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Understanding Customer Values

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Abstract
Value is the assessment of all that a customer gets in return for he gives in an exchange. The customer however invests time, efforts and money in his relationship with the bank. The customer therefore expects convenience, efficiency and courtesy when he transacts. In return, sometimes he does not get them as per his expectations and at times it matches and at times it exceeds expectations. The assessment builds up over time as he gets to know what standards of service he is entitled to, what his options are and what customers of other banks pay for.
The customer buys and considers value, is decisive and is never a product only. It is utility of a product. Quantifying value is difficult and is relative only.
Value is customer-specific because customers differ value they place on different benefits of an offering. The same product and service will not be the same for different customers in terms of value.
While functional value- the value of a product's features and functions- is important, it is only one of three dimensions of value. Customers also consider emotional value-the psychological benefits that they get from buying, using and owning products and customers evaluate the economic value, what the product or service benefits are worth in terms of time and money.
Value is a trade-off between the total benefits that customers get against the total costs they incur. So there are two ways of increasing customer value; increase the benefits on offer or reduce the customer's costs.
Out value propositions are trust and transparency carry low importance in customers' choice of a Banks. Therefore understanding the customers values in providing best of service must match or exceed the expectations in terms of sacrifice or price he pays for the service.

Keywords: psychological, customer value

Introduction
Successful customer relationships are built on the bedrock of superior customer value. To attract and retain most important customers, one must have understanding what they care about and what value propositions will appeal to them. While value is an overused buzzword, we rarely pause to reflect if we really understand what value is.

What is value?
The dictionary defines value as: Worth in usefulness or importance to the possessor. As this definition suggests, value is the assessment of all that you get in return for all that you give in an exchange.
For example, when a customer opens a savings bank account with us he is advised that he should maintain a minimum balance of Rs.1000/- or else he will have to pay service charge of Rs. 55 ever quarter; he can use only 50 cheques leaves per half year, anything in excess he will have to pay Rs. 15/- per transaction; he will have to pay Rs. 2/- for every MICR cheque leaf and so on. What is the value that the customer expects to get in return for agreeing to pay all these charges? When a customer buys say, a new BMW car, he / she gets a certain leave of performance, comfort, safety and entertainment benefits from the car. And he / she gets a certain level of performance, comfort, safety and entertainment benefits from the car, and he / she gets the social status of belonging to an exclusive club of BMW owners. The assessment of value in exchange for cost in a service relationship is difficult. There is no social status or exclusivity associated with being an account holder in a public sector bank. The customer however invests time, efforts and money in his relationship with the bank. The charges to the customer for the service are well defined and readily assessable. He therefore expects convenience, efficiency and courtesy when he transacts. Does he get them as per his expectations? The assessment builds up over time as he gets to know what standards of service he is entitled to, what his options are and what customers of other banks pay for and get. There are seven fundamental lessons on customer value for orga nisations.

Value is Customer-Defined
Business doesn’t define value. The customers do. As Peter Drucker, the patriarch of management theory, notes, "What the business thinks it produces is not of first "What the business thinks it produces is not or first import5ance... what the customer thinks he is buying, what he considers value is decisive. And what the customer buys and considers value, is decisive. And what the customer buys and considers value is never a product. It is always utility, that is, what a product does for him.
So the first lesson on value is that what business sell (products

and services) are not what customers buy (utility and value). So advertising campaigns are never about products and services. The overarching emphasis is on value and convenience. Recurring deposits were hugely popular once because the value in such deposits - building up margins for a big buy or a car loan or even a housing loan - was easily conveyed and understood. But today the same value in recurring deposits is no longer there - as retail lending has become the mainstay of banks, the customer has enough options to meet his margins also.

Value is Opaque

If value is define by customers, one needs to get inside the hearts and minds of customers to really understand value. Quantifying value is difficult because we don't understand customers, customers don't understand themselves and we do9n't spe4ak the same languages that customers speak. Customers don't always understand their own motives and cannot always articulate their needs.

To make value transparent, we must realize that we are not the customer. The first principle of customer research is: I have met the customer and him or she is not me! Then develop empathy with customers by walking in their shoes and feeling their pain: understanding their hopes, fears, problems and ambitions.

Value is Contextual

Value is customer- specific because customers differ in who they are, what outcomes they seek, and therefore what value they place on different benefits of an offering. For example, a mother choosing a digital camera to take pictures of her children may value ease of sue and convenience in a camera. While a professional photographer may emphasize image quality, resolution, and advanced controls. Hence, the expression different strokes for different folks. This is the essence of customer segmentation- identifying groups of customers who have similar needs and priorities who therefore will tend to respond similarly.

Financial services is one sector where customer segmentation and sub-segmentation are very visible. Retail loans targeted as specific segments like teachers. Doctors, students, pensioners etc. There is further segmentation in student loans- scholar schemes for students of prestigious institutes. Credit cards are co-branded with airlines to attract frequent fillers, with malls to target shoppers etc. Schemes have to convey value to the segments being addressed. If the scholar scheme is no different from a regular education loan, there is no value in exclusively and the students may as well prefer a regular loan scheme from any bank.

Value is Multidimensional

A common myth in marketing is that customers choose products purely based on superior features and functions. While functional value- the value of a product's features and functions- is important, it is only one of three dimensions of value. Besides functional value, customers also consider emotional value- the psychological benefits that they get from buying, using and owning products and customers evaluate the economic value, what the product or service benefits are worth in terms of time and money. To think holistically about customer value, on must think in all three dimensions: functional, economic and emotional.

Functional value is an important starting point, but the functional value needs to be translated in to economic value. And further beyond to development of emotional appeals that are far more sustainable.

Value is a trade-off

Value is defined as the perceived worth of something in relation to the total cost that customers pay for it. This definition underscores the fact that value is a trade-off between the total benefits that customers get against the total costs they incur. So there are two ways of increasing customer value; increase the benefits on offer or reduce the customer's costs.

That raises an interesting issue - what is the trade off when a service is offered free? There are costs involved in providing every service. So every free offer has fine print that customers are not made aware f but they come to know eventually. Customers with bitter experiences will say that the tradeoff is trust and transparency by the service provider.

To make an accurate value trade-off, one must make sure that customers are seeing the full picture on the benefits as well as the costs.

Value is Relative

Customers always evaluate value relative to available alternatives, particularly the next-best alternative-call this alternative the customer's best available substitute or equivalent (BASE). The BASE is the solution that customers will choose if they decide not to avail the service we provide. Customers always have a Base, even if we think we have no viable competitors. If we don't know our BASE, we cannot know the frame of reference customers use top take decisions.

So whenever we think about value we need to understand who or what we are up against, because this is the frame of reference hat our customers use to evaluate our value proposition. By understanding competing alternatives, we will also be able to focus on points of differentiation relative to competing alternatives and ignore points or parity that clutter and dilute our value proposition.

Banking is one sector that provides customers with plenty of BASEs. The struggle to retain customers is intense as all banks offer almost identical products and competitive rates. Out value propositions that competitors cannot match for present are network and arguably, trust and transparency. But how important are these values for customers say, in comparison to good customer service at branches? As surveys show, they are low in importance in customers' choice of a Bank or difference among banks are too small to be of significance, there may not be much competitive advantage in highlighting them.

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