originally was intended to describe how customers categorize information about products in memory (Gutman 1982), Woodruff and Gardial (1996) show that it can be adapted to capture the essence of customer value (see left-hand column in Figure 2).

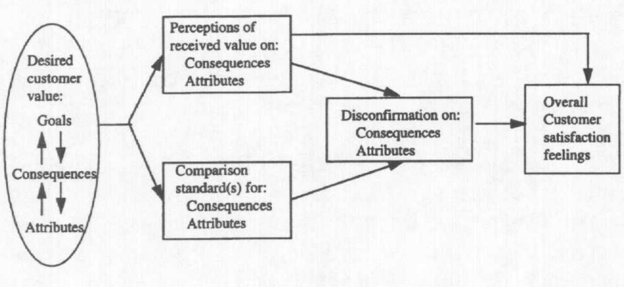
The customer value hierarchy suggests that customers conceive of desired value in a means-end way. Starting at the bottom of the hierarchy, customers learn to think about products as bundles of specific attributes and attribute performances. When purchasing and using a product, they form desires or preferences for certain attributes based on their ability to facilitate achieving desired consequence experiences, reflected in value in use and possession value, in the next level up in the hierarchy. Customers also learn to desire certain consequences according to their ability to help them achieve their goals and purposes (i.e., the highest level). Looking down the hierarchy from the top, customers use goals and purposes to attach importance to consequences (Clemons and Woodruff 1992). Similarly, important consequences guide customers when attaching importance to attributes and attribute performances.

The customer value hierarchy describes received value equally well. Customers evaluate products using the same desired attribute, consequence, and goal structure that they have in mind at that time (Gardial et al. 1994; Zeithaml 1988). Further, the customer's use situation plays a critical role in evaluation as well as in desires. If the use situation changes, the linkages between product attributes, consequences, and goals and purposes change as well. For example, a customer's value hierarchy for Internet services used at work may look quite different than the hierarchy for those services used at home for entertainment.

Customer Value and Customer Satisfaction

The concept of customer value suggests a strong relationship to customer satisfaction. Both concepts describe

FIGURE 3
The Relationship Between Customer Value and Customer Satisfaction



evaluative judgments about products, and both place special importance on the use situation. In spite of this potential overlap, only recently have we seen conceptual frameworks emerging that integrate the two concepts (e.g., Clemons and Woodruff 1992; Spreng, MacKenzie, and Olshavsky 1996; Westbrook and Reilly 1983). Based on this work, Figure 3 suggests how desired and received value fit into a disconfirmation-type satisfaction model.

Overall satisfaction is the customer's feelings in response to evaluations of one or more use experiences with a product. But what, exactly, do customers evaluate about use experiences? The customer value hierarchy helps to answer this question. When triggered to make an evaluation, a customer constructs some notions, learned from past and present experiences, about what value they desire. The customer value hierarchy suggests that desired value is composed of preference for specific and measurable dimensions—the attributes, attribute performances, and consequences linked to goals for use situations. Desired value, in turn, guides customers when they form perceptions of how well or poorly a product has performed in the use situation. That is, they evaluate use experiences on the same attributes, attribute performances, and consequences constructed in their desired value hierarchies. Received value may lead directly to the formation of overall satisfaction feelings (Churchill and Surprenant 1982), or they may be compared to one or more other standards (such as values, predicted value, or experience-based norms) to form disconfirmation perceptions in another route to influencing overall satisfaction feelings (Clemons and Woodruff 1992; Woodruff, Clemons, Schumann, Gardial, and Burns 1991).

By conceiving customer value as a hierarchy, we get a much richer picture of how customers think about the value of products and use in situations. In addition, the hierarchy suggests that different kinds of overall satisfaction feelings may arise (Clemons and Woodruff 1992). Returning to Figure 2, note that the customer's desired value hierarchy leads to satisfaction feelings at each level in the hierarchy. Thus customers may feel more or less satisfied with product attributes and attribute performances, use consequences, and even goals and purpose achievement.

Customer Value Concept as a Decision Tool

The concept of customer value becomes an important management tool only if and when it is shared within an organization. Those involved in creating and implementing customer value delivery strategies need a common framework for thinking about customer value. For example, an operational concept of value, such as the customer value hierarchy, helps to specify exactly what managers should learn about their customers. Most important, the hierarchy argues for looking beyond the so-called attribute-based key buying criteria. Sellers should learn about consequences in use situations that customers want (or want to avoid) and the goals to which those consequences lead. Ultimately, it is how customers see value that influences what they will do in the marketplace.

CUSTOMER LEARNING BY ORGANIZATIONS

Research typically shows that there are differences in what managers think their customers value and what customers say they value (e.g., Parasuraman, Berry, and Zeithaml 1985; Sharma and Lambert 1994). Such gaps create the potential for mistakes in an organization's efforts to deliver value to customers. Customer-learning processes should be aimed at reducing such gaps.

