



VALUE EXCHANGE MODEL

RESUMEN

El intercambio de valor es no sólo un modelo de negocios, sino también un modelo social de comportamiento. Los consumidores podrían tener diferentes necesidades que no se limitan a productos tangibles, sino que también están asociadas a la obtención y uso de los productos.

Se suele decir que en administración el valor está referido sólo a la productividad o a una forma de satisfacer a los consumidores eficientemente. Sin embargo, qué significa valor para los consumidores? Cómo pueden los encargados de mercadeo desarrollar procesos para mejorar los procesos de intercambio de valor? Para comprender estos temas, en este artículo se analiza el concepto de valor desde dos perspectivas: procesos de mercadeo y consumidores.

Este artículo intenta proveer un mejor entendimiento del modelo de intercambio de valor, así como analizar el concepto desde varias perspectivas.



Palabras claves: Modelo de intercambio de valor, mercadeo, comportamiento del consumidor, necesidades, gerencia de valor.

ABSTRACT

Value-exchange is not just a business model but also a societal model of behaviour. Consumers may have different needs and wants that are not only limited on tangible products but also it is about the experience of getting or using products and services.

One says that in management real, value is just about productivity or a form of satisfying consumers efficiently. However, what does value mean for consumers? How marketers can improve process with companies to enhance the exchange value processes? To understand these issues we analyze in this paper the value concept from two perspectives: marketing processes and consumers.

This paper intends to provide a better understanding of the value-exchange model, its evolution and current status, as well as examining the concept from several perspectives.

Key words: Value Exchange model, marketing, consumer behavior, needs, value management.

1. INTRODUCTION

Basically, marketing is a value-based concept; which forces modern marketers to employ value-exchange models. Value exchange involves understanding consumer's social values not just in terms of product's competitive attributes such as price, quality or performance. Furthermore, value exchange model can be defined as the system of all dyadic value exchanges; including economical, social, political, psychological, and all other values. As a result, understanding, creating, communicating and delivering become key elements to develop a value exchange process.

2. VALUE EXCHANGE MODEL

Firstly, to understand the consumer needs and wants, Kotler (2003) believes that values are a set of benefits that satisfy customers' needs. Furthermore, Maholtra (2002) divides value into instrumental values that lead to desire states such as self-confidence, accomplishment, and terminal values such as comfortable life, peaceful world, and happiness.

Secondly, the effort of creating value involves the whole company and its orientation. In Kotler (2003), Porter explains that value

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combines support activities and primary activities within the company. Thus, Vandenbosch et al. (2002) assures that organizational structures should be rethought to build a customer-value oriented company; which is an essential tool to distinct itself from the competition in order to compete effectively in increasingly competitive business environment.

In 1998, Fullerton assured that management should not think of itself as in the production era; instead, as provider of customer satisfaction. Gronroos (1994) explains that this can be achieved by adding features such as quality and attached services that are able to build a value ladder. These added values generate strong bonds to maintain the life-term value exchange from business to business, customer to business, and business to customer.

Thirdly, Kotler (2003) suggests that a competitive advantage in the supply chain is crucial in order to be successful in delivering this value. To achieve this competitive advantage, it is logical to argue that a good value-delivery network combined by both suppliers and distributors are required. This network is also essential in maintaining the customer value exchange perception efficiently.

Finally, Kotler also claims that in communicating this value, it is more than just a matter of advertising and the sales force or a mixture of both elements; which means more emphasis has to be placed in the customers' value perception created by the product or service that includes:

1. Product performance
2. Distribution channels
3. Product quality
4. Customer support
5. Other softer attributes or tangibles assets.

3. EVOLUTION OF VALUE EXCHANGE CONCEPT

In Scott (2003), it is mentioned that Karl Marx believes that all goods and services have both value and exchange value; which can be defined as the amount of labour power required in the production of any product. This definition was coined within capitalism framework as a value system that produces goods and services to a self-consumed demand. This system exists when there is human activity involves in production and demand of any commodity. Consequently, the concept of exchange emerges when the surpluses of the value system are switched for other representation of value to the counterpart (profitability). As a result, this production for exchange has become a priority and plays a substantial role in the pre-industrial era and the creations of the market. Hence, the added labour force into a product and the surpluses of this value system are essential to understand the present value concept.

In 1998, Fullerton explains that capitalism production era is characterised by strong demand of undifferentiated products from the market. However, this is no longer the case; because nowadays, value is considered as an interaction between customer and product; which defines an experience.

In other words, value is not just the product itself but a buying and consumption experience. In short, companies not just add value when producing a product but also when succeeds in satisfying consumer's needs before, during and after the buying experience. It is concluded that the evolution of value concept has evolved from offer a tangible product to improve consumer's experience.



