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# The Value Proposition Concept in Marketing: How Customers Perceive the Value Delivered by Firms – A Study of Customer Perspectives on Supermarkets in Southampton in the United Kingdom

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## Abstract

Loyal customers are the key factor of success in all organizations. They spend money, they recommend to others and they repeat buy from the same organization, as long as it delivers consistent value. Creating and delivering value where it is needed is not an easy job for a marketing planner. This study seeks to provide strong understanding of the concept of the value proposition from the academic perspective, as regards the actual understanding of what customers perceive about the organizations. This study took place in Southampton in the United Kingdom, on customers of four main supermarkets to identify the way they shop, the value they seek and the value they actually obtain from each supermarket. The method used for this study was qualitative with a use of mini-depth interviews as the approach of collecting and analyzing the data.

The results indicated that the value proposition is a widely used concept, but there is no specific definition of it. Value can be created through more than one element, such as price, quality and location. Companies therefore are responsible for setting the value they seek to deliver based on their strategies and their shareholders' values. They are responsible for communicating them and managing the change occurring in the market. Marketing provides marketing strategies and tactics that are aligned with the overall strategies of the organization, to help deliver the best value to customers. Interview results showed that customers perceive different type of values mainly depends on their age, marital status, home location, and shop prices. Some supermarkets communicate their values clearly and some do not. Some of them provide more than one element of value and others tend to focus on just one, such as Waitrose focusing on quality.

The findings provided some strategic recommendations on both sides to help improve the value proposition to end customers. This includes corporate and marketing strategic considerations and the need to identify and fulfill customers' expectations. Creating competitive advantage will finally lead to customers' loyalty and generate profits.

**Keywords:** Marketing, Value proposition, Supermarkets, United Kingdom

## 1. Introduction

Creating and delivering the value proposition are critical issues that marketing planners should consider in planning strategies. These days, a high level of competition and rapid changes in the market and technology make it complex for a company to sustain momentum without focusing on deliver the value that customers require. Value propositions vary across industries and across different market segments within an industry (Kaplan & Norton 1996). Capon and Hulbert (2007) linked the success of firms in the marketplace to the value provided to customers. They introduced a principle of customer value, with customer insights driving the company's marketing activities. Customer value should also drive investment and production decisions, because customers perceive value on the benefits of the product or service they receive. Consequently, as the environment changes, and the customer experience and their needs change, the value they seek also changes. Therefore, most companies – especially leader companies – invest more money in marketing research to gain

deep customer insights, in order that they can shape their development plans with deep understanding of the market based on recent history, which is at the “heart of positioning”. Capon and Hulbert (2007: 251) state that a clear and effective value proposition should be the basis of a firm’s functional, psychological and economic value, with related benefits. It shows how to “gain customers and beat competitors”.

Organizations are successful when customers buy and repeat buy from them. Buying behaviours and motivations are extremely different between one and another customer. Some customers seek quality, others prefer quantity, some like a high level of service, and others desire to do things by themselves. Organizations compete in order to attract more customers to purchase and repurchase. They provide different types of marketing activity related to their strategy to satisfy customers and to provide the value expected by their customers. On the other hand, customers perceive the value provided by organizations differently. This variation occurs due to the different needs for each customer. Osterwalder and Pigneur (2003) stated that “Modeling and mapping value propositions helps better understanding of the value a company wants to offer its customers and makes it communicable between various stakeholders”. In this study the researcher investigates how customers perceive the value delivered by the firms with special reference to supermarkets in Southampton in United Kingdom.

## 2. Research Objectives

This research has three main objectives:

- to explore how customers perceive value in general and in each particular supermarket,
- to determine any variations in perceptions of values by customers, and
- to provide empirical evidence of these variations, as seen by customers in the four supermarkets.

## 3. The Literature Review

The literature review presents previous ideas, definitions and criteria concerning the value proposition concept in general and its relation with marketing. It also lists the four supermarkets that the research was based on, recognizing their history, offerings, coverage, and mainly the strategic value they seek to deliver to end customers. The purposes of a literature review in qualitative research, as listed by Creswell (2003) are:

- 1) It alerts the reader to any previous studies that has been done on the same topic and the results of those studies.
- 2) It relates a study to a larger ongoing dialogue in the literature about a topic.
- 3) It determines gaps in previous studies.
- 4) A review of the literature provides an outline to determine the relevance of the study as well as a standard of comparison between the results of another study with the finding of a current study.

