Chapter III
Customer Value and New Product Retailing Dynamics:
An Analytical Construct for Gaining Competitive Advantage

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The customer value concept is utilized to assess product performance and to determine the competitive structure of the new products. The analytical approach to the new product-market structuring based on customer value may be fitted well within the microeconomic framework. The measure of customer value as the product efficiency may be viewed from the customer's perspective towards a ratio of outputs (e.g., perceived use value, resale value, reliability, safety, comfort) that customers obtain from a product relative to inputs (price, running costs) that customers have to deliver in exchange. The efficiency value derived can be understood as the return on the customer's investment. Products offering a maximum customer value relative to all other alternatives in the market are characterized as efficient. Different efficient products may create value in different ways using different strategies (output-input combinations). Each efficient product can be viewed as a benchmark for a distinct sub-market. Jointly, these products form the efficient frontier, which serves as a reference function for the inefficient products (Bauer *et.al*, 2004). Thus, customer value of new products is defined as a relative concept. Market partitioning is achieved endogenously by clustering products in one segment that are benchmarked by the same efficient peer(s). This ensures that only products with a similar output-input structure are partitioned into the same sub-market. As a result, a sub-market consists of highly substitutable products. The individual values of the customer may be estimated as base values and changes in such values are affected by the corresponding measures of the specific value drivers. The base value ties to the most important of all complements that may be determined as customers' need. Estimating value drivers for a new product can be tricky because there is no direct historical data. However, we can assume that the impact from changes in price or availability of complements will be similar to what other markets have experienced.

In recognizing the need to contribute research in the area of customer value measurement and the concept of customer satisfaction leading towards creating the customer value, the study aims at developing a methodological construct to measure the customer value for new products introduced by a firm. The following discussion attempts to critically examine the available literature on the subject, discuss a model that provides a framework for analyzing the variables associated with customer value and to identify potential research areas. A basic premise of the arguments in this chapter are that the focus should be on maximizing total customer value and customer satisfaction which are inter-dependent in the decision making process towards buying new products. This chapter, being a part of emerging literature on customer value management, extends the existing knowledge of the relationship between launch of new products in the market and creating customer value by introducing the framework of a mathematical model. The framework of the construct is based on a proposed model which integrates all aspects so as to maximize the potential of the organization and all its subsystems to create and sustain satisfied customers. The approach begins with a conceptualization phase in which the concept of customer satisfaction is explored. Attributes are then classified into services and this is then extended to integrate the internal customer into a total service model; applying gap-analysis to this model. Enterprise satisfaction provides the basis for extending the total service model; positioning is applied to the customer satisfaction strategy; and operationalizing this strategy is proposed through an implementation model.

PREVIOUS CONTRIBUTIONS

It has been observed that there is increasing number of customer goods and services offered in recent years suggest that product-line extensions have become a favored strategy of product managers. A larger assortment, it is often argued, keeps customers loyal and allows firms to charge higher prices. There also exists a disagreement about the extent to which a longer product line translates into higher profits keeping the customer value higher. The academics, consultants and business

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