4. VALUE AS A SOCIETAL MODEL

4.1. PERCEIVED CONSPICUOUS VALUE

“Man” said Aristotle “is a social animal.” Thus, based on Aristotle’s argument, it is logical that every individual wants to be recognised by the society and, at the same time, also has to live in accordance with the community’s expectations.

Since human live in a materialistic society, one may spend a substantial amount of money just to show his economic level to others in the society. “Conspicuous consumption is undertaken in order to enhance one’s position in society, by signalling wealth, public demonstration and communicating affluence to others” (Trigg, 2001). Therefore, marketers view perceived conspicuous value in consumer mind as the most important factor in determining consumer behaviour.

Perceived conspicuous value is not only applied to the rich but to all social classes. “Each social class tries to emulate the consumption behaviour of the class above it, to such an extent that even the poor people are subject to pressures to engage in conspicuous consumption” (O’Cass and Frost, 2002). For instance, in Chinese traditional culture, there is an expectation for someone to meet others’ expectations to maintain his ‘reputation’ or ‘prestige’. Since impressing others is of particular importance, there is a positive valuation placed on conspicuous consumption. For example, cigarette is used as a mean of demonstrating success and social class in the Chinese society; which makes highly-priced foreign cigarettes able to compete competitively against the low-priced local ones.

Status-conscious consumers are usually affected by their conspicuous value perception, and easily influenced “by status brand’s symbolic characteristics, by feelings evoked by the brand and by the degree of congruency between

the brand-user’s self-image and the brand’s image” (O’Cass and Frost, 2002); therefore, in their perception, using premium products identifies an up-market position in the status stratum.

People using the limited edition designer perfume is usually perceived as high in status, therefore they can easily grab the public attention and generate the worship of others. So the value of a brand or service can be demonstrated through association. The exclusive designer perfume commands an extremely high price relative to similar products, which results in a transfer of high social status symbolism, and social status demonstration is a dimension of conspicuous consumption, therefore the exclusivity of the designer perfume has been utilized by users to conspicuously demonstrate their distinctive self- image and high social class.

Each individual is unique in terms of conspicuous value perception, however, every individual engages in conspicuous consumption; which inspires marketers to best utilise favourable brand association elements to appeal to status-conscious consumers and develop conspicuous status value within their brand. Knowing that consumers are driven by the desire to own and show off status brands, marketers would benefit from instilling the core brand associations to promote conspicuous status behaviour. Communication efforts should accentuate value-expressive appeals and concepts, such as status, luxury and prestige; rather than merely focusing on the brand’s physical functions. Through creating a distinct brand image that aligns with consumer’s self-image and need for conspicuousness, marketers can apply value-exchange model into practices in an effective and efficient manner.

4.2. PERCEIVED UNIQUE VALUE

Consumers’ need for uniqueness goes back to the individuals’ perception of value relative to other

people that can be obtained through acquisition, utilisation, and disposition of consumer goods, with an aim of building, rising, and enhancing personal and social identity or status.

In trying to understand customers' perception of a product's unique value, individuals acquire and display material possessions and participate in consumer experiences for the purpose of developing a self-image as one who is different from others. Some consumer groups feel that they are losing their sense of uniqueness since there are many other people also have the possession of their so-called "special commodity", such a niche seeking customer always tries to move away from norm or common responses to secure and maintain their uniqueness over-time, which is known as 'counterconformity.'

A research done by Tepper (1997) concluded that customers have three different forms of responses of counterconformity, such as: "creative choice, unpopular choice, and minority choice." Creative choice means that those niche seeking consumers may consider a product as 'acceptable' if it is original, novel, and unique from choices made by others; whereas the 'unpopular choice' is exactly the opposite view from the creative one, which is by selecting a product that is usually considered as 'unacceptable' by a wide number of other consumers and hence is rarely chosen. 'Minority choice', the niche-seeking consumers could select products that are considered as 'acceptable' or 'good', that maybe selected by other consumers, but not owned by the group.

If one tries to relate these theories the case of people willing to pay \$1/4 million just to play a round of golf with Tiger Woods, the majority of people in this world will agree that such an expense is illogical, irrational, or to put it in harsher words, crazy and idiotic. However, for some extremely wealthy Tiger Wood's fans, paying such an amount is considered as normal, logical, and worthy; because they value the moment of playing together with their idol is

a lot higher than the amount of funds they had spent; in fact, they may perceive the game as an 'invaluable' experience.

4.3. PERCEIVED SOCIAL VALUE

The concept of social value can be taken from sociological and psychological texts concerning human behaviour, as individuals, or in groups; which defines it as a normal behaviour for a society or group and is shared broadly across groups of people and consumers who emphasise more on their appearances (Vignem et al, 1998, Smith, 1975). Social values that consumers perceive are usually influenced by families, peer groups, religions, ethnic backgrounds, education and work habits and so on playing important roles in determining an individual's brand preference; which in turn will reflect others' perception about that individual personality (Petrof, Elie and Vlahopoulos, 1982, Ringold, 1998). This psychological factor triggers oneself to engage in the purchase of premium products as a status embellishment, or as an expression of self-identity and social position.

One of the popular ways in realising one social value is by donation; but not every charity has a good cause. Some donation activities are actually for the purposes of establishing a particular high social prestige. For example, a multimillionaire celebrity like Michael Schumacher has donated about \$6 million of his fortune to various children support schemes in developing countries in Eastern Europe and South America. With his annual income of \$140million, his donation amount is of no significance; however, he has received praises from almost everyone; which creates an extremely good publicity that places him high in the order of the society.

4.4. THE HEDONIC EFFECT: PERCEIVED EMOTIONAL VALUE.

Emotion is about the hedonic or other emotional values of a product or service (Chaudhuri, 2002).



The word hedonic is derived from a Greek word, 'hedone', which means pleasure, enjoyment or delight (Shaughnessy and Shaughnessy, 2002). The emotional responses of consumption, such as sensory pleasure, aesthetic appeals, have been said to influence brand perceptions and purchase behaviour (Hirschman and Holbrook, 1982). Chaudhuri (2002) agrees that hedonic products and services, which benefits are intangible, are related to a greater emotional consumption experiences. For example, besides functional benefits, exclusive designer perfumes or luxury cars generate a great deal of pleasure.

Consumers are emotional animals and emotions are turned on by just about anything that concerns us. In modern day society, the ethic of hard work is being replaced by the fun ethic that seeks and prefers pleasure; which structures one's life (Shaughnessy, 2002). In relation to the purchase of an expensive designer perfume, Vigneron and Johnson (1999) mentioned that an individual who places personal values highly are unlikely to be concerned by price, since a hedonist individual is triggered by his own emotion. O' Cass and Frost (2002) studied that status-conscious consumers are likely to be attracted by a brand's intangible benefits, such as the brand image, the emotions evoked by the brand, and the image congruency between the user and the brand.

A luxury product is a very useful tool in providing satisfactory emotional values; reflected in the example of luxury car market which for quite sometime has been moving towards emotive approach to answer the emotional needs of their customers. Marketers try to provide emotional values to car driver, such as fun and passion (Gelsi, 1997), but not functional elements, which are initially considered as actual value of the products. The perceived emotional value is the extra value that hedonist like to pay for a luxury car. A good example is the slogan of BMW-"sheer driving pleasure", which has been employed for many years (Vigneron and John-

son, 1999). Pleasure-seeking driver are more likely to enjoy the emotional driving experience and less concern about the price.

4.5. PERCEIVED QUALITY VALUE

In product and service, quality consists of several features, such as: future expectations, price, solution delivery method, serviceability, durability, performance, features, reliability and conformance of specifications (Danny, 1999). Therefore, quality concept is viewed as an integrated system composed by the manufacturing processes, customer satisfaction and consistency in the value-added activities; which requires organisations to configure the philosophy of the total quality management (TQM). Jackson (1998) concludes that the quality concept is a relevant factor in marketing oriented business and differentiates the product from the rivals.

Danny et al (1999) argues that marketers need to combine three key elements that are related to one another and considered as parts of quality value, i.e. price, function and received quality. The first element, price, it is fundamental part in customer decision making, since customer usually assesses a product quality by considering prices of similar products and its relevance in measuring the value offered.

Functions are to fulfil the customer's needs and wants based on quality consistence of the process involve in manufacturing the goods and services offered. To manage the perceived value must be coordinate the image and advertising of the brand name. This is the case of customer groups that can be identified as a high consumer who require strict performance and they assumed quality as a normal part of the product or service. Also, there are costumers who are not interested on overdesign or recognise brands assume that the level of quality is not as high as the expensive one, to exemplify, the expectation of BMW driver and Renault drives, both expect quality but the BMW driver expect

much more quality based on brand equity of the brand and price associate to it. However, there are cases at which the quality can be not modify own to the consumer attitude. This the case of quality sensitivity consumer to whom quality play an important role as in the recording data market at which consumer avoid to purchase cheap diskette as not to take the risk to lose sensitive information.

5. CONCLUSION

Value exchange is based on consumers' needs and wants. Different consumers may have different needs and wants; they also perceive different values from products and services as they belong to any given society.

To satisfying societal exchange value process, marketing managers should develop a model to understand ones societal value system using new methods and techniques to better understand value for consumers, create productively what they need and want, make them perceive societal values in brands personalities when considering the brand and satisfying properly value prepositions.

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