The literature review in this study has been divided into two sections. The first defines the concepts and characteristics of marketing. The second examines the variation in the four supermarkets, namely Asda, Tesco, Sainsbury’s and Waitrose.

### 3.1 The Value Proposition

Many definitions of the value proposition concept have been made, and the concept is widely used. A value proposition is an explicit promise made by a company to its customers that it will deliver a particular bundle of value creating benefits (Buttle, 2009). In other words, “the value proposition is a written statement focusing all the organization’s market activities onto customer critical elements that create a significant differential within the customer’s decision process, to prefer and/or purchase the organization’s offering over a competitor’s” (Fifield, 2007: 443). Lanning (1998: 55) defines the value proposition as an entire set of experiences, including value for money that an organization brings to customers. Customers may perceive this set or combination of experiences to be “superior, equal or inferior to alternatives”.

According to Anderson, Narus and Rossum (2006) there are three kinds of value proposition. Involving all benefits, favourable points of difference and resonating focus. All benefits are a complete list of positive features that a supplier believes its offerings might deliver to end customers as a result of good knowledge about the customers and the competitors. Favourable points of difference are the factors that distinguish the supplier’s offerings among the next alternatives. To achieve that, detailed knowledge about the next best competitor(s) is required in order to shape the company’s strategy. The resonating focus approach differs in two respects: more is not always better and it is better to focus on one or two key points to deliver to the target customer. Suppliers in this approach must identify the elements that make their offer superior in order to demonstrate, document and communicate them clearly to the targeted customers. Further illustration of the three types, what they consist of,

each one's requirements and how they meet customers' demands is available in Appendix A.

### 3.2 Perspectives

According to Martinez, to gain the best combination of value, there should be a link between two perspectives of value. These perspectives are:

- 1) Internal Value: i.e. shareholders perspectives, where value is profit. Good corporate value is expressed in the mission, vision statements and objectives.
- 2) External Value: i.e. the customer perspective, where value is their satisfaction.

Customers define value in different ways, according to product features. Therefore, a balanced relationship must be clear between the positive and the negative consequences. Positive consequences are the benefits that customers get following the negative ones, which are sacrifices that include monetary and non-monetary costs. A value proposition has measures that differ from the traditional measure of value (internally oriented view), seeing the business instead from a customer perspective (externally oriented view) (Bititci, Martinez, Albores and Parung, 2004).

According to Tuominen (2004), "competitive advantage and superior value flow from whatever unique ability a firm has to shape, reshape, configure and reconfigure those assets to serve customer needs". A case in point is Wal-Mart, the biggest retail company in the world. Despite the economic recession suffered in the United States, and expectations of unprecedented economic contraction, Wal-Mart recorded the highest sales figures in history during the last quarter of 2008. This record is a result of customers' perceptions that they do not believe that someone else can provide the same value that Wal-Mart offers, whether this value is about price, convenience (easy to find or free delivery), range of products or promotions.

Lanning (1998) stated that a superior value proposition offers breadth of resulting experiences, which may make an improvement over other scenarios of experiences. Neither internally-driven nor customer-propelled methods work well in discovering these scenarios. Managers must think like customers and listen to them. Michael Porter's original competitive advantage framework presented strategy decisions as a choice between whether to provide generic low-cost products and services or more differentiated and customized ones for specific market and customer segments to create and deliver the value proposition (Kaplan & Norton, 2008). Kaplan and Norton (2006) realized that customer synergies arise when retail companies consistently deliver the same value proposition across a geographically dispersed network of retail outlets, as McDonald's have done for example. When investigating the value proposition, there should be some visible signs on customers' perceived value terms. According to Ravald and Gronroos (1996), customer perceived value is the trade-off between perceived benefits and perceived sacrifice (Kar, 2006). Perceived sacrifice involves all of the activities of purchasing, comparing prices, transportation and installations. Perceived benefits are the physical and technical features of the product. That means that adding more benefits and reducing sacrifices may increase customer perceived value.

Fifield stated that "A successfully tested and proven value proposition is essential to a successfully differentiated business" (Fifield, 2007: 438). As the value proposition can improve the efficiency and effectiveness of the internal process of a particular product or service, the results would be many more retained customers and cost reduction, which finally lead to satisfied shareholders, profit rise and increases in market share. Kar (2006) states that "the ability of a company to provide a superior value for its customers is regarded as one of the most successful competitive strategies".

