

BUILDING COMPANY COMPETITIVE ADVANTAGE BASED ON CUSTOMER VALUE DELIVERY STRATEGY AND SUSTAINABLE MARKETING SYSTEM**DIAO ZHAOFENG¹, CHENG YUN^{1,2}**

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Abstract Different from views about competitive advantage theories studied by former scholars, this paper probes into building company competitive advantage based on customer value delivery strategy and sustainable marketing system. The paper describes the logical relation of customer value delivery strategy and company competitive advantage. Then it introduces the company sustainable marketing system and builds company competitive advantage model. The STV triangle can identify customer value, deliver customer value, and communicate customer value, and creates sustainable competitive advantage in the end.

Key words Competitive advantage; Customer value delivery strategy; Sustainable marketing system

1 Introduction

In 21 century, company is confronted with more and more furious competition. It is vital to every company to build and sustain competitive advantage. Competitive advantage is the hot field studied by academe, which probe into it on three different views: the view of company resource capability, the view of competitors, and the view of marketing.

In the view of company resource capability, the competitive advantage is based on resource foundation theory, which included all studies related with company resources and capabilities such as resource academe faction (Wernerfelt, Penrose, Edith, Rechar, etc)^[1] and core competence academe faction (Prahalad, C. K. Hamel, and Gary, etc)^[2]. These scholars consider that the company resources are finite, heterogeneous, hard to flow, and are payable to be acquired. The competitive advantage is the resource and capability which facilitate company to compete effectively. The resource capability scholars point out that the competitive content between companies are resource capabilities, which are valuable, rare, difficult to imitate, not to substitute^[2]. Meanwhile, they tell company how to cultivate core competence, and they point out that the competitive advantages are determined by the character of company resource capabilities. So the company should try to cultivate company resource and capability thus building competitive advantage.

The competitive advantage from the view of competitors is put forward in 1970's, then is systematized and theorized gradually. Game theory could be regarded as the pinnacle of this theory. In the view of competitors, scholars' probing into competitive advantage starts with competitors, and the emphasis to be considered are competitors' direction, strategy, and capability. The analysis of competitors by scholars can be summarized from three dimensionalities: entireness, aggression, and finance. Entireness dimensionality implies the number of competitors in the industry, which include the number of potential competitors and substitute manufactures. Aggression dimensionality concerns the effectiveness and creativeness of competitors performing strategy. The aggression of competitors compels the participators to build competitive advantages in order to maintain their market status.

In the view of marketing, scholars' researching of competitive advantages is mainly concentrated on probing into customer demand and its variety, which means to find diversification of customer demand, put forward and implement strategy to satisfy customer demand, thus obtaining competitive advantage. Competitive advantage could be acquired via lower price, better quality, diversifying products, and customer attention. For example, America Ford Automobile Company aimed to supply payable automobile for every American in its early days. Japanese companies are the representatives of quality movement. They recognized that owning good performance is far not enough, and they must maintain it more steady and persistent. The customer attention and relation marketing push this theory to a new highness. This idea transcends the traditional method of detecting customer demand only from product attribute and price, but concerns more about customer sensibility and connection, and takes the idea of how to make customer repurchase products into consideration of building competitive

advantage.

We can draw a conclusion that all the practical and theoretic research about competitive advantage in the 21 century are not beyond those three views. The company resource theory is an inward view, which emphasizes to develop and cultivate the company resource and capability. The competitor view and marketing view are outward, which emphasize to study competitors, market, and marketing activities. In the 21 century, furious market competition urges every company to try to seek new method of obtaining competitive advantage. The academic research indicates that customer value has important influence on consumer behavior and customer loyalty^[3]. Customer value is the new source of competitive advantage. M. Porter has said: "The competitive advantage comes from the value which a company can create for its customers". Those idea imply that the competition between companies is a war fighting for customers, and the customers want to buy products from those company that can provide satisfactory customer value^[4].

Being different from three views about competitive advantage theories studied by former scholars, this paper probes into building company competitive advantage based on customer value. The paper describes the logical relation of customer value delivery strategy and company competitive advantage, then try to build competitive advantage by aid of sustainable marketing system. This paper tries to further probe into company competitive advantage theory based on existing academic foundation, and tries to seek new method to realize it.

2 Correlation of Customer value Delivery Strategy and Company Competitive Advantage

Since 1990's, customer value has been concerned intensively by western marketing scholars and enterprisers, which has been regarded as the new source of competitive advantage^[5]. Company capability of providing excellent customer value has been looked on as one of the most successful strategy in 1990's. The customer value is not only related with tactic, but also a strategy problem^[6]. In *Getting Back to Strategy*, Kenichi Ohmae has emphasized that the essence of strategy is to create value for customers, but not to conquer rivals in product market. Emphasizing on customer value could avoid zero game play, and the strategy based on customer value is a none-zero game play.

Modern company acquires competitive advantage by aid of customer value delivery strategy. The customer value delivery strategy is a decision made by company about which customer value would be accepted by target market, and how to create, transfer, and communicate customer value in order to win customer satisfaction and loyalty. Customer is the final acceptor and valuator, and every company would consider which kind of customer value they could create and offer to win leading market position. The company must find the satisfactory value delivery method, and make a strategy of creating, transferring, and communicating customer value. Implementing customer delivery strategy could better satisfy customer demand, improve customer value, and build higher customer satisfaction, and enhance company performance and profitability effectively.

The company tries to identify, supply and communicate customer value. In this way, the company can make profit and improvement, and can acquire competitive advantage, which can be mainly described as customer satisfaction and loyalty, higher market share and great profitability. Depending on existing competitive advantage, company invests further to maintain its competitive advantage and promote its resource advantage, which can be mainly described as excellent technique and brand, outstanding physical resource and controlling. Using the strong resource level, company resource advantage can further facilitate company to carry out customer value delivery strategy. It is a good circling, shown as Figure 1.

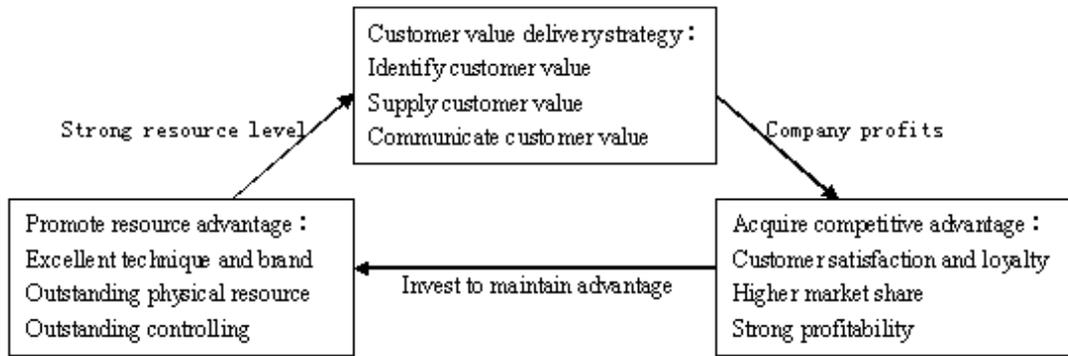


Figure 1 Correlation of Customer Value Delivery Strategy and Company Competitive Advantage

3 Build Company Competitive Advantages Based on Customer Value Delivery Strategy and Sustainable Marketing System

Sustainable marketing is a new concept put forward by Philip Kotler in his book *Rethinking Marketing: Sustainable Marketing Enterprise in Asia*^[7]. Sustainable marketing is a strategic conception. Its aim is to make three main stakeholders---consumer, employees and stockholders to get sustainable satisfaction. In the 2004, Philip Kotler put forward company sustainable marketing system in his latest composing *Kotler's New Thought: Sustainable Marketing Model*^[8], and made further interpretation of "the sustainable marketing".

The company sustainable marketing system is composed of three main strategic parts: strategy (S), tactics (T), and value (V), which are described as strategic business triangle, shown as figure 2. This system comprises three dimensions: strategy---how to win the strategic share, tactics---how to win the market share, and value---how to win the sensation share. Each dimension is composed of three essentials. The strategy part comprises market segmentation, selecting target market and market positioning. The tactic part comprises differentiation, marketing mix and selling. The value part comprises brand, service and process.

The sustainable marketing system is dynamic process of identifying customer value, offering customer value and communicating customer value from outside. Firstly, the company determines STP strategy through market segmentation, selecting target market and making market position. In this way, the company could confirm which products to offer and which target consumer to serve, as well as which customer value to satisfy. Then the company should determine the differentiated tactics aiming at target market, and supply customer value through marketing mix and selling. Meanwhile, the company could try to build up brand image, improve service quality, and provide additional service to communicate customer value. So, we could use company sustainable marketing system---STV triangle to build company competitive advantage based on customer value delivery strategy, shown as figure 3.

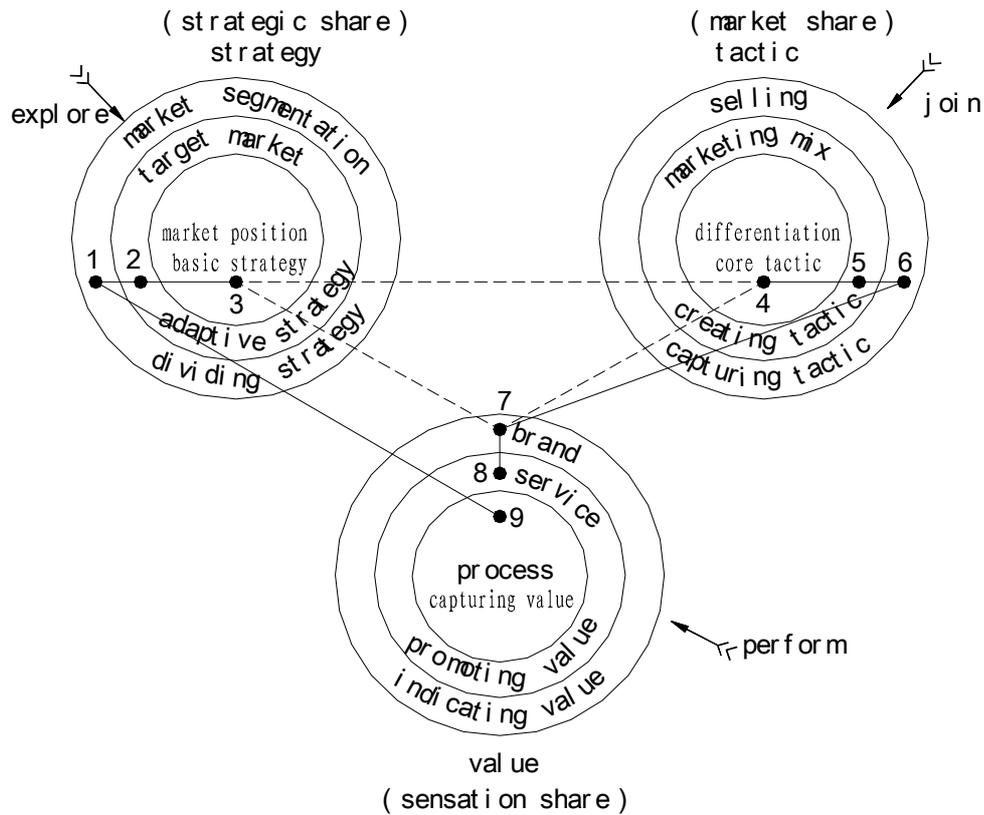


Figure 2 Sustainable Marketing System---STV Triangle

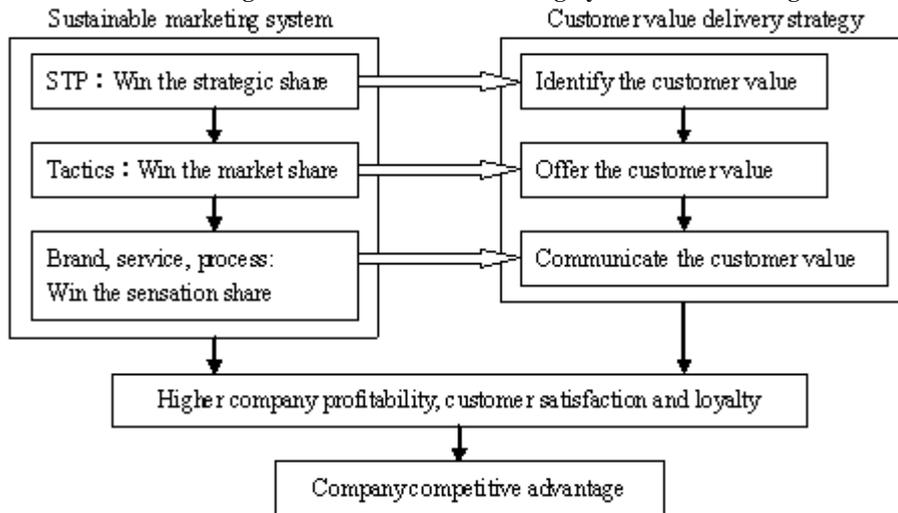


Figure 3 The Framework of Company Competitive Advantage Based on Customer Value Delivery Strategy and Sustainable Marketing System

3.1 STP: win the strategic share

The customer value is perceived by customer, and the company must understand how customers look on value, and which important value dimensions are regarded by customers. So, the STP strategy (It means market segmentation, target market, and market position.) is to identify the customer value and win the strategic share. Firstly, the market segmentation can be described as the creative method, which segments the market so as to identify the market boundary clearly. Secondly, some certain segment markets are selected as the target markets. The company should consider the market scale, its

development tendency, competitive environment and the company competitive advantage, then selects one or more, even all the segment markets as its target markets. Thirdly, market position should be made: what value could the company really provide consumer with? The market position is very important, which put some information related with company image and personality into consumer's mind. And it is the reason for survival, which determines the final success of the company.

3.2 Tactics: win the market share

After the company confirms the customer value to be mainly supplied, it should create and offer value for customers. The company can use marketing mix to create customer value, in the meanwhile, it can use selling to get company value. It means to win market share and profit by providing customers with value. Market position needs differentiated tactics to give support. The differentiation can be embodied in the following parts: content (It means that what products and service should be offered), method (It means how to offer products and service, and could it be store marketing, big client marketing, or network marketing, telephone marketing, and even catalog marketing.), and basic equipment (It means that what technique, people, and equipment should be adopted to support the marketing activities.) If the differentiation is regarded as the core value tactic, the marketing mix is the value creating tactic, which creates customer value. The selling tactic is a trade direction essential, which is the only element for the company to make profit from market. These three elements resolve the problem of creating customer value and acquiring company value.

3.3 Brand, service, process: Win the sensation share

The company should be good at communicating customer value, and should make customer perceive the value so as to improve their satisfaction and loyalty. The company uses three elements---brand, service, and process to communicate customer value, win the sensation share, get higher company profitability, customer satisfaction and loyalty in order to maintain company's leading competitive position. The first element of value communication is brand, which is the value indicator embodying the product value and company image value. The powerful brand can help the company to avoid the furious price competition, and to persistently transfer outstanding customer value. Service is the second element of value communication, which is the value upgrade apparatus. The company tries to satisfy customer demand and prospective value via differentiated service. The service transcending prospective value can obtain higher customer satisfaction, and facilitates repurchasing and brand loyalty. Process is the last element of value communication, which is the value capture apparatus. It is a dis-neglected marketing process, through which the company could transfer and communicate customer value. If the marketing process is not integrated, another eight elements can not play effectively.

4 Create Sustainable Competitive Advantage through STV Triangle

A company must have "action system" to get competitive advantage and sustainable development. In this system, all the activities cooperate together to realize the aim of creating practical economic value for the consumer. For example, the American Southwest Airline, its prominent value is created by all kinds of activities. Those particular and complicated activities cooperate each other, which makes it hard for the competitors to imitate. In this way, the company not only built up competitive advantage, but also got sustainable development.

The company action system must comprise three kinds of activities which are corresponding with strategy, tactics and value. The strategic activities aim to establish focus. The tactical activities aim to establish capability. The value activities aim to establish privilege. The company should rely on the STV triangle to establish competitive advantage. Shown as figure 4, the competitive action system is actualized.

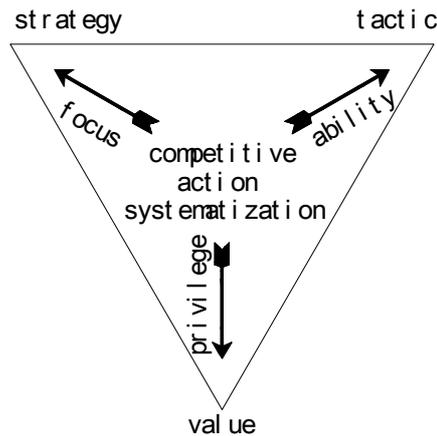


Figure 4 The Actualization of Competitive Action System

The market position, differentiation, and brand have particular correlation. They identify, offer, and communicate customer value for the company. In the meanwhile, they strengthen and reinforce each other to set foundation of competitive advantage. The market position is one kind of promise, which is the process of identifying customer value. The promise must be supported by differentiated tactics. The marketing mix and selling tactics are integrated to offer customer value and facilitate brand cultivation. The brand cultivation activities could make differentiated brand image. The brand image could transfer and communicate customer value, so that it can establish persistent brand identification and sensation loyalty. This process could reinforce the market position, and make better clear of customer value identification.

For example, American Dell Company makes promise to its customers that it will become the best customer-centered computer company. In order to actualize this promise, Dell Company takes a direct marketing mode, and tries to strengthen its brand image by a series of activities. The success of Dell Company depends on the cooperation of elements in the STV triangle, shown as figure 5. As to the company, the STV triangle is extremely important and has strategic significance, because it directs all activities of company. If the process operates smoothly, the elements of STV triangle would build up a self-strengthening mechanism, which pushes and actualizes the customer value delivery strategy----the circulation and improvement of identifying, offering, and communicating customer value, then creates sustainable competitive advantage for the company.

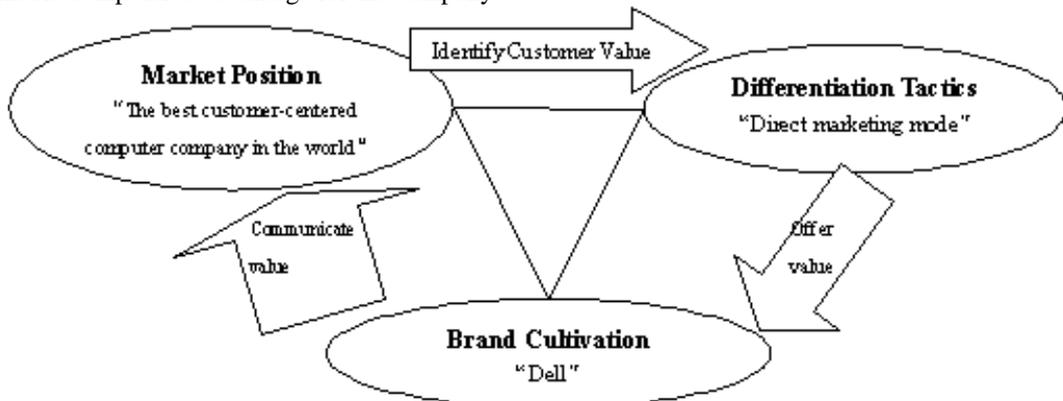


Figure 5 Dell Company's "Market position—Differentiation tactics—Brand image" Triangle

5 Conclusion

Since 1990's, the customer value has become the most concerned field of management academy and social companies. Getting company profit and development by identifying, offering, and communicating customer value has been looked on as the new resource of competitive advantage. The sustainable marketing system put forward by marketing professor Kotler. Philip is made up of three elements----strategy, tactics, and value, which is a dynamic circling process from outside to inside based on customer value identification, supply, and communication. Company could set up the framework of company competitive advantage based on customer value delivery strategy and sustainable marketing

system, and then could further actualize the STV triangle actions system so as to realize the customer value delivery strategy and create sustainable competitive advantage. This paper is different from three views about competitive advantage theories studied by former scholars. It starts with the newest marketing concept, and tries to seek new approach to realize competitive advantage. So, it has more significance to modern company development.

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