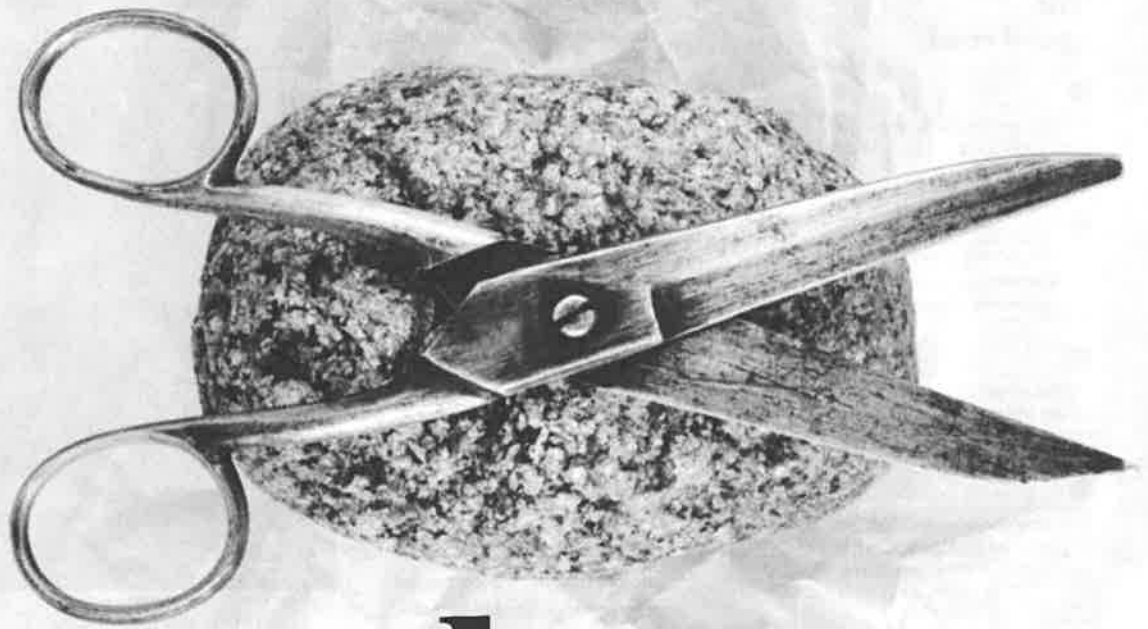




For what it's worth

WORDS: STEVE HEMSLEY

Cost, price, value – what is your product or service worth? To the customer, value is not the same as price. It fluctuates, and is often a matter of perception. A survey of leading brands and marketers highlights the changing rules of the game

For customers, quality, service, brand equity and loyalty, ethical considerations – and more – all affect the perceived worth of a product or service. Value is a complex issue – a version of the game of rock, paper, scissors, where different aspects can each trump the other at different times.

New considerations come to the fore, too. As environmental sustainability concerns increase, so do the perceived value of goods that last – whether that's supermarket bags for life, Ikea's flatpack bike with a 25-year guarantee, or electronics that eschew built-in obsolescence. Added to this, the rise in subscription services, such as Spotify, points to a world in which consumers no longer always need, physically, to own products. Experience is valued more than ownership.

Create competitive edge

Kantar Millward Brown's BrandZ study reports that today just 10 per cent of people buy on price alone, >

The speed read



In many sectors, consumer perception of value is not primarily based on price



Price becomes a determining factor when there is a lack of differentiation in brand choices



Marketers can use service, product quality and provenance to increase differentiation



Customer engagement strategies, research, and staff training, can all raise brand value for consumers

compared with 56 per cent who choose brand first. Brands must create a point of difference to achieve a competitive edge.

"There are multiple factors that contribute towards how a brand is valued by consumers," says the company's global strategy director Peter Walshe. "These include innovation, creativity, communication and brand experience." CMO of Most Marketing and CIM regional chairman Kelvin Golding says we are attracted to brands that simplify our decision-making. It is only when there is a lack of differentiation between brand choices that price becomes the determining factor. "At the heart of segmentation, targeting and positioning," he says, "is

the need to add value to the proposition so that price is not the key differentiator. An important element of strategic marketing is to create value – perceived or real – in the mind of the consumer, which accounts for a decision to choose one product or service over another."

Within the product life-cycle there are innovators and early adopters who are always seeking products or services that create a greater gap between 'total benefits' and 'total costs'.

"Consumers don't want less value, they want more," he says. "We've witnessed the rise of customer experience in marketing, and there is a renewed drive among retailers to improve the buyer experience within stores to strengthen distinction and positioning against the competition, and to add value for consumers."

"Marketing is in an ideal position to understand today's consumer, represent those requirements in products and services, and create 'cut-through'. This means that messaging must be based on insights and by using the channels the target market prefers. Marketers must know how to reach sub-segments that have the highest propensity to buy." Businesses that do not continually innovate and differentiate will not be valued and will suffer.

Understand demographic segmentation
Insights from data management company CACI show that age also changes understanding of value. Older consumers often place a higher value on quality and



customer service because they are at stages in life where they are more financially secure. They will spend their money on fewer items and choose brands they trust to deliver an expected standard of quality.

Younger consumers, however, want cheaper prices because they are less financially established – although this does depend on the sector, brand and the delivery channel – many young people are willing to pay more for quality mobile devices, for instance. They are also more likely to value disrupter brands highly. According to data from CACI, 37 per cent of consumers who say price is their top priority when shopping earn less than £20,000 a year, while among those placing quality as most important, only five per cent are students.

Track retail trends

In the retail environment, where price is traditionally a weapon of choice, especially in the grocery sector, discounters such as Aldi and Lidl have grabbed market share in recent years. Yet there is a shift here, too.

According to Shoppercentric's Shopper Stock Take index, customer service is becoming more important to shoppers when choosing which supermarket to visit. The online survey claims service now narrowly beats price by 50 per cent to 49 per cent. Fifty-four per cent of shoppers also seek good quality fresh produce.

Other well-known retail brands have also noticed a change in consumer attitudes to the meaning of value. At luxury department store Harvey Nichols, creative and marketing director Shadi Halliwell says for those





consumers less interested in price, it is more about authenticity, craftsmanship and provenance when choosing brands.

"Customers want their money to go as far as possible and look for additional attributes," she says. "Customers are less spontaneous and are approaching shopping in a more considered way. They want to buy less but buy better."



"CUSTOMERS ARE LESS SPONTANEOUS AND ARE APPROACHING SHOPPING IN A MORE CONSIDERED WAY"

SHADI HALLIWELL, CREATIVE AND MARKETING DIRECTOR, HARVEY NICHOLS

To future-proof its brand relationship with customers, Harvey Nichols launched a loyalty app, Rewards by Harvey Nichols, which offered customers 'experiences' such as cocktails, dining experiences and beauty treatments, rather than cash rewards.

Adding value

Amanda Phillips, Jaguar Land Rover's general manager, demand creation (global marketing), explains how this plays out in the automotive sector. "Consumers value car brands because they trust the vehicle will take them safely from A to B," she says. But



as customers may only purchase a car every few years, they need to be certain in the choice they make. To meet these needs, predict future needs, and remain relevant, Jaguar Land Rover uses apps to notify buyers when a service is due, and to give useful information such as local weather conditions and how these might affect driving conditions. It's not just about driving the car it's about driving customer engagement.

Kirsty Saddler, brand and marketing director at Leon Restaurants, says that when it comes to eating out, quality of service, as well as food, drives sales: "These two factors create a sense of satisfaction and of money well spent," she says. "A bad meal or careless service won't be excused just because it didn't cost much."

Leon undertakes research throughout the year, with customer discussion groups, club members, and



Service and quality can be bigger drivers of sales than price

within its restaurants, to discover why people visit its restaurants. Saddler says that staff training is vital to woo diners who link value to service: "We train the team to prepare food as if they were going to serve it to their own family, and to welcome every customer as if they had just got off a plane from Australia," she says.

Authenticity, experience, customer service... these factors combine to create a complex picture the true value of a company's offering, and it's one in which the meaning of value is mutable. Most of all, customers desire brands whose values match their own -- it requires innovation and creativity to win their loyalty. ✓

Catalyst