Steven (2009) states that the entire purpose of the value proposition is to focus on the sole benefit of the client. He explained why companies use the value proposition, namely to distinguish the product from competitors, to provide a better lead, to introduce the product or the service more quickly to the market and enable sales professionals to take the lead. Steven stresses that customers are the lifeblood of the organization; therefore, competitive differentiation stems from the perceived customer value, while customers desire to be with those they trust. However, Fifield points out that "customers understand value intuitively, which makes it difficult for us to measure dispassionately". In addition, he recognized two reasons that make it difficult to understand value. One is that value is usually linked with pricing issues, and that is an under-researched subject. The second reason is that the term value has different meanings for different people, and it is not easy to define and quantify.

Walker (2008) explained the primary means of creating value or being different from competitors. Companies used to focus on the actual product or service they provided. However, to create value, they should focus on the features and functionality of products or services. To identify them, they should identify the term value from the customer perspective. Several tools are used to collect information, for example, market research, customer

satisfaction surveys and customer focus groups. Walker listed five questions that an organization should clarify when establishing its value proposition. These questions are concerning who the customers are, what they are being sold, how products are differentiated from competitors', success factors, and potential for improvement. A recent study of effective management practices concluded that innovation works effectively if a clear customer value proposition is at the base of strategy. It must be sharply defined, clearly communicated and well understood by employees, customers, owners and investors (Hardy, 2005).

Organizations are free to choose the best value proposition model(s) to suit their external and internal needs. Therefore, an organization must understand how customers behave compared to when they deal with other suppliers. Consequently, organizations must gain insights into customer behaviours at particular times and locations. For an organization to be successful, its value proposition must be compelling, differentiated and clearly communicated to customers and stakeholders. However, Tuominen states that value creation alone is insufficient to achieve competitive advantage and financial success, and therefore firms that do not have the ability to restrict competitive forces are unable to appropriate the value they have created. An important point is that value proposition should be based on customer insights and knowledge rather than guesses and imagination.

#### ● **From the corporate prospective**

The mission and vision statements and the objectives help to provide value from the corporate prospective. According to Johnson, Scholes and Whittington (2008: 164) "A mission statement aims to provide employees and stakeholders with clarity about the overall purpose of the organization. It is therefore to do with building understanding and confidence about how the strategy of the organization relates to the purpose. However, a vision statement is concerned with what the organization aspires to be. Its purpose is to set out a view of the future so as to enthuse, gain commitment and stretch performance". A study shows that the stakeholder groups that the company is more dependent on are addressed in mission statements more frequently. Mission statements also clarify the legal origin, provide a profile of the industry and describe the ownership concentration. Objectives consist of lists of tasks to be achieved, for example, a desired sales or profit level, market share, and customer service. Companies must identify buying motivation factors, so that they can be formulated as strategic priorities in areas such as marketing communication, differentiation and segmentation (Rintamäki, Kuusela and Mitronen, 2007).

#### ● **From the Customer Prospective**

Customer value can be seen as a more personal and holistic view of quality. It is therefore an assessment of both the positive and negative consequences of using a product or a service (Rintamäki, Kuusela and Mitronen, 2007). Fifield (2007) listed six questions for organizations when they begin to create or deliver a value statement. These are:

- 1) Who are the target customers? Researching the target customers will clearly identify market and customer groups.
- 2) What are their needs and problems? What type of value do they seek (price, benefits, efforts, or risk) and what would be the best way to communicate the problem internally and externally?
- 3) What is the target context or occasion? That refers to customer purchasing behaviours, the time they choose to buy, the place (from where they prefer to buy) the physical location, their feelings and emotions when making buying decisions.
- 4) What will the product or service do for them? The value proposition should be used properly to interpret the offer exactly with no questions. Consequently, a customer who chooses to buy the product or the service will know exactly the features and benefits on offer.
- 5) How is your offering unique? This is somewhat dependent on the customer. The only option for the manager is to ensure that employees at operational level are doing their job perfectly. They should also understand the value proposition that an organization has promised to deliver to its customers.
- 6) Why should they prefer your offer over the competition? This is a real test, as to how customers show their preferences towards the organization and purchase its offerings. The most important part is to deliver and communicate the offer very well to the customers, so that they clearly understand its advantages.

