Chapter V
Measuring Variability Factors in Customer Values, Technology Convergence and Profit Optimization in a Retailing Firm:
A Framework for Analysis

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Developing consumer value through retailing lies at the heart of the marketing concept. The pursuit of this goal implies that the company is not only interested in making the sale or achieving trial purchase at any cost, but is also aiming on developing the strategies to achieve long-term profitability through repeat buying and consumer retention. Such approach builds the loyalty on one hand and enriches the consumer values on products, services and related factors on the other. The consumer products companies attempt to build and maintain consumer value, wherein the brand managers supplement their mass-media advertising with more direct communications through direct and interactive methods, internet communications, and other innovative channels of distribution (Pearson 1996; Peppers and Rogers 1997; Barwise and Hammond 1998).

Consumer value may be defined as a tool to measure the prolonged satisfaction and an on-going propensity to buy the products and services. While there are continuing discussions on the consumer value, it may be argued that the consumer value is of strategic importance to management as it highlights the *manifest* nature of consumer satisfaction in providing a revenue stream to the company with high involvement and repeat purchase behavior. The individual values of the consumer 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 a *consumer need*. The base value may be estimated in reference to the price that a consumer is already paying for obtaining a similar utility or from the size of the savings that the product brings. It is challenging to estimate the base value far out in the future because unexpected new applications are often discovered over a very long period of time.

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. Following discussion in the chapter develops the framework for measuring the consumer values in reference to establishing the long run relationship by the firm and optimizing its profit levels. The discussions in the chapter attempt to endure the core issues of consumer values in retailing the products and services as how to conceptualize consumer values, how to measure it, and how to manage it.

REVIEW OF LITERATURE

The concept of consumer satisfaction has a long history in marketing thoughts. Studies of consumer behavior emphasize consumer satisfaction as the core of the post-purchase period. Because consumer satisfaction presumably leads to repeat purchases and favorable word-of-mouth publicity, the concept is essential to marketers. In saturated markets consumer satisfaction is thought to be one of the most valuable assets of a firm. Consumer satisfaction serves as an exit barrier, thereby helping the firm to retain its consumers. The impact of loyal consumers is considerable; for many industries, the profitability of a firm increases proportionally with the number of loyal consumers and high sales to new consumers can be attributed to word-of-month referrals. Several contributions have been made in relation to various mechanisms for improving and using consumer satisfaction. Barsky and Labagh (1992) proposed a consumer-satisfaction matrix as a tool for evaluating guest information and attitudes, and for identifying related strengths and weaknesses. Dube et al. (1994) described how consumer satisfaction data can be used for positioning strategies that will help the business carve a niche, whereas Morgan

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