Wojciech NYSZK: **CLIENT VALUE MANAGEMENT – ADVANTAGES AND DISADVANTAGES**

The assessment of company's value is more and more dependent on the evaluation of its incorporeal resources. The group of resources creating the added value, that constitutes the surplus of the market price over the balance evaluation on the basis of generated profit, is: trade mark, the firm's reputation, connections with suppliers and recipients, owning and controlling of technologies, outlays on research and development, advantageous location or the base of clients owned[1].

The market is "flooded by" innovations and improvements, and companies "fight" for client. But it is not enough to deliver to deliver the best product. One should stand out: the most important case is in this situation, the client's consciousness. The is the reason why the winner is always the one, who achieves and maintains a good position in client's brain. It is impossible to achieve this goal without well – created image and strong brand. A well-constructed brand's image is an indispensable trump in concurrence maze.

Information is the prerequisite to make decision. The emotional relationship between a product a service and a client is also indispensable.

The view that clients have about a brand is also very important. Additionally, understanding of client's needs is crucial.

Every client views reality in a different way. Clients differ in product's perception, company's perception and a sent communicate. The good client's recognition helps to create an offer in an optimal way and built an appropriate company's image.

The key moment in setting up the brand on the market is the creation process. This is the stage when the conception deciding about the company's marketing success is born. On this level many different factors should be taken into consideration, because they have fundamental influence on viewing a product by a client. That is why the forward conception has been created. It is concentrated on the future, works on different levels and draws from the stuff's rich experience. Many-sidedness and complexity of different specialists allows creating a constructive message. The imperative selection criteria is the future of a product-research concerning its functionality, client's perception, sales place exposure, the identity of a brand towards constantly changing market.

Taking into account those factors in the creation process becomes a guarantee of maintaining the high position of a brand on the market.

It is essential to keep the positive reaction on the level client-product. The potential possibility of development should be taken into consideration when creating a product that is to realize its goal also in the future. In this way it can react flexibly on changing market, all transformations are natural, and a product constitutes constantly the same

[1] M. Marcinkowska, *Kształtowanie wartości firmy*, PWN Warszawa, 2000, p.31-39.

value in the client's eyes. The work on the brand's identity is about determining and reserving and reserving in its structure some space for future changes.

M. Baker realized that a consumer creates, already before buying a product, an image of a brand on the basis of incomplete and intuitive information (not completely rational process); as a result he or she can tend to overrate a product's value, especially if it is expensive or comes from a well known company with good reputation. From the point of view of those who have bought a product for the first time, the value of a brand can be different from those who could know the brand during the process of use or consumption. It is also the case with measuring it immediately after buying[2].

The brand's value can be understood as a separate value in the economical sense, the position in balance, the sales value apart from financial and non-cash capital. The brand's value can be also understood as the rate of consumer's attachment force to a brand, and as a description of associations, imaginations, that consumers relate to a brand[3].

The client's orienteering imposes the care about a product, a brand's image, distribution, service and services; the issue of brand's value and its creation was not backed up by the influence of management conception included in CRM. The CRM assumes the client's orientation through broadly understood improvements of product's features, brands, which are strategically important.

Relationship marketing is a constant process of searching for a new value with an individual client and sharing the profits as a part of partnership including the whole client's purchasing period.

Contrary to the traditional marketing, that aims the chosen segments of market, the relationship marketing creates value for individual clients.

In order to achieve high profits from the implementation of relationship marketing, a firm must create a chain of partnership that consists of sellers (wholesalers and detailers), workers, suppliers, finance institutions and investors.

Partnership in marketing is not only a friendly attitude, but also the membership of client in the chain of values. Consequently, the border between the client's and firm's activities is almost invisible.

It is essential to introduce radical changes in firm's organization. The place of cells responsible for product belongs to partnership and contacts managers amongst a group of clients. The role and functions of marketer are changed. He is not anymore event a client's barrister, but the supporter of a process in which the value for client is created[4].

Ph. Kotler highlights that marketing is not an art of finding cunning ways of getting rid of a product; it is an art of creating a real value for client. A different definition says that marketing is a social and management process, thanks to which specific people and

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[2] M. Baker, *The IEBM Encyclopedia of marketing*, International Thompson Business Press, 1999.
[3] P. Feldwick, *Do we really need „Brand Equity"?*, in: Researching Brand, ESOMAR 1996, p.93-120.
[4] I. Gordon, *Relationship Marketing: New Strategies, Techniques and Technologies to Win the Customers You Want and Keep Them Forever*, 1999.

groups receive what they need and long to achieve by creating, offering and exchange of valuable products[5].