#### **3.3 Value Creation**

Customer Value Creation (CVC) is a process introduced by Plaster and Alderman (2006) for building a profitable growth platform for an organization based on creating and delivering the expected value to customers. CVC is a "customer-centric framework for helping companies choose the best opportunities for growth by

optimizing the value creation between the enterprise and its customers” (Plaster and Alderman, 2006:1). They formulated this equation:

$$\text{CVC} = \text{Customer Value Analysis} + \text{Operational Excellence}$$

Where customer value analysis is the ability of a company to understand how value is created and captured with their customers. In other word, it defines value from customer perspectives. The operational excellence in contrast is the process(s) required by the organization in order to deliver the optimal value to its customers.

Following Osterwalder and Pigneur’s (2003) study, Fifield (2009) adopted the findings to formulate the equation below which identifies how customers see value in terms of four elements:

$$\text{Value} = \text{Benefits} - \text{Efforts} - \text{Risk} - \text{Price}$$

Where value is perceived by customers, but not just in terms of the product or the service itself. Benefits and efforts are the two elements that add more value to customers. Benefits are gained from the usage of the product and whether it provides solutions. Additional benefits increase the value. On the other hand, minimizing efforts, risk and price also have a positive impact on the value proposition. Efforts are the innovative ways that a company must introduce to make customers’ life much easier, for example, e-business, lower search, cheaper maintenance and training. Reducing customers’ risk should create value to them. This reduction can take many phases, for example price risk, such as buy-back guarantees and other financial options. Product risk, that can be reduced by representing a substantial problem to the customer, where risk is the perceived downside in time, image and peer recognition. Finally, price is the perception of a downside as regards price and opportunity cost.

### 3.4 The Value Cycle

Osterwalder and Pigneur (2003) state that the value proposition must be studied through its entire value life cycle. Value elements can be created in each of the five stages of the value life cycle. These stages are: value creation, value appropriation, value consumption, value renewal and value transfer (Appendix B).

- 1) Value creation: The traditional view of the value creation process does not allow customers to take part in feeling the value. Marketing and research and development are mainly responsible for adding value at this stage based on historic data and observations. However, these days, the customers of several companies are included in this stage. For example, Dell customers can make their own PC’s according to their needs.
- 2) Value appropriation: Value can be created in this stage by developing, improving and facilitating customers’ buying experience. This can be done in two steps, firstly improving how transactions are conducted and secondly by making customers feel fulfilled.
- 3) Value consumption: The core value proposition, at this stage customers see and feel the value through the actual use of the product or the service. At this stage value can be created through a bundle of benefits that are linked to the product or service. It can be improved through observation and resulting feedback.
- 4) Value renewal: This stage is when value expires or finishes, for example, expiry products at a supermarket or expiry of subscription to a magazine. The value can be created at this stage by adding more benefits and features to the product or the service in the renewal process. New software upgrades is a good example of this stage, as the new software gives more features and options to the users.
- 5) Value transfer: The final stage of the value life cycle is the stage when customers can no longer acquire value. However, value can be created in new channels, obtaining benefits by transferring value. An example might be selling used books at Amazon.com. Value abundance can occur at this stage, when customers need to pay for disposing their used goods, such as TVs and computers.

### 3.5 Value Status

Fifield (2009) stated that perceived value and willingness to pay are correlated. Customers are willing to pay in several circumstances, for example, when they are faced with different offers, when they are in a partnership with the supplier, when the need to buy is urgent, when there are no substitutes and when there is a high positive relationship between the value perceived and the price. Companies must choose the best pricing strategy to deliver value from both the customer and corporate perception. Capon & Hulbert (2007) introduced some factors that a firm must consider before making pricing decisions. Some of these factors are important for delivering perceived value to end customers, namely:

- 1) *Perceived substitutes*: differentiation on offers and prices compared to competitors.
- 2) *Unique value*: customers weigh the benefits and features of the product and perceive these benefits as a unique value provided only by the organization.

3) *Price/Quality*: firms must consider that customers always seek to have a positive price/quality relationship for a product to make a purchase decision.

Lanning (2000) stated five interrelated decisions that must be taken by an organization when choosing a complete value proposition, namely identifying the intended customers and what can be done for them, determining the proposition's time horizon, identifying the competitive alternatives for customers, and what results will be derived compared to alternatives. Ulrich, Zenger, and Smallwood (1999) argued for five potential value propositions, namely low cost, quality, speed, service, and innovation. Organizations must offer all of them and specialize in at least one.

