

## What is Genuine Customer value to you?

### ***Defining genuine customer value in a phygital world***

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In many business to business markets over the years we have witnessed a certain progression of customer value<sup>1</sup>:

Stage 1: Value is in the product or service

Stage 2: Value is in the solution or customer experience

Stage 3: Value is in the business transformation catalysed by the customer-supplier interaction

In the following you find a brief explanation of these stages. We believe that in this new era, where the physical and digital world are increasingly merging into a new 'phygital world' it becomes relevant for commercial business leaders to also come to a new definition of what customer value really means. This working paper is the starting point for our research in this area. Any thoughts are welcome to further explore this topic.

#### ***Stage 1: Value is in the product or service***

In the *first stage of value creation*, the value is in the product or service itself. Main purpose of the supplier is to convince the buyer about superior product features and benefits as compared to competitive alternatives. A computer may have a 'faster' processor or a logistics company may claim to deliver 'faster' or 'cheaper' than others. Value to the customer is in the features and benefits that meet or even exceed customer specifications. Value to the supplier is created by turning the product or service into cash. The real focus is on the transaction rather than on the customer relationship. As argued by Stefano and Puntoni<sup>2</sup> at a certain point the question is whether 'faster products' also really save customers time. They argue that people in general tend to overvalue the time that can be saved with faster products. In other words, beyond a certain point, increasing product features may not necessarily improve the customer experience to the same extent.

#### ***Stage 2: Value is in the solution or customer experience***

Over the last years many companies have shifted from 'selling products and services' towards creating customer solutions and improving customer experiences. Companies who are in the *second stage of value creation* realize that value is not so much in the product or service but in the actual way they are able to connect to the customer and find real solutions to customer needs. In the *second stage* of value creation, value is created by focusing on the customer needs and customer experiences by solving the problems and needs as articulated by the customer. In this stage there is a shift in focus from the supplier (being able to sell), towards the customer and their particular needs,

wants, and experiences. Instead of for example selling a faster product, the focus is on significantly saving a customer time in the best possible and most convenient way.

### **Stage 3: Value is in the business transformation catalysed by the customer-supplier interaction**

At this point in time, frontrunning companies realize that genuine customer value goes beyond solving articulated customer needs. Real value lies in the ability to jointly catalyse change. The third stage of value creation is about guiding customers in becoming more successful in their markets by change in perspective. And by doing so, changing as a supplier as well. Instead of focusing on the supplier and their products (stage 1) or focussing on the customer (stage 2) the joined focus is on the customer's downstream customers and society as a whole. The real value is not in selling or buying product or service categories, but in the potential that exists in customer-supplier relationships to learn and innovate. In many cases this value goes even beyond the relationship between two firms and includes a different form of collaboration within the value eco-system or value platform<sup>3</sup>. Instead of selling a faster product, or saving the customer time, the focus is on improving the total value realized in the customer-supplier interaction or within the value network or platform collaboration. Improving downstream (customer) business performance or improving value for the society as a whole.

It may be interesting to check in which stage your company is today and whether you need and want to move on to the next stage to stay relevant and really contribute in a genuine way to your (downstream) customer's business performance and even society as a whole.

### **Fundamental and Applied Research: Beyond Competition Research Foundation**

Within our Beyond Competition Research Foundation at this moment we are active to further define and explore the topic of Genuine Customer Value in a phigital world. In case you would like to participate in this research or would like to fund our research in this area. Please contact us at +31 85 0290175 or [info@beyondcompetitionfoundation.org](mailto:info@beyondcompetitionfoundation.org).

#### Notes

1. Kotler, Ph. Dingena, M. Pfoertsch, W. (2016), Transformational Sales. Making a Difference with Strategic Customers. Springer: Heidelberg/ New York. These stages are related to the five stages as defined by Pine and Gilmore in a consumer context (see for example Pine & Gilmore (2014): A Leader's Guide to Innovation in the Experience Economy, Strategy & Leadership, 42 (1), p. 24-29.
2. The research of Stefano Puntoni and Bart de Langhe has been published in the Journal of Marketing Research (De Langhe, B. and Puntoni, S. (2015) Journal of Marketing Research and was featured in Harvard Business Review in November 2015.
3. See for example the recent publication: Parker, G.G, Van Alstyne, M.W. and Choudary, S.P. (2016), Platform Revolution: How networked markets are transforming the economy and how to make them work for you.