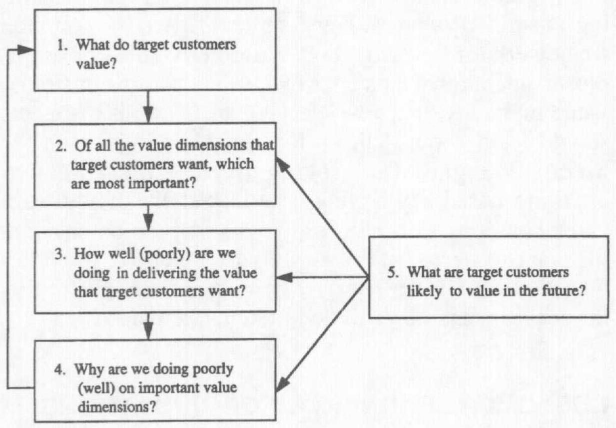
Two categories seem to capture most of the ways managers learn about customers. First, informal learning includes such sources as trial-and-error experiences with past decisions directed toward customers, feedback from seller contacts with individual customers, and managers' personal observations of customers. Second, formal research learning contains all the various market and customer research methods available to organizations, such as experiments, surveys, and qualitative research. Although all these ways can yield important customer learning, even more important is the process by which managers learn. Process tackles the twin questions of what should be learned about customers and how to learn it.

Processes for Learning About Customer Value

Others have discussed the tools for bringing the voice of the customer into an organization (e.g., Anderson et al. 1993; Griffin and Hauser 1993; Woodruff and Gardial 1996). But just how well do today's organizations incorporate these tools into a customer value learning process? Because quality management advocates using customer satisfaction measurement (CSM) for this purpose, we may get some insights into this question by examining this process.

CSM process. CSM starts with targeting certain customers for learning, and it may include current customers, lost customers, and potential customers. Next, CSM determines what these customer want or require. Typical practice involves identifying their key buying criteria, which are operationalized as customers' preferred or desired attributes (e.g., Anderson et al. 1993; Day 1990; Gale

FIGURE 4
Customer Value Determination Process



1994). The widespread application of multiattribute consumer choice models probably accounts for this preoccupation with attributes (Day and Wensley 1988). Essentially, this step measures one form of customers' desired purchase value (see upper-left cell in Figure 1).

Organizations tend to learn most about their customers at the lowest level of the customer value hierarchy (the attribute level). Consequently, they may be missing an in-depth understanding of the specific use consequences and nuances of customers' various use situations where these consequences are happening. As one manager put it, "I can see now that we have a void in consumer knowledge at the middle level in the hierarchy." We know very little about the extent to which this knowledge void limits organizations' ability to create and implement superior customer value delivery strategies.

The final CSM step determines customers' evaluations of attribute value dimensions currently being delivered by the seller (and sometimes by its key competitors). Organizations use widely accepted quantitative survey methodology for this purpose (Band 1991; Dutka 1993; Hayes 1992). For each of the key buying criteria attributes, customers are asked for their evaluation of the seller's delivered performance. Typically, organizations choose either measures of received attribute value or disconfirmation of received attribute value, both of which are antecedents to overall satisfaction feelings (see Figure 3). Organizations expect that these measures correlate well with important customer behavior, such as word of mouth, intentions to purchase, and loyalty.

Customer value determination offers an expanded framework for understanding customer value. The distinctly product attribute approach to CSM leaves considerable room for improvement. Woodruff and Gardial (1996) recommend taking advantage of the much richer customer value hierarchy concept. They describe an expanded customer value and satisfaction learning process, called customer value determination (CVD), based on this concept. CVD is designed to provide managers with answers to critical questions that should guide learning about their customers (see Figure 4).

Like CSM, the CVD process begins by identifying target customers, those whose value matters to the seller. However, after that step there are important differences from current CSM practice. For the first question in Figure 4 (what do target customers value?), techniques are used to provide a more complete picture of customers' entire desired value hierarchy. Laddering interview and analysis techniques are effective for drawing out customers' perceived linkages between product attributes, consequences, and goals or values (Reynolds and Gutman 1988). However, these techniques are limited because only a relatively few such linkages (or ladders) are uncovered in each customer interview. New qualitative techniques are needed to explore a broader, more complete range of desired value dimensions, particularly with regard to consequences. For example, Woodruff and Gardial (1996) recommend the grand-tour technique when one wants to maximize the number of consequence value dimensions discovered. This technique uses in-depth personal interviews to get customers to take the interviewer on a "tour" through selected use situations and occasions to understand better what happens during product use.

Second, even for relatively uncomplicated products, a sample of customers may express preferences for hundreds of attribute and consequence value dimensions (Griffin and Hauser 1993; Woodruff and Gardial 1996). Yet an organization typically cannot work with so many different value dimensions at the same time. CVD introduces a new step to screen customer value dimensions for strategic importance, answering the second question in Figure 4.

Although it is not clear how organizations do this screening, one approach is to go to customers for their input. Unfortunately, today's techniques for determining customers' perceptions of value dimension importance are not well suited for this screening task. For example, most customer value importance scaling techniques used in practice today, such as rating scales, ranking scales, and derived importance through regression and conjoint analysis, can handle only a relatively few value dimensions at one time. Clearly, more work is needed on how to overcome this deficiency. Woodruff and Gardial (1996) suggest that screening on other criteria prior to considering customer input may reduce the list of value dimensions to a more manageable number that available techniques can handle.

Third, CVD uses CSM's survey methodology to answer the third question in Figure 4. However, it encourages managers to learn how customers evaluate the seller at the consequence level as well as the attribute level (recall Figure 2). For example, a seller who wants to build long-term relationships with target industrial customers will get limited insights from typical performance or disconfirmation data on product and service attributes (e.g., product quality, on-time delivery). The seller may have to learn how well target customers feel about their relationship with the seller, as indicated by their evaluations on consequences such as "improving innovation in my operations and product development" and "helping me find new market opportunities."

Fourth, current practice too often asks managers to create strategies and tactics to improve customer value delivery based only on quantitative performance, disconfirmation, or overall satisfaction scores. This practice ignores the fact that although satisfaction surveys are good for uncovering how customers evaluate a seller's strengths and weaknesses in delivering desired value, they provide little, if any, insight into why customers made these evaluations. For example, a disconfirmation rating may reveal that customers think the seller's "on-time delivery" is poor. But what does that mean? Does the seller define on-time delivery differently than the customer? Does the product not get from the dock into the customers' manufacturing process quickly enough? Decisions on how best to reinforce perceived strengths and improve on weaknesses must deal with such reasons, and managers can become frustrated by the lack of insight provided by typical CSM results. Consequently, CVD incorporates a step that follows up on each satisfaction survey to explore reasons for high and low satisfaction scores (see Question 4 in Figure 4). Qualitative techniques are particularly well suited for exploring with customers reasons for their satisfaction ratings.

Finally, CSM practice limits learning to customers' current perceptions and opinions. Although important, value strategy decisions also benefit from learning about changes in customer-desired value in the future (see Question 5 in Figure 4). Predictions of customer-desired value changes create lead time for a seller to respond with new customer value delivery strategies. Clearly, such lead time could provide a source for competitive advantage. Organizations that are first to learn how to make these predictions can react quicker to customers' need changes than those that have to wait for changes to happen.

Apparently, few organizations systematically and continuously try to predict future customer value (Hamel and Prahalad 1994). To address this gap, CVD incorporates a separate step for this purpose. Although it is beyond the scope of this article to review customer value prediction process methods, a few observations are offered. For one thing, customers typically do not know what they will value in the future, particularly with respect to preferred attributes. Consequently, we need more indirect approaches for making these predictions, based on multiple data sources. For example, repeated customer value research encourages tracking desired value on individual-value hierarchy dimensions to search for patterns of change. In addition, data may be gathered on specific determinants of future customer value change, such as macroenvironmental forces, competitors' innovations, emergence of new markets, and changing customer use situations. The challenge is to develop a process to convert these data into predictions (e.g., management brainstorming in response to future scenarios) (Woodruff and Gardial 1996).

CVD offers a framework for identifying important opportunities to improve the way managers learn about customer value. Suppose an organization exploits these opportunities. Will that be enough? The answer is no if CVD only uses formal consumer research. Organizations typically have other customer data sources, and so the next level of improvement will come from incorporating CVD into a larger customer value-oriented marketing information system (CVOMIS).

CVOMIS for Customer Value Learning

Organizations are moving forward in developing marketing information systems to complement existing internal performance and operations-oriented information systems (McLeod and Rogers 1985). Both kinds of information systems are needed to create and implement superior customer value delivery strategies. Although there are many prescriptions for the coverage of marketing information systems (e.g., Day 1990; Porter 1980), little has been written about how to ensure that these systems are especially adept at helping managers learn about customer value.

What are important characteristics for a CVOMIS? Figure 5 suggests focusing on what customer value learning should help managers do. First, consider the rows of the categorization scheme. A CVOMIS should help managers learn about both customer-determined performance outcomes of customer value delivery (e.g., sales, purchase intentions, customer retention, and satisfaction) and the causes of that performance (e.g., product offer components, customer evaluations of received value on important value dimensions). Analyses of customer-determined performance alerts managers to the need for improvement. Analyses of determinants of performance help focus managers on how to achieve that improvement. Second, the columns of Figure 5 suggest that a CVOMIS should provide both snapshot insights into customers' current preferences, evaluations, and behavior, as well as monitor long-term (longitudinal) patterns of change. The former tells managers where immediate actions are needed, and the latter is helpful for understanding, predicting, and responding to future change.

How well do managers actually learn about customer value? An organization can find out by categorizing information that its managers regularly use into the various cells of Figure 5. Imbalances would show up when most are clustered in one or two cells, with the other cells quite sparse. For example, an organization may discover that its managers are weak at understanding causes of customer-determined performance both currently (lower left-hand cell) and those that are likely to emerge in the future (lower right-hand cell).

Customer value information integration. After considering the mix of information, CVOMIS thinking shifts to information integration. There may be opportunities to gain insights into customer value by combining data from different sources. For instance, customer complaint data can reveal reasons for customer dissatisfaction with the seller's value delivery, and so it can help managers learn about causes of unusually low satisfaction scores.

FIGURE 5
Emphasis on Types of Information in Marketing Information Systems

Information describes...	Nature of information is ... Snapshot	Longitudinal
Customer-determined performance	Short-term customer-focused performance information	Long-term customer-focused performance change information
Performance causes	Information on determinants of short-term customer-focused performance	Information on determinants of long-term changes in customer-focused performance

Information integration begins with a framework for organizing data and analyses around key questions that managers need answered about customer value (see Figure 6). The CVD process discussed earlier fills this requirement. It allows an organization to match different types of data and analyses to the questions that they are best suited to answer. In addition, an organization should catalog the various types of data that are available about customers (examples are in Figure 6). Then one can look for complementary relationships between data with regard to specific steps in the CVD process. For example, salesperson call reports can augment research on customers' desired value to answer the question, "What do target customers value?" They also can help managers explore reasons for unusually high and low satisfaction scores. Similarly, macroenvironmental data and analyses can help uncover determinants of changes in customers' desired value in the future.

Information integration raises several problems for an organization to resolve. One concerns the ability of the CVOMIS to answer all CVD questions equally well. Gaps may exist at certain CVD steps, and additional information may be needed to close them. Another problem concerns the form of customer data. A significant portion of that data is qualitative. Customer interview transcripts, salesperson call reports, and complaints data, to name a few, are generally textual data. Few managers will take the time to read such data in their raw form, so ways must be developed to draw out key findings and present them in condensed form. Also, information integration should consider how to combine quantitative and qualitative data to best reveal insight into customer value. For instance, complaints data may have to be coded and categorized based on the same customer value dimensions measured by CSM before they can shed light on reasons for unusually low satisfaction scores.

Customer value analytical models. Analytical models can assist in the integration and analysis of customer value data. Although it is beyond the scope of this article to review available models, there are important kinds of customer value learning for which these models can help. One concerns identifying the strategically most important customer value dimensions that influence customers' behavior. Regression and conjoint analytical techniques models may shed light on this CVD question.

Another concerns analyzing the impact of customer value strategic or tactical decisions on customer behavior before actually implementing such decisions. For example, a manager might want to assess the likely affect on market performance of alternative new product designs. Simulation models that incorporate subroutines describing customer value-determined choice behavior are ideally suited for this purpose.

Access to customer value information systems. Because an organization's CVOMIS contains the critical information for learning about customer value, managers across an organization should have access to it. Unfortunately, an organization's culture and structure can hinder both integrating and sharing that information. For example, various departments in an organization, such as product design and marketing, may each do independent qualitative research to learn about desired value. Sales, on the other hand, may develop its own beliefs about what value customers desire based more on direct contact with customers. The result can be widely different views across an organization about what value customers desire. Consequently, CVOMIS should strive to eliminate this gap by facilitating the sharing of customer value learning.

TRANSLATING CUSTOMER LEARNING INTO CUSTOMER VALUE DELIVERY

The return for an investment in information capabilities comes when managers translate that learning into actions leading to competitive advantage in markets. Translation requires skills that transcend customer learning.

Gaining Advantage From Customer Value Learning

An organization benefits from customer value learning when (1) learning shapes managers' mental models of their customers, and (2) these mental models guide actions taken to achieve superior customer value delivery performance (Senge 1990). One criterion for judging the impact of the organization's capability to learn about customer value is the degree to which managers' mental models approximate how customers actually perceive value (both desired and received). As to the second requirement, we know very little about how managers' mental models of customers shape their customer value delivery strategy decisions (Jenkins 1996). However, an organization can develop a translation process and then train managers to use it. Figure 7 describes such a process.

Create a customer value delivery strategy. Customer value learning translation begins when a seller creates a

FIGURE 6
Integrating Customer Value Data

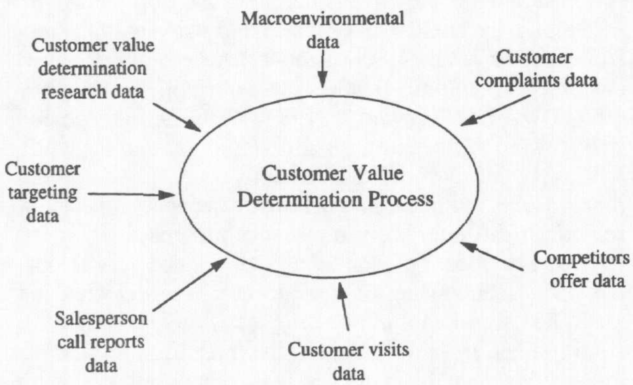
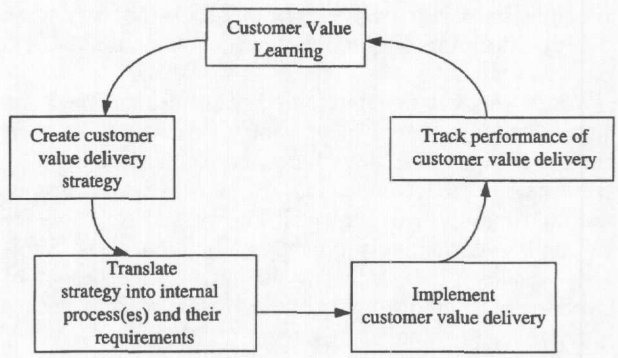


FIGURE 7
Translating Customer Value Learning Into Action



value delivery strategy for target customers. A customer value concept lies at the heart of this strategy (Park, Jaworski, and MacInnis 1986). This concept specifies the value dimensions, particularly the benefit consequences in desired use situations, that management wants to accomplish, through the product offer, for target customers. For example, a sport cruiser boat manufacturer may state its value concept as "offering a memorable boating experience that enhances the user's pride of ownership, feeling of security in all water conditions, and flexibility in extending the range and length of boating activities." Each of these major consequence value themes—pride, security, and the extension of boating activities—summarizes a set of more specific consequences and associated boat-related attributes that target customers desire. For the "extending the range of boating activities" theme, these might include "conveniences enabling staying out over night," "space accommodating more guests for cruising," and the like.

Implementing the value concept influences the image that comes to a customer's mind when he or she thinks about the seller's brand. An image that is responsive to customers' desired value is likely to become a core influence on the brand's equity. Consequently, an organization should have in place a process for creating and gaining internal consensus about which value concept is best. Unfortunately, there is very little in the way of guidelines or techniques for how this should be done. For example, who should be involved in creating a value concept for a brand, and how should they reach consensus? How does the organization ensure that those involved share customer value learning? What processes and tools (e.g., brainstorming, value-product matching exercises) are best to foster creativity? We need answers to these questions.

Translate strategy into internal customer value processes and requirements. The next translation task identifies those internal organizational processes specifically designed to deliver value, as described by the customer value concept's several value dimensions (Carothers and Adams 1991). These processes may lie within a single department or cut across departments. For example, suppose that a seller learns that target customers tend to become most committed to long-term relationships with those sellers who consistently help them be perceived as innovative with their customers (i.e., a consequence). To take advantage of that learning, the seller looks inward to identify the process(es) instrumental in helping customers achieve that innovative reputation. Such processes might include specialized market analysis (e.g., for finding out what the seller's customers' customers desire), product and process design (for creating innovations for customers), and salesperson and technical service (for on-site assistance to customers).

Having identified key processes for delivering customer value, managers specify their requirements that ensure delivering each desired value dimension. This translation task is complicated by the fact that value dimensions are stated in the language of the customer, which often differs from the language of the seller. For example, customers may perceive value more abstractly than does a seller who is accustomed to working with concrete, technical process specifications. Suppose a seller's customers articulate that they want a seller who will "stand by them in bad times" (a consequence influencing a customer's commitment to a seller relationship) and that the seller's contact personnel, particularly the sales representative, significantly influences their perspective on that seller's commitment. The seller's sales management may know that salesperson training is needed to ensure delivering this value, but it may not know what salespersons do to cause customers to have high or low confidence in the seller "to stand by them in bad times."

Because this kind of translation can be so difficult, organizations need help from translation tools. Such tools should provide a systematic process and corresponding techniques for converting customer value dimensions into internal product and process requirements. Perhaps the most widely publicized example of this kind of tool for customer value applications is quality function deployment (QFD) (Hauser and Clausing 1988). QFD lays out a process for translating customer value dimensions, usually stated as desired attributes, into product and process specifications for design engineers. Other tools that may work are brainstorming, simulations, and customer use scenario exercises.

Once product and internal process design ideas are formulated, managers may want to test them for their impact on customer-determined performances. Specialized customer research techniques, such as concept, product, and market tests, are well known and effective for evaluating alternative product specification ideas. Similarly, quality management tools, such as the design of experiment techniques, may be used to test internal process alternatives (Taguchi and Clausing 1990).

Implement customer value delivery. Implementing customer value strategies may raise a difficult issue in organizations that are new to competing in this way. Some value delivery processes may cut across an organization's existing departmental structure. This makes it difficult to assign accountability for those processes. For instance, a function-based organization structure may have difficulty being responsive to the target customer who desires assistance in "being perceived as more innovative" by its customers. Responding to this value dimension may involve coordination between the seller's product design, logistics, and market research departments.

Tracking performance of customer value delivery. Today's organizations are good at tracking their financial performance. Tomorrow's organization must become just as good at tracking customer value delivery performance. Already we have seen significant progress on that front. More and more organizations are investing in ongoing CSM to stay abreast of how customers see their value delivery performance (Mentzer, Bienstock, and Kahn 1995). In the future, shifting from CSM to a CVD process will help address three emerging issues. First, more and more competitors understand their customers' satisfaction at the attribute level and use that knowledge to improve what they already do. Quite likely, many competitors in an industry focus on the same attributes. Consequently, staying at the attribute level in a customer value hierarchy will not provide the depth of learning about customer value needed to provide an edge over competition. Those organizations that adopt the richer customer value hierarchy concept may create that edge by moving CSM up to at least the consequence level.

Further, competitive advantage in the future will come from discovering new ways to meet a customer's desired value. Innovation often starts with the invention of new technology, but it also can come from building an in-depth understanding of a customer's desired consequences and use situations. The seller then works backward to design new processes and product attributes for delivering that value in a superior way. For instance, Lexus designed superior sound-dampening characteristics (attributes) into its cars to create for customers a feeling of "being in a quiet cocoon insulated from harsh road noise" (a consequence). Understanding the consequence (cocoon) first stimulates a creative search for new attributes (sound dampening) that few customers could have anticipated wanting.

Second, the challenge for marketing strategy is shifting from getting a sale in the short run to retaining valued customers over time (Dabholkar, Johnston, and Cathey 1994; Dwyer, Schurr, and Oh 1987). Value delivery geared only toward influencing an individual sales transaction will likely fall short of the value delivery required to build relationships with target customers because aspects of relationships quite likely transcend influences on short-term transactions. For example, price may be very important in influencing an immediate purchase decision but much less significant in affecting a customer's long-term commitment to a seller. In fact, the most important value dimensions may be the ones that, when satisfied with superior value delivery, will enhance commitment or loyalty by reducing a customer's motivation to "shop around."

Third, sellers want to track whether their target customers think that value received is getting better or not. As a result, organizations often retain over long time periods the same desired value dimensions items (e.g., customers' desired attributes such as quality, reliability) in their satisfaction survey questionnaires. However, there is a downside to this practice. Organizations that stick with the same value dimensions in CSM too long are often not prepared for the inevitable change in customers' desired value dimensions. For instance, one company measured customer satisfaction with exactly the same attributes for nearly a decade, despite being in a dynamic industry and market. Tracking customer satisfaction on a value dimension that has lost its impact on current customer behavior yields data of very little benefit to managers. Further, repeated questionnaires incorporating the same dimensions may signal to customers that a seller is not keeping up with their changing needs.

Organizational Barriers to Competing on Customer Value Delivery

Competing on superior customer value requires more than a set of customer value tools for managers; it also entails making major changes in the way organizations are managed. The question is whether an organization can make the needed changes. With regard to customer value, many organizations, perhaps unintentionally, erect barriers that keep them from shifting from an internal orientation to one that encourages competing on superior customer value delivery (Day 1990, 1994; Gale 1994). To build customer value delivery capability often requires finding and overcoming organizational culture, procedural, and learning barriers. The initial challenge is to recognize that they exist.

Organizational culture barriers. The most difficult barriers to overcome are embedded in organizational culture, particularly the existing employee performance measurement and reward systems. Although managers may not acknowledge such barriers directly, they are reflected in objections that managers sometimes raise when asked to engage in more customer value learning (e.g., "I already know what my customers want," "I don't have time for all that research"). Such objections may indicate lack of rewards for customer value learning or lack of understanding of the link between customer learning and performance on those things that are rewarded.

Organizational procedural barriers. Every organization has accepted procedures in place with which managers are quite comfortable. Although some procedures may not foster competing on customer value delivery, they are used because of inertia (e.g., "that is how we do it around here") or preference (e.g., "I like to do it the way we always have"). For instance, most organizations attempt to identify what customers want. Some do it through brainstorming sessions where managers speculate about the value dimensions that customers desire. Yet this approach ignores the fact that managers are not particularly good at using personal experience to surmise what their customers want.

Even organizations that rely on research to learn about customers may erect procedural barriers. They may overrely on "favorite" techniques, such as focus groups, or follow reporting procedures that limit the communication of customer value information to managers who need it. For example, research staff often are asked to condense results into very short summary reports (e.g., the so-called one-page memo). Short reports may be good for some purposes, but not for communicating the complexity and richness of customer value findings coming from qualitative research. They also frustrate research staff who struggle to communicate all that has been discovered in such a short space. Ironically, those managers who insist on short reports are hurt most. They are likely to miss important findings, perpetuating their tendency to base decisions on oversimplified mental models of customers.

Managerial learning barriers. To compete on superior customer value strategies, an organization's managers must upgrade and acquire new skills. Learning becomes an issue when it does not keep pace with the stream of new knowledge being developed on the tools of customer value. Managers may be too committed to the "way we do things," too busy with other responsibilities, not adequately informed when new tools come along, or not convinced that using new tools is worth the effort. Part of the problem may be difficulty in overcoming the organization's culture, but another part may simply be the lack of periodic training in new tool developments.

IMPLICATIONS OF CUSTOMER VALUE-BASED COMPETITION

In the new era of competing for superior customer value delivery, organizations inevitably will feel compelled to capabilities build customer value learning and translation. Many are already looking for help. Academia can respond by redirecting research toward improving and expanding the tools of customer value that are needed to help organizations make the transition as well as by rethinking the education of prospective managers.

Improving Customer Value Delivery Practice

Quality management convinced many organizations to become highly information driven in managing the operations side of the business. Competing on superior customer value delivery will place similar pressure on organizations to become equally information driven in the marketing side. As customer retention and customer relationship building and maintenance take on more priority, customer learning and translation processes become a core competency issue. Competing on superior value delivery will force organizations to, in effect, compete on superior customer value learning and translation capabilities (Burns and Woodruff 1992; Day 1994; Slater and Narver 1995).

This transition will not be easy. Managers across an organization will have to learn how to use quite different kinds of data than that which drives quality initiatives. Even marketing and sales, which have experience with customer research, may have to work with a broader array of such data to enhance customer value learning. Many will need new information skills. Customer value-related data, in many respects, are softer (i.e., reflect customers' preferences and perceptions), less quantitative, and require a broader set of information tools than that which dominates current practice. In addition, CVOMIS improvements also may require more involvement by customer contact personnel in gathering data from customers. For example, salespersons may have to become more skilled interviewers and observers when working with customers to get real-time data on customer value.

Superior translation skills also can be an important source of competitive advantage. A critical issue here is the myth of the "key buying criteria" assumption made so frequently by managers, which says that relatively few key customer value dimensions drive customer behavior. Much of the basis for this assumption comes from the sales transaction perspective so prevalent among managers. If an organization limits its research to understanding what drives an individual purchase incident, there probably will be a few desired value dimensions on which sales transactions turn. However, we should not expect those value dimensions to remain the same over time. Strategically important value dimensions are likely to change across customer segments and over time. Further, as organizations shift more resources from acquiring customers to retaining customers, customer value dimensions that drive customers' commitment to seller relationships take on added importance. These dimensions are likely to be many rather than few. In short, the challenge for competing on customer value delivery is more likely to be one of translating customers' evaluations of received value on many desired value dimensions into responsive value delivery, rather than one of focusing on relatively few key buying criteria.

Implications for Future Research

Although the philosophy and persuasive arguments for organizations to compete on superior customer value delivery are well developed, the tools of customer value lag behind. Consequently, tremendous opportunity exists to improve on current tools and develop new ones. New research can help by developing (1) richer customer value theory, (2) more effective customer value methods tools, and (3) more evidence of the impact of applying specific customer value tools on organizational performance.

Richer customer value theory. Organizations committed to customer value learning have to know what is most important to learn. Such choices are not easy because the possibilities are almost endless and the investment in information activities substantial. Theory about customer behavior provides one important tool for locking onto the critical things that managers need to know. Periodically, we should evaluate whether existing theory is adequate for guiding customer value learning in organizations. Much of this article argues that existing theory underlying current customer value and satisfaction learning by organizations is not. For example, current CSM practice is founded on disconfirmation theory and multiattribute attitude theory largely developed in the 1960s and 1970s, which does not take advantage of newer customer value concepts.

We need richer customer value theory that delves deeply into the customer's world of product use in their situations. In part, this new theory should help us understand how customers form preferences that reflect desired value. Expanded theory should also explore the linkage between customers' preferences for desired value, evaluations of received value, and overall customer satisfaction feelings within the framework provided by the customer value hierarchy. For example, are these linkages the same at each level in the hierarchy? Such richer theory will have a important impact on what organizations will learn about customers in the future.

Equally important, we need new theory to describe how and why customers' desired value changes over time, from purchase to use or over multiple-use occasions (Flint, Woodruff, and Gardial 1997). Are there predictable triggers that lead to customer value change? What happens during a value change process? What is the role of product offer components (e.g., new technology, products, salesperson interactions with customers) in causing change? When things go wrong in customers' use situations, what are the nature and causes of customers' tendency to devalue products over time (Schwartz 1990; Woodruff et al. 1990). We have few answers to these kinds of questions, and so organizations currently have limited ability to foresee customer value change coming. A theory of customer value change could be the cornerstone for developing processes and techniques for predicting that change and expanding the lead time for sellers to determine how to take advantage of opportunities created by that change.

Customer value theory enhances actionability when it links customers' value preferences and evaluations back to components of marketing offers. Much of our current theory focuses on attributes related to product and logistics service components of offers. We know much less about how other offer components relate to other levels in a customer value hierarchy. For example, what is the role of the salesperson in delivering attribute and consequence dimensions of value to customers (Garver and Gardial 1996)? To what extent can advertising help customers better understand the consequence value they receive after the sale (Wright, Schumann, Graves, Gardial, and Woodruff 1994)? At the heart of this research direction is finding out whether customer value can be portioned out to different marketing offer components.

Finally, we may need variations on customer value theory to help understand how customers perceive value in different contexts. For instance, strategic interest in retaining customers raises a context question. Will customer value theory for understanding seller-customer relationships be significantly different from theory devoted to understanding customer value driving individual sales transactions? Because existing customer value theory typically assumes the latter context, new research should focus on building theory to understand how customers perceive value from longer-term relationships.

More effective customer value method tools. Customer value concepts and theory will help determine what organizations want to know about their customers. Method tools enable that learning to happen. Both qualitative and quantitative tools are available to help with the collection and analysis of customer data. At the same time, new methods tools will be needed to deal with particular customer value learning issues, such as predicting customer value change.

There are other aspects of customer value learning where tools are lacking. Currently, we are highly dependent on interviewing techniques to draw out customers' preferences for desired value dimensions. These techniques are best at getting customers to talk about desired product attributes and related goals and purposes. Using the customer value hierarchy as a guide, we need more tool development for getting and analyzing data from customers concerning consequences. Such tools must recognize that these consequences are rooted in specific use situations and occasions and tend to be more abstract than attributes, though more concrete than goals, purposes, and values.

Interviewing techniques depend heavily on customers' verbal abilities to communicate preferences for desired value dimensions. These tools overlook the fact that customers may think in terms of images rather than words and often communicate nonverbally as well (Zaltman 1996). Customer value learning techniques should be developed to explore the different ways in which customers express thoughts on value.

Finally, the customer value translation tool kit needs bolstering. The few tools that do exist tend to be narrowly focused on product design decisions, and they are difficult to implement (e.g., QFD, conjoint-based simulations). We need a broader array of tools specifically intended to help managers determine actions that take advantage of customer value learning for all aspects of marketing offers.

Impact of customer value strategies on organizational performance. Before making the commitment to change, many organizations want evidence that competing on superior customer value delivery strategies leads to superior performance. As noted previously, such evidence is emerging. However, most of this evidence does not help organizations sort through various customer value learning, translation, and strategy implementation activities to determine which are best practice. Research can help by assessing how specific ways of implementing customer value orientation relate to organizational performance. Benchmarking research might help in this regard by encouraging learning from other organizations' experiences. Experimental research, in partnership with multiunit organizations, also may help by allowing comparisons of different practices across comparable units.

Implications for Marketing Teaching and Learning

Education must play a role in helping organizations transition toward competing on superior customer value delivery strategies. We should start by identifying critical managerial skills that organizations need to develop customer value-related capabilities. Only then can education organizations evaluate existing curricula and learning processes to identify improvement and innovation opportunities. For example, this article argues that customer value learning and translation skills are essential for organizations to compete on superior customer value delivery. To what extent do current marketing and business education programs effectively help students acquire these skills? How can we help students understand the importance of deep learning about customers, as well as want to learn specific customer value information and translation skills? How do we help students with different functional interests (e.g., operations vs. marketing vs. sales) develop skills needed to share customer value learning and interact cooperatively in managing internal processes that deliver the kinds of value customers desire? Only by answering these kinds of questions can we expect to see significant changes made to improve educational programs needed for supplying organizations with managers adept at competing on superior customer value delivery.

CONCLUSIONS

Competing for advantage in markets through superior customer value delivery is here to stay. There are too many long-term pressures on businesses to move in this direction to believe otherwise. Customer value-based competition represents the next major shift in managerial practice, complementing but, at the same time, moving beyond the quality management focus of the past two decades. This shift will not be incremental; rather, it will require a very different way of managing. It builds on the already excellent capabilities that many organizations have acquired for managing the quality of internal processes and products, but it also requires a different set of skills to marry internal quality with external customer value. A customer value orientation will mean rethinking organizational culture, structure, and managerial capabilities.

Organizations need help to make the transition from a largely internal to a more balanced internal and external focus on customer value. Partnerships between business organizations and educational institutions will help advance knowledge and assist in increasing the pace at which that knowledge is diffused into organizations. These partnerships already are happening, and they signal an exciting new era of cooperation between business education and organizational practice that should benefit both. Customers who experience more responsive sellers will benefit as well.

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NOTES

1. The term *customer* is used in a general sense to mean end use consumers, industrial customers, and intermediary customers in a channel of distribution.
2. The term *product* is used in the general sense to mean products or services and includes both the physical product or primary service, the variety of supporting services offered along with the product or primary service, and the information communicated to customers about the product or service, supporting services, and their use.

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