Zeithaml (1988) studied three consumer defined values: (1) Low price, (2) Quality and value for money, and (3) Features. The study concluded that "perceived value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given". Some customers may see value in cheap price and others in terms of volume obtained.

### 3.6 Value Dimensions

Bititce, Martinez, Albores, and Mendible (2003) added hard and soft dimensions to value, thus creating six value propositions. The hard and soft dimensions can be both tangible and intangible. They include:

- 1) *Innovators*: companies who continually develop and improve their technology, their value proposition being that customers are usually advanced in technology.
- 2) *Brand Managers*: companies that develop a strong brand name based on certain characteristics, such as style or image. The value proposition to customers is a product that can make a customer look good or a product that sends a message about the customer's life style.
- 3) *Price Minimisers*: The value proposition here is value for money. This dimension focuses on selling the product at the most competitive price.
- 4) *Process Simplifiers*: companies provide simple and easy solutions to their customers. The value proposition is a perception that using a product or service will be more productive and less complicated for the customer.
- 5) *Technological Integrators*: companies offer specialist technological solutions to clients. Their value proposition will be about knowing customer needs and designing a product to fit them exactly, effectively and efficiently.
- 6) *Socialisers*: companies create and develop an interpersonal relationship with key customers. The value proposition is trust, interpersonal relationships and familiarity.

Lanning (2003) created a strategy framework (Appendix C) that delivers value to customers by restructuring the traditional concept of the value chain (Appendix D) which was introduced by Porter (1980). The value chain framework treated business as a product supply system, reinforcing the business internally as a customer-compelled system, while the delivery value system seeks to clarify what value proposition the organization should deliver and how the resources, products and processes must be aligned towards profitably delivering this value.

Aligning the value delivered with the business strategy is an integrated process that all functions in the organization are responsible to take part in, in order to achieve the value based on the organization's strategy. Peat (2003) introduced the process of aligning business practices with value-based pillars. He emphasized that it is not a question of the strategy that an organization chooses (low price or innovation), but the main issue to make it work is that it is sharply defined, clearly understood and well communicated to employees, customers, investors and partners. At the operational level he stresses on never disappointing customers even, if it is very difficult to please all of them. Value at the end must be aligned with customer expectations and how the company delivers value. Marketing ensures that the company is delivering exactly what customers want to buy. The process includes digging deeply and investigating the market. The job is to define the exact needs and wants of customers. New distribution channels are based on the insights that marketing provides. Creating new promotions, reliable offers, competitive prices and social responsibility are means to adding value to customers. Finally, a good value proposition must answer all questions. It needs to be clearly superior to alternatives. In addition, it should be deliverable in a relevant time frame. It must produce more revenue than cost (Lanning, 1998: 80).

The essential idea of marketing is to develop superior value to customers. According to Doyle (2004), customer value creates shareholder value. He emphasized that the marketing approach for creating customer value is based

on three principles. First, customers usually choose the best offer that delivers value to them when comparing between competing companies providing the same product or service. Secondly, customers do not look only at actual product or service, they also evaluate whether or not it suits their needs. These needs may be emotional or price related. Therefore, value is the ability to estimate what the product or service will deliver, according to the customer's exact needs. The third principle is to create a relationship and build customer loyalty in order to have customers who buy and re-buy from the company.

### *3.7 The Role of Marketing*

The marketing role in providing superior value to customers is firstly to understand their needs. Customers usually want the product that satisfies their needs. They do not buy a product for its own sake. For example, supermarket shoppers go to a shop every week to buy food to eat and survive. Marketing research is required to understand their exact needs and to satisfy them based on that. The second step is to understand and develop market-oriented production, where the production takes place according to the information gathered from customers. The process in market oriented companies (Appendix, E) starts with identifying actual and potential customer needs and wants, and based on that, looking for potential market opportunity. Then, businesses must look at the production and marketing capabilities required. The execution stage is followed by feedback from customers. According to Doyle (2004), value based marketing requires not just understanding the market, but also the competitive dimensions. This is not a role confined to the marketing department but it is integrated work that must be accomplished in conjunction with other departments to achieve competitive advantage and fulfill the value proposition. The overall business operating model must be based on value analysis and competitive analysis (Appendix, F). Doyle (2004) listed the strategies that can offer more to customers, for example product leadership, service leadership, customