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Winning Contribution

**Creating Consumer Value
Through Customer Delight**

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Nowadays one prerequisite for companies' success is to keep their customers satisfied by providing more value and fulfilling their needs better than the company's competitors can. Category management (CM) is said to be the key for companies, both retailers and suppliers, in grocery retailing enabling improvement in consumer value.

Even though the theory of category management states that CM should affect positively customers' shopping experiences and delivered value, only a few studies have been carried out on this matter. For example a study (Cottrell 1995) made in the USA indicates that customers do not necessarily benefit from CM as supposed. Also in Finland there have been carried out some studies on the effects of CM on customer satisfaction. However, these studies (e.g Pöllänen & Tynkkynen 1998) are based on management interviews and they do not really have the consumer oriented approach.

Based on this lacking information about the connection between category management and consumer value it became important to study this matter within the Finnish retailing environment as well. Therefore, the goal of this article is to describe how CM affects customers' shopping experiences and delivered consumer value, and this time the study was made by asking consumers themselves. This article asks also the question whether only fulfilling customer's basic needs and expectations is enough in order to provide consumer value, or are retailers and suppliers required to do more to deliver true value.

This article is based on a master's thesis (Effects Of Category Management On Customer Satisfaction – Case Ciders And Detergents) made in The Helsinki School of Economics. The objective of the study was to examine how CM affects customers' shopping experiences, consumer value and satisfaction.

What is consumer value?

Term consumer/customer value appears often in the theory of customer satisfaction and category management. Besides keeping customers satisfied, delivering superior value to them is one essential key point for companies in order to succeed in today's highly competitive markets. From the literature it can be found many slightly different definitions for consumer value. For example Porter (1985) says that value delivered to company's customers is measured by how much customers are willing to pay for the company's products and services. On the other hand, for example ECR Europe (1999) as well as Kotler and Armstrong (1997) define consumer value as products ability to fulfill customers' needs. Kotler and Armstrong add that more precisely defined consumer value is the difference between the benefits customers get from owning and using a product and the costs associated with acquiring a product.

Even though these definitions of consumer value are slightly different from each other, they have two very significant similarities. Firstly, consumer value is always associated with trade done by customer. In other words, what customers are willing to pay and what they receive in return for the costs (money, time, effort etc) invested. Secondly, consumer value is often defined as an ability to fulfill needs, and therefore it's very close to customer satisfaction.

Instead of studying value provided by one product, in this article it is more meaningful to concentrate on value provided by a single grocery store. Therefore based on the findings mentioned above about customer value in the marketing theory, here value provided by a single grocery store is defined as a difference between the store's ability to fulfill customers' needs and expectations associated with grocery shopping and the costs customers relate to grocery shopping. The key point is to include also time and effort spent in the store to the costs.

Customer delight

Customer delight is widely used in the literature of customer satisfaction, and due to the similarity of the terms consumer value and satisfaction, customer delight is very practicable when thinking about generating consumer value through category management. Nowadays it has been said (e.g Oliver et al 1997) that only meeting customer's needs is not enough in order to improve customer loyalty and succeed in the highly competitive market. Instead companies should aim at delighting

customers. Customers are delighted when they feel that the product/service not only fulfills their needs and expectations, but also gives them unexpected value. In other words, customers can be delighted when they get more than they expected before hand (Chandler 1989, ref. Oliver 1997).

In this study delighting customers means that when shopping in the grocery store customers will find all the products they are looking for, but also they find their shopping trip more convenient or faster etc. than they expected before going to the store.

Category management as provider of consumer value

In this article CM is defined as a distributor/supplier process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value. The benefits from CM for companies are improved business results, better relationships with suppliers/retailers and better consumer value. On the other hand, customers should benefit from CM, for example, in the form of better assortments, better product display, and a faster and more convenient shopping experience. (Joint Industry Project 1995).

According to Pöllänen and Tynkkynen (1998), CM generates some major effects on the shop floor level that are visible to customers. These are 1) more logical and clear shelf presentation, 2) assortment that better fulfills consumers' needs, 3) lower prices, 4) broadening actual choice possibilities, 5) quicker shopping within the categories and 6) improved marketing communication. However, these observations are based on the literature and interviews of the corporate management and they do not reflect the actual experiences and opinions of the consumers. Nor can it be automatically assumed that all the changes in these factors are always positive for consumers; especially concerning the improvement of assortments and shelf presentation (see Cottrell 1995).

In retailing there are two distinct opinions whether consumers should notice any changes on the shop floor due to the CM (Cottrell 1995). Others think that practice of CM should be totally invisible to consumers, in other words they should not see any changes on the shop floor level. This way retailers and suppliers would benefit from decreased costs without disturbing customers and their shopping experiences. The other opinion is that it is not any use to practice CM if it does not cause any positive changes on the shop floor. This article is in the favor of the latter; here it is assumed that well practiced CM, in order to deliver value, should cause positive changes, that are

visible to customers, on the store level, and these changes should also improve customers' shopping experiences.

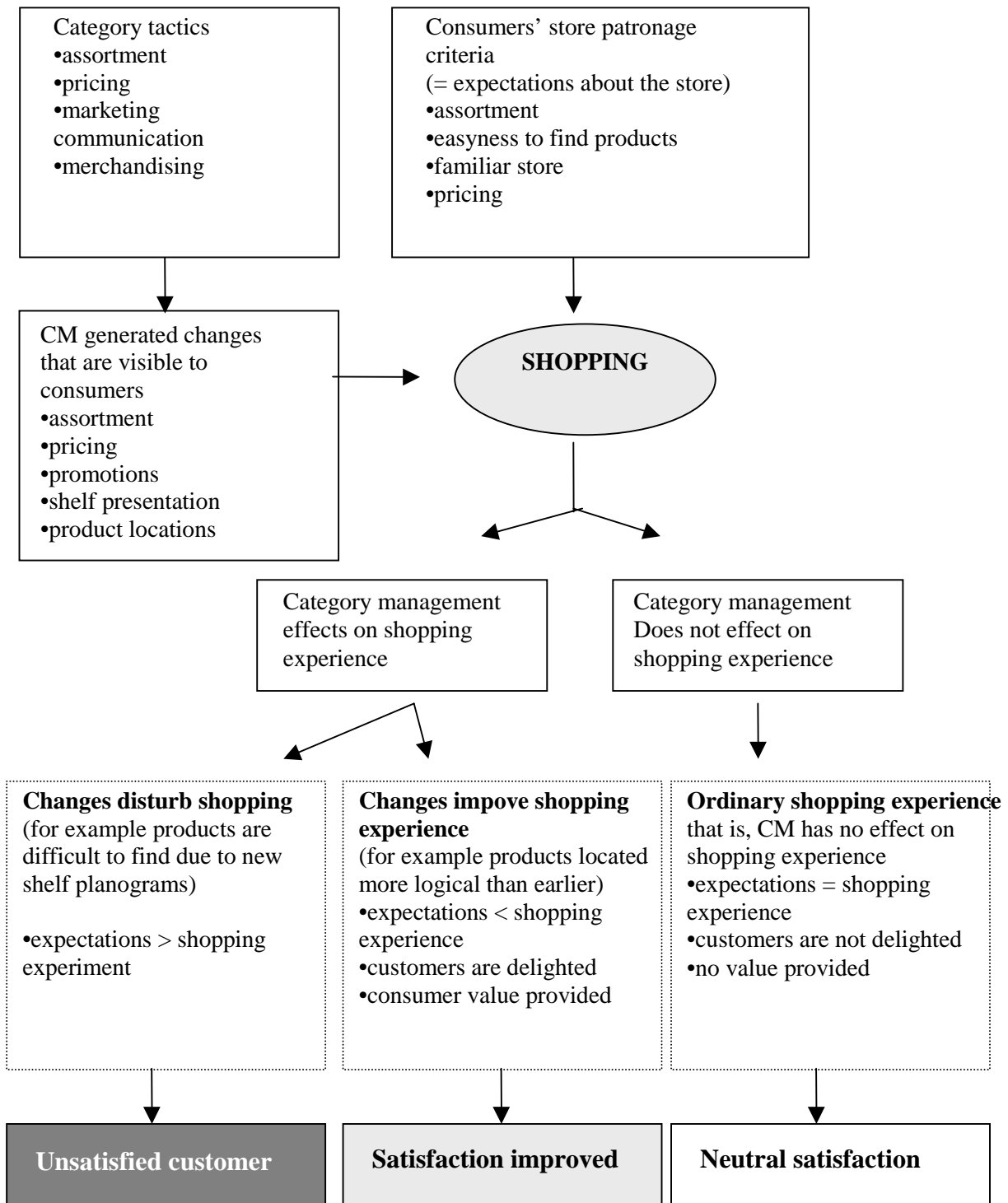
Even though the consumer oriented approach of CM is very widely discussed, it can still be quite difficult for consumers to see any changes or improvements in stores. Cottrell (1995) has studied this matter in the United States and based on his study he questions the positive effects from the consumer point of view. Without a doubt CM improves the business results of the retailers and suppliers, but whether CM has positive effects on consumers' shopping experiences is not sure. Cottrell states that consumers' shopping experiences should be efficient, enjoyable, comfortable and logical in order them to benefit from category management. However, he has found in his study that customers barely noticed any differences in the shelf presentation and its logic between two stores (other one had practiced CM and other one not). In fact, in some cases customers found shelf presentation to be more reasonable in the store that had not practiced CM.

Theoretical framework – how category management affects consumer value

The theoretical framework (see Figure 1) of this study is based on the theories of customer satisfaction, consumer behavior and category management. In the empirical part of the study the framework is tested in practice.

From the category management literature can be concluded that such CM generated changes, which are visible for customers on the shop floor level and can be said to deliver consumer value, are especially the changes in assortments, shelf presentation, promotions and location of product categories. Also pricing can be changed due to the category business process. All these factors (assortment, price, promotion and store atmosphere) influence also consumer's store patronage decision. Moreover, they affect also consumer's opinions and experiences of how convenient and efficient grocery shopping is. Therefore, category management can have a critical influence on two very important consumer's decisions; 1) do consumers decide to patronage our store and 2) are they satisfied with their shopping experience so that they will come again.

Figure 1: Theoretical framework¹



¹ Here into consumer patronage criteria are included only those that can be effected by category management

In this framework customer satisfaction is understood as a store's capability to meet customer's needs and hopes. Further it is assumed that customers compare their actual shopping experiences to the expectations they had before going to the store. In this framework consumer value provided by a single grocery store is the difference between store's ability to fulfill customers' needs associated with grocery shopping and the costs customers relate to grocery shopping.

Here it is also assumed that only fulfilling customer's needs is not enough to generate true value; offering right products at the right price is a basic requirement that customers expect to fulfill anyway. Instead, retailers and suppliers should aim to exceed customer's expectations, that is delighting customers, in order to deliver value to them. Therefore in this study it is presumed that true consumer value comes from making consumer's shopping experience more comfortable with the help of category management.

The framework raises up the question often seen in the customer satisfaction literature about the success of company's business actions, when only customer's basic needs are met, but the company does not manage to provide customers with any positive, new or unexpected experiences (=value). In other words, is category management successful in these cases, when customers do not notice any changes that improve their shopping experiences, but retailers and suppliers will achieve their goals concerning improved business results? Based on the theory of customer delight, in these cases customers would not receive any value. Or does category management have to positively surprise customers by making their shopping experiences more enjoyable and efficient? This would mean delighting customers and generating true consumer value.

Empirical work and results

This study was conducted using qualitative research method. Two different product categories (detergents and ciders) were chosen for this study. Goals and accomplished category actions for these product categories were different. Case detergents involved a standard every fourth month update, which included changes in pricing, assortment and merchandising. Goals for these actions were to maintain competitiveness and also improve sales and market share, and customers were not expected to notice any changes on the shop floor level. Case ciders included only one major change in merchandising, all the other category management tactics were left untouched. Shelf presentation for ciders was changed from the supplier (or brand) oriented presentation to organising products

into segments by flavour. The change was based on the consumer decision path and consumer research, and therefore was completely consumer oriented. Also the goals for this actions were to make shopping easier and more convenient than earlier.

The study began with interviewing two category management specialists from two different retailing group. With these interviews category objectives and actions taken were cleared up.

After this 45 customers were interviewed and observed in two different grocery stores. All interviewees were customers, who bought from the observed category during that specific shopping trip and who also had bought from the category and from that specific store quite often before. These criteria secured that all the interviewees were capable to compare category before and after the changes. Customers were questioned for example about noticing the changes and their opinions about them. Questions about purchase planning, shopping frequency etc. were collected as background information.

19 customers were interviewed about detergents. Only four interviewees had noticed some changes in the category. From these two found the changes to be neutral (in other words not improving or disturbing shopping experience) and two were pleased with the changes. Key point here is that not a single interviewee found that his/her shopping experience had become worse.

Altogether 26 customers were interviewed for the cider case. More than half of the interviewees had noticed changed shelf presentation. Excluding two of those 14 customers found the change to be positive. They said that the shelf presentations for ciders had improved; it was now more logical and products were easier to find, and also it looked better than before. These results from the cider case correspond very well to the objectives of changing shelf presentations.

Conclusions and discussion

The goal of this study was to examine the effects of category management on consumers' shopping experiences and delivered value. In order to produce this work's theoretical framework theories about category management, customer satisfaction and consumer value were studied. Theoretical framework is a model of the connection between category tactics, customer value and satisfaction. In the framework it is assumed that a grocery store should offer its customers more than only right

products at the right price in order to deliver consumer value. Further it was assumed that increase in customer satisfaction requires improvement in consumer value. Consumer value is strongly related to category management, because CM, when being well carried out, should provide value to customers. Furthermore, one essential goal of CM is to improve customer satisfaction. Theory states that category management should be completely customer-oriented way of doing business. However, some criticism has been presented about how much consumers really benefit from category management.

This study aimed at providing an answer to the question how category management affects customers' shopping experiences, delivered value and satisfaction. First, based on the theory created, a framework was produced for the study and then it was tested in two real life category management projects. Data for the study was collected by doing two CM specialist interviews and by interviewing 45 customers in two grocery stores. Besides interviewing customers, also their behavior in the aisle was observed.

Empirical study indicates that CM can affect positively consumer's shopping experience when it comes to a remarkable change (case ciders); for example changing shelf presentation to correspond with consumer's decision path. In the cider case shelf presentation was changed from brand (manufacturer) oriented towards presentation that reflects consumer's decision making. Interviews clearly showed that in the case described above customers found the changed product category to be more logical and shopping to be easier than before the change. Based on this it can be assumed that customers felt they were provided extra value, because their shopping experiences had improved.

In the detergent case, which involved a regular update done every fourth month with only some "fine tuning" in the category tactics, customers did not notice any changes that would have improved their shopping experiences. Consequently it can be supposed that no value was delivered to customers and satisfaction did not improve. However, this does not mean that the update would have failed. All interviewees found the products they were looking for, and thus the store fulfilled their basic needs. Based on the theoretical framework customer satisfaction can be assumed to have maintained neutral. Furthermore, it's not reasonable to make major changes e.g. to shelf presentation three times a year, because that would only confuse customers and make their product search in the store difficult.

Based on these two cases it can be assumed that more likely category management delivers value to consumers when customers are delighted inside the store for example by improving their shopping experiences. Offering the products customers want will guarantee a so called basic satisfaction, but only delighting customers in the store will provide true value.

It should be pointed out that based on the definition of consumer value (ability to fulfill customer's needs) in both cases value was delivered to customers, because they found the products they were looking for. However, results indicate that in the cider case customers found their shopping experiences improved and were more satisfied than interviewees of the detergent case. Thus in the cider case customers were expected to get more value. Consequently it is worth giving a thought for separating neutral value (neutral satisfaction) from true value (delighting customers). Moreover, in order for consumer value to become a clear objective, it should be related to only those situations when customers are delighted and they are provided with better shopping experiences than before.

Doing category management is not a separate process from everyday work in retailing, but basically it is connected to every decision every day concerning assortments, pricing, merchandising and promotions. This feature made applying of the study's theoretical framework to practice bit problematic, because in the framework it is assumed that CM tactics produce always some major changes on the shop floor level. Anyhow, this is not the reality, because in most of the cases in Finland category management is related to the every fourth month process of updating CM tactics. These updates include only minor changes in the tactics and customers are not even expected to notice them in the store. This means that update is not bad or unsuccessful if changes are invisible to customers.

Otherwise theoretical framework was quite adaptable into practice. That is, category management can be expected to deliver consumer value when customers are delighted and value is not provided when shopping experience matches with expectations or changes disturb customer's shopping experience.

Based on this study it could be recommended that consumer value should be connected more strongly to delighting customers (for example by providing unexpected and improved shopping experiences) than fulfilling their needs. Today retailers have besides private labels only few ways to differentiate from competitors. One of these ways is how the products are sold and the overall shopping environment. The importance of shopping environment and experiences grow further

when foreign retailers, like hard discounter Lidl, are establishing their activities in Finland. Most likely also Lidl is able to meet consumers' expectations about right products at the right price as well as Finnish retailers. Thus one remarkable source of consumer value and competitive advantage is the store itself and the convenient shopping atmosphere. The same can be applied to the competitiveness of traditional retailers against grocery shopping via Internet. Only based on these reasons it is important to present also shopping experience as a provider of consumer value and satisfaction.

Consumers are also becoming more sophisticated day by day and it takes more to fulfill their needs and provide value and satisfaction. Companies should aim at recovering consumers' hidden and subconscious needs or exceeding the existing ones. The study also proved that interviewees found shelf presentation, which reflects their decision path, logical and easy to shop.

This study has brought up some themes to be further examined. One of them is to study further consumer value in the retailing environment and especially to create ways to measure and estimate it. The other is to create a model how category management generated value and/or satisfaction can be linked with estimating the successfulness of CM. That includes creating concrete measures and key figures. The last topic is consumer delight: how can a consumer be delighted and how would it affect customer loyalty and store patronage decision.

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