THE KEY STRATEGIC CUSTOMER BENEFITS LEADING TO STRENGTHENING OF RELATIONS WITH CUSTOMERS IN THE CHEMICAL INDUSTRY

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Abstract

Creation and enhancement of the value for customers on the basis of cooperation of the value network entities requires continuous research to find out what attributes of the value for customers make the customers buy repeatedly and increase their loyalty to the supplier of raw materials. The thing is that these strategic benefits as components of the value for customers lead, on condition the customers are provided with them permanently in accordance with their wishes and requirements, to a continuous growth of the customers’ competitiveness on the market and to strengthening their position in the industry on the one hand and, on the other hand, they also lead to long-term improvements in their economic results. This paper summarizes the outcomes of the qualitative surveys carried out in selected enterprises and business branches of the chemical industry, focusing on specification of the key strategic benefits leading to creation of strong bonds between the chemical industry producers and their customers.

Keywords: Customer value; strategic customer benefits; cooperation of the value network entities; customer relations; chemical industry.

1. INTRODUCTION

In today’s highly competitive environment, it is increasingly difficult to increase retention and customer loyalty. This can be achieved only by continuous and perfect satisfaction of individual needs and wishes of customers, better, more perfectly, faster, more reliably than the competition does. It requires creating and constantly strengthening relationships with the customers based on partnership and mutually beneficial cooperation [1]. The basis for creating and strengthening customer relationships should be alternative concepts and approaches to creating customer value, where the value should be understood in terms of the entire spectrum of its dimensions, which should be applied in an integrated way in conceiving the supply and operation of the market. In particular, it is important to develop such dimensions and attributes of the customer value which lead to repeat purchases and creation of their loyalty to the company and its products, i.e. the strategic dimension of the customer value [2]. This issue has not yet been comprehensively addressed with due attention in the literature. Individual features of the customer value are usually discussed separately without mutual connections. The theoretical part of the paper, therefore, summarizes the various dimensions of customer value published in the literature which are then discussed in terms of their impact on strengthening customer relationships. Results of primary qualitative research in chemical industry are also summarized, with key strategic benefits for the customer first defined in general features, strengthening his loyalty, and then results are summarized of the primary research into these benefits in the specific conditions of chemical products intended for further manufacturing.

2. THEORETICAL BACKGROUND

The customer value needs to be created in much wider dimensions than it is currently applied in routine management and marketing practice of enterprises. Due to its complexity, it cannot be built within a single
organization, but in a close cooperation of all market entities constituting the value network, which can intervene in the process of creating this value.

Value network is based on cooperation of both external entities (suppliers, service companies, middlemen, transporters, immediate consumers, customers of these consumers to the final consumer, but also research institutes, universities, state and local government, etc.) and the various departments, divisions, sections, employees within the company. All these entities build relationships, maintaining them, and strengthening them in order to produce the highest possible value for customers so that customers repeatedly buy products from their suppliers and become loyal to their suppliers. This cooperation leads to better economic results and growth of performance of all subjects in the value network. Operational partnerships encompass a wide variety of value-creation processes, e.g. research and development, procurement, production, marketing, investment, employment, logistics, etc. [3]. For value network management, partnership's coordination mechanisms are aimed at integrating value creation processes in R&D, production, logistics, and services. They exist in the form of information sharing, collaborative operations, joint ownership of investment, among others [4], and these coordination mechanisms resemble features of vertical integration. Creation and improvement of customer value within the value network should be linked with the application of network value management and comprehension of the key drivers of customer acquisition, retention and expansion [5].

2.1 Aspects of customer value in the value network

Customer value has a number of distinctive features and aspects that need to be respected in the process of creation thereof and improvement thereof in cooperation among entities in the value network.

There is a general consensus in the literature that customer value is determined by the perception of customers, not by assumptions or intentions of suppliers [6,7]. An offer, product and services should not be defined from the manufacturer's perspective, but from that of the customer. Therefore, it is necessary to determine consumers' views on the product or service, their subjective evaluation of the offer.

Customer value is based on goals, objectives and preferences of customers affected by individual values that ultimately decide whether the results (products and services) are desirable to the customer or not. Based on their individual goals and preferences, customers evaluate the product attributes, performance attributes and consequences of the use or consumption of the product in terms of how they help (or block) achieving the customer's goals and objectives in its use [6,8]. This is the reason why the basis of value management is a thorough knowledge of and understanding of the needs and preferences of customers.

In creating customer value it is necessary to see goals and preferences of not only immediate consumers, but also their customers, to final consumers, because end users are those any business, even if indirectly, serve. It requires to recognize and understand goals and preferences of all subjects in the customer network [9].

Customers perceive the real value that they receive not only on the basis of comparison with their objectives and preferences, but also with other products on the market. Customer value and its attributes is therefore interactive and relativistic [10] and varies with the development of customers' requirements depending on changes in the environment and customer behaviour.

It is generally believed that customer value is dependent on more than one attribute [11]. These attributes are divided on the benefits (contributions) and sacrifices of the customer, where the individual contributions and sacrifices are further distributed to individual attributes of customer value [7,12,13]. To create customer value, it is useful to perceive in what dimensions customer benefits and sacrifices should be perceived.

2.2 Dimension of customer value attributes

Lostakova states that in creating customer value one should, from the material point of view, pay attention to all the components of the offer, because they all mean customer value at the same time [14]. She
divides the product into the core of the product, representing the benefits of the product, better than those provided by competitors; **tangible product** in terms of breadth and depth of the product range, quality, packaging, labelling, additional equipment, style and design of the product and complementary products; **services and operating procedures** in the form of counselling before the sale, service during the sale, after-sales service, warranty, return or exchange options, levels and forms of communication, means of distribution, payment and delivery terms, price level, possibilities of discounts, samples, etc.; **brand, image of the producer and other entities of the value networks, culture of relationships** within the value network.

Another view of the customer value dimensions offers specification of the value as a set of **tangible and intangible benefits** [15,16]. Seth further divides the set of customer value attributes into five types of customer value attributes, namely **functional**, representing **benefits** perceived by senses (attributes of the product); **social** as **benefits** associated with the image and symbolism (positive or negative) associated with integration into society; **emotional** to induce feelings or affective state (excitement, fear); **epistemic**, evoking curiosity, novelty, satisfaction and desire to know, and **contingent**, arising from a specific situation in the physical or social context [17]. All authors agree that it is in connection with the development of cooperation in value networks where the importance of intangible attributes in creating customer value grows.

For creating value within cooperation of entities in the value network, another dimension of customer value attributes is very valuable, their division into **transactional and relational benefits**. Transactional benefits have short term effects on customer relationship while relational benefits lead to repeated purchases and loyalty [18]. Relational benefits are sometimes called **strategic benefits**, since they lead to the creation of a common strategy and partnership of entities in the value network.

In order to build and improve customer value one should also think in terms of the dimension of value attributes, relating to the **benefits reflecting the degree of novelty and surprise for the customer**. The foundations of these ideas were laid by Levitt [19], who defined the level of product offering as **generic, expected, augmented and potential**.

In our opinion, when creating and improving customer value on the basis of collaboration of value network entities, one needs to think in all the above dimensions.

3. PRIMARY RESEARCH RESULTS

Primary qualitative researches, carried out in 2012 in companies across several industries, were focused among other things on detecting attributes of customer value, which lead to strengthening customer relationships and increase loyalty through the cooperation of the value network members. The research was also conducted in selected branches of the chemical industry, relating to explosives, pigments and dyes, and inorganic and organic specialties. Interviewed were heads of SBU, managers of marketing, R&D, sales, quality control, managers and engineers of production, purchasing and service. The research has shown that it is necessary to improve the mainly the following categories of benefits:

- **The overall quality and image of the company and other actors in the value network with customers**. Customers appreciate the tradition of the supply company as well as other cooperating institutions of manufacturers and providers of products, long-term positive customer experience with the company, high-tech products, high technical level of mastering of technological procedures of manufacturers, and a positive image of all partners.

- **Customer-oriented corporate culture of the company and management style**. For strengthening the relationship with customers, democratic (partnership) customer-oriented style of the company management is beneficial, a high level of mutual awareness and cooperation with internal departments in serving customers, a high degree of cooperation and interdependence of the company with all external value network entities (suppliers, distributors, service companies, etc.) in serving customers, the
company's role as an integrator of entities in the value network in serving customers, a developed system and rules for contacts with customers in the company for all departments that come into contact with customers, and a working system for processing and transmission of information from the contacts with customers to those departments of the company that need them.

- **Partnership and flexible style of customer service.** Strengthening customer relationships requires regular contacts with customers, identifying conditions for the use of products, their requirements, preferences, attitudes, clarifying changes, etc., creating personal relationships of trust with customers, negotiating further contact with the customers at every meeting to ensure continuity of contact with them, professionalism and helpfulness of staff in dealing with customers, the ability to offer comprehensive solutions to needs of consumers and adapt to customer requirements in all aspects, the speed of response, flexibility in dealing with customer requirements, speed of processing a transaction, reliability in meeting the requirements and serving customers, prompt response and resolution of customer complaints as well as systematic and regular surveys of attitudes (satisfaction, willingness to repeatedly buy and loyal) of customers.

- **Interconnection of the company with purchasers.** Very effective tools for strengthening customer relationships are measures such as the interconnection of information systems with customers, sharing customer databases of the purchaser and databases of their customer service, sharing information on the quantities of produced products and stock supplies intended for the needs of the customer, sharing functional on-line information system with customers to monitor the status of orders by all partners, sharing information on the development of the industry and business conditions in the various markets, providing customers with the know-how to increase the comfort and efficiency of the use products with them, joint research and development of products, adaptation of technologies with the customer to the parameters of products supplied by your company, joint testing of products with the customer, participation in modernization of plants of the purchaser to increase his competitiveness, participation in providing service by the customer for his purchasers, and participation in covering the costs of advertising products of the customer, or assistance in the promotion of his products with his customers.

- **Sufficient breadth of product range.** Sufficient breadth of the range of existing products, enabling the use of products in various conditions at suppliers, packaging customization, development of special types of products to meet customer needs, rate of modification of the range of manufactured products with changing requirements of customers, the ability to supply products along with complementary products necessary for the use of products.

- **Ensuring product quality.** Customer relationships can be developed also through the provision of quality raw materials as a necessary condition for producing quality products through selection of suppliers and interconnection with them, high technical level and progressiveness of products, the ability to manufacture products with the required quality parameters, monitoring compliance with the technological procedures to maintain the quality of production, capabilities to validate the level of compliance of quality parameters of products in accordance with the requirements of customers, constant level of quality parameters of products in all deliveries, quality of the documentation supplied with the products, comprehensive quality management through the certification process according to EN ISO 9000, and prompt corrective actions based on identified deficiencies in perceived product quality with customers.

- **Sufficient width of the range of services.** Customers appreciate the comprehensive provision of the product use through a comprehensive system of services such as counselling, completion of delivery of the product in one complete shipment, customs clearance, transportation of the product to the place of use, cooperation in the dosage and use of products, training of the customer's staff, etc.

- **Technical equipment enabling flexibility in serving purchasers.** Customers appreciate if manufacturers ensure flexibility of production equipment to produce products according to specific customer requirements, technical quality of production equipment to ensure the required quality
parameters of products, sufficient storage capacity to respond to customers’ special requirements or JIT deliveries, strategic distribution of warehouses near customers, equipment quality in storage areas in accordance with legislative and safety criteria, availability of suitable transport means for transporting explosives according to ADR for road, RID for rail, availability and high technical level of service facilities.

- **Special offers for purchasers.** In the chemical industry, for strengthening customer relationships, very effective are meetings of top management of the company and the line of business with top management of the purchaser’s company, meetings of technical and other personnel along with the exchange of experiences and practical examples of the use of products, training of purchaser’s staff on the latest developments in the field, organizing open house days in the company for customers, visits to plants, invitations to social events, congratulations to workers from the purchaser’s company for life events, etc.

- **Affordability.** Especially in times of recession, purchasers appreciate affordability of products compared to the competition, price differentiation according to the volume of purchases, maturities of invoices, delivery conditions, and scope of services provided.

- **Various forms of advertising, PR and sales and loyalty promotion.** Promotional activities contribute to strengthening relationships to a lesser extent, but it is useful for the company to have presentation on the web, publish articles about the company in newspapers, advertise in professional journals, publish a company newsletter on market trends and the company or send it by e-mail, hold video conferences with customers, fairs and exhibitions, offer product catalogues, send samples, gifts for the customer’s business executives, small promotional items and loyalty programs in the form of invitations to special events for loyal customers.

4. **DISCUSSION OF PRIMARY RESEARCH RESULTS AND CONCLUSION**

In creating customer value with the aim to strengthen relationships with customers and increase their loyalty, companies must rely on the overall quality and image of the company and other actors in the value network at purchasers and their tradition, because they represent concentrated positive experience promising quality and reliability in business relations. Customers also get a higher value if its business partners have a customer-oriented corporate culture in the company and the management style. They appreciate being served in a partnership and flexible style, company links with purchasers in terms of sharing information, but also collaboration in research and product development, technology upgrading and servicing downstream customers in the customer chain. They require a sufficient breadth of the product range, so that they too could be fast and flexible in meeting their customers’ needs, provision of high-quality products, advanced technical equipment allowing flexibility in serving the customers, but also comprehensive provision of the product use through a comprehensive system of services such as counselling, completion of delivery of the product in one complete shipment, customs clearance, transportation of the product to the place of use, cooperation in the dosage and use of products, staff training, etc. their emotional adherence and relations are also strengthened by special offers for the purchaser, its management and other personnel. In times of crisis, it is also affordability of products and services and various forms of advertising, PR and sales promotion and loyalty promotion that play a significant role.

In developing and improving customer value leading to the strengthening of relations with the customers, companies need to apply both tangible and intangible benefits, facilitating not only business transactions, but also strengthening relationships with customers and building their loyalty. In doing so, it is necessary to exceed their expectations and offer them new variants of products and services through a comprehensive solution to their needs. Increasingly important are intangible benefits, information and research interconnections, services, special offers and benefits arising from cooperation between entities in the value network to strengthen the position and bargaining power of purchasers in their markets, which will be reflected in the growth of their revenues, significant cost savings and increased competitiveness in the customer network to the final consumer.
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LITERATURE