Both marketing and branding serve building value for client. The difference in issues lays in the ways the value is created. Branding is a selection and connection of tangible and intangible product's, service's or firm's attributes. Its goal constitutes a differentiation in an attractive and clear way.

Intangible firm's resources influence more and more its value on the market. A big part of intangible resources is created in management process by the value for client.

The creators of the conception of management of firm's value notice that the value for client pays a crucial role in the creation of value for owners through the price. A client pays for the advantages that a product or a service contains. The basic relationship between the price, the cost for a firm, and advantages for client, and firm's resources, and generated on its basis: added value for a firm and added value for client is shown on the figure 1.

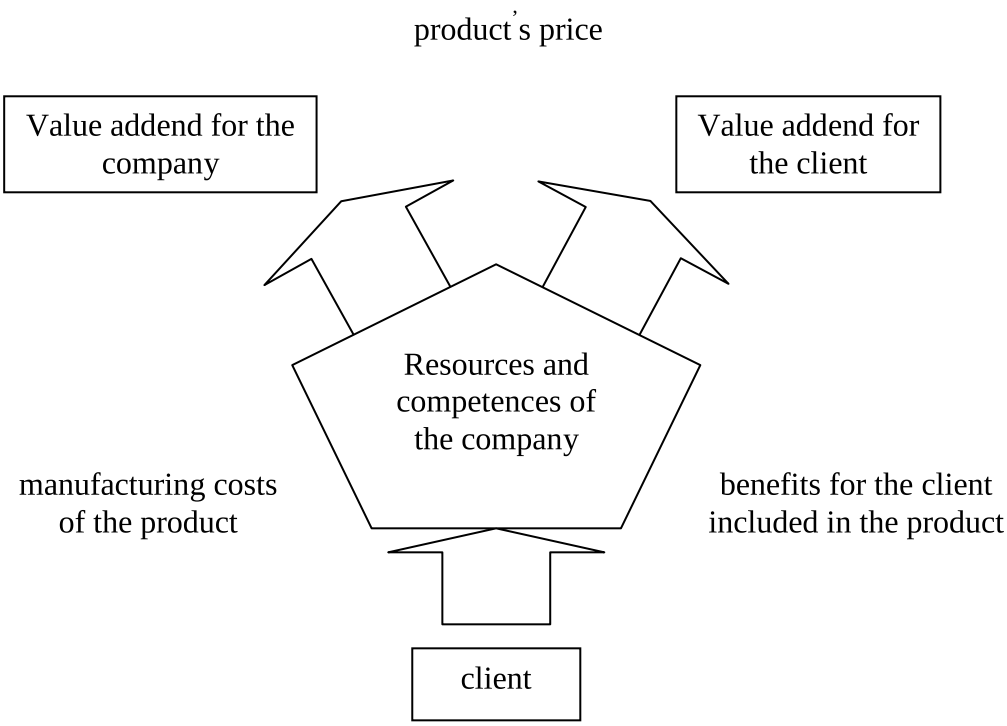

Figure 1. Client Value Management in a competitive advantage model based on resource.
Source: M. Szymura-Tyc, *Zarządzanie przez wartość dla klienta*, Organizacja i Kierowanie, 2001.

The source of added value for a firm (economical profit) is the price, which a client pays for taking profit that a product contains. The added value is created when the production costs are lower than the sales price. The added value for client is the excess of advantages included in a product (service) over the cost connected with the process of buying.

[5] Ph. Kotler, *Marketing. Analiza, Planowanie, Wdrożenie i Kontrola*, Gebethner i Ska, Warszawa 1994.

The concurrence advantage can be gained only by the firms that are able to supply their clients with products that will create an added value.

Clients pay more attention to the decrease in price than to the proportional increase of advantages. To determine the value for client it is essential to be acquainted wit the way they view it. The value of product consists of different types of values: functional, emotional, cognitive, social and conditional. The value is marked at the moment of buying and during the usage process. Not only the features of a product a service are assessed, but also relations that client established with a firm offering the product. The feeling of satisfaction (being the base of client's loyalty) is created when the results of buying and usage of a product exceed the buyer's expectations.

The communication of the value supplied to chosen clients lets the access to the appropriate group of clients (chosen by a firm) and create their expectation. Supplying a piece of values to the clients allows accomplishing the value for a firm and its clients.

Management by value for client is a process taking place in a company, which consists of four stages: identifying, creating, communication and supplying the value for client (Figure 2).

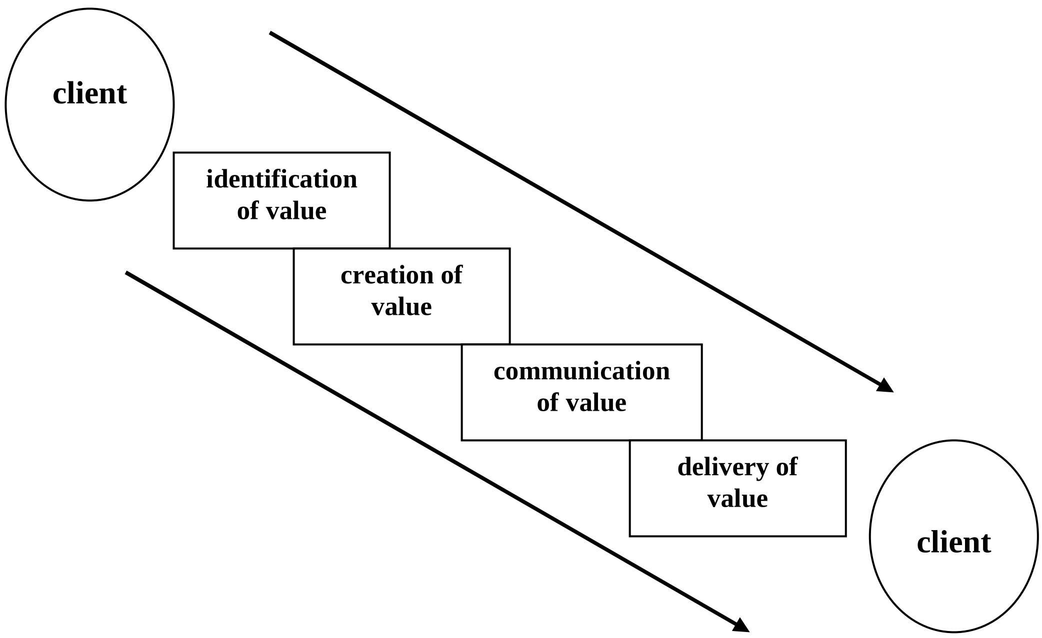

Figure 2. The process of Client Value Management

Source: M. Szymura – Tyc, *Zarządzanie przez wartość dla klienta*, Organizacja i Kierowanie, 2001.

The process of management by the value for client consists of processes “from the outside and from the inside”, so above all information processes connected with gaining and transforming knowledge about some special needs and expectations of clients in the range of values and conditions, which from them[6].

The concept of management by the value for client is present in management science for at least 20 years. Referring to the model of the companies concurrence excess developed in that period, it is the base of all marketing concepts formed in the 80's and 90's. It goes trough the general process management conception, developed in reengineering, (where its creators define the process as a group of connected activities, forming one entity, having an entrance and an exit, creating the value from the point of view of a client[7]. The essence of the BPR concept if there is the complex improvement of processes (not the functions) in a firm, in order to satisfy a client and create added value for a firm.

The TQM (Total Quality Management) concept also includes creative thinking and supplying the value for client. It supports improving processes of products creation to the point of the highest quality, assessed from the point of client's view.

The SCM (Supply Chain Management) is connected with the Porter's chain system that includes firm's partners on the market in the process of supplying values for clients. SCM shows coordination and hospitalization of the cooperation of chain's members ranged from supplying, production, transportation and stocking up to distribution. The improvement of logistic processed is crucial. They should be improved in the most profitable way to decrease the firm's costs and provide the best client service.

The CRM (Customer Relationship Management) concept profits from the relation marketing. It pays attention to the need of building and cultivating relations with clients in order to ensure them loyalty and happiness and following that firm's profits. The product and service adjustment to specific client's need and hopes is the condition to an effective creation of relationships with a client. The firm chooses its clients, which it will serve. The basis criteria of choice are the value of client, his/her profitability, taking into consideration the profit generated by client and the service's cost. The description of chosen management concept (including management by the value for client) is shown in the table 1.

The client orienteering should become a priority in creating company's strategies and organizing firm's processes. It is crucial to implement a culture, or rather a marketing philosophy, in the way that this orientation went through the whole company. Finally, it can be easily seen in the attitude that marketing has become an important interfunction in the company, not only a limited to a sector.

In support of this thesis can be the words of P.F. Drucker: Marketing is the philosophy of managing the firm. It has to include the whole company and all the functions. Consequently, it is the whole business seen from the point of view of the final result, meaning the client, who determines the whole company's root. So, making business depends not no the producer, but on the client.[8]

[6] G.S., Day, *The Capabilities of Market – Driven Organizations, Journal of Marketing*, Vol.58, October 1994.
[7] M. Hammer, Champy J., *Reengineering w przedsiębiorstwie*, Newmann Management Institute, Warszawa 1996.
[8] J.Otto, *Marketing relacji. Koncepcja i stosowanie*, C.H. Beck, Warszawa 2001.

Marketing can be defined as a process taking place in the company, that identifies, creates, communicate and provide a value to the chosen group of clients on the basis of owning and controlling the firm's resource. Webmaster defined marketing as management of all the firm's processes, which are useful to define, create and provide a client with the value.[9]

The marketing definition provided by the British Institute of Marketing inform that marketing is a managing process responsible for recognizing, previewing, and providing client's needs in a way that leads to the profit. This marketing definition is different from others, because of the fact that it doe not only use the view of the value for client, but also shows the connection between the value provided with the firm's resource.: it is maintained it the same mind with the one sown in the modern marketing literature, that highlights the need of evolution in marketing orienteering: from the marketing directed on the product, determined by firm's resources, through the "pure" marketing, led mainly by the needs and expectation of clients, to the modern marketing that agrees client's needs and expectations with firm's resources and competences. This view is oriented on the creation of the value that responds client's needs and allows building concurrence advantage.[10]

Marketing management is the process of identifying, creating, communicating and providing the value for client. It can be identified with firm's management by the value for client.

Concept name	**Advantages**	**Disadvantages**
TQM – Total Quality Management	- Underlying the need of client orienteering, - Put the attention to the need of creating the best quality of products and services, - Showing the point of view of client in product assessment, - Showing the quality costs from the firm's point of view (addend value), - Creating effective methods and techniques quality management	- The lack of the strategic vision that less to put a firm on the position according to a group of clients and distinguishing resources and competence, - An excess in concentration of quality improvement processes ignoring the key role of resources and clients expectations, - The lack of a clear costs (financial and non-financial) with buying and using pf a, - Focus on those processes, which build product's quality thanks to its usage and functional features and underestimations of such factors as the brand and its identity, connections with a firm etc.

[9] F.E. Webster, *The future role of marketing in Organization*, D.R. Lehmann, K.E. Jocz, *Reflections on the Futures of Marketing*, Marketing Science Institute, Cambridge, Mass, 1997.

[10] G.J. Hooley, Saunders J.A., Piercy N.F., *Marketing Strategy & Competitive* Positioning, Prentice Hall, Europe, 1998.

SCM – Supply Chain Management	- Paying the attention to the need of integrated management including suppliers, company and middlemen, creating the chain system of added values for participants and final client, - Lets to decrease costs and shorten the time of deliveries for the client being very important ingredients of a value, - Creative implementation of modern informatics, technologies improving logistic processes	- Operational range of the concept does not create the base to formulate firm's strategy based on the value provided to client, - Concentration on costs ant the time of delivery, not caring abort other sources of important for client
CRM – Customer Relationship Management	- Underlying the need of active creation of relations with firm's clients in order to learn abort their needs and the degree of satisfaction and loyalty, - The assessment of clients from the of their input into profits (value added) through so-called customer value, - The effective use of informatics technologies strengthening traditional marketing (marketing research, distribution, promotion)	- The lack of strategic dimension connecting clients needs and expectation with firm's resources and its competent, - Taking into consideration only present firm's clients, - Disproportionately strong focus on the customer value for firm, neglecting the assessment from the point of view of a client
BPR – Business Process Reengineering	- Development of the process management supporting the functional management, - Giving the highest priority to client's needs, declaring the assessment of processes effectively by client's satisfaction	- Huge change in processes and organizational structures, yet rarely directed on changing client's needs and expectations and firm's resources, - Excessive concentration on costs reduction in a company in the relation to the need of adjusting values to the needs of Chosen clients and owned resources, - Underestimation of incorporeal firm's resources building the value for client, - Concentration on production processes, neglecting possibilities in promotion, distribution and research and development improvements
VBM – Value Based Management	- Binding to the concurrence advantage and showing the increase in the firm's value as a goal of company, - Underlying that increase in firm's value depends on the ability to provide a value for client	- The lack of base to formulate concurrence strategy (based on the value for client and firm's resources) Neglecting client's and workers business, - Danger in profit maximization in a short period of time, for the price of investment into incorporeal firm's resources, building the value or client and lifting the market value of a firm

Table 1. Advantages and disadvantages of chosen client value marketing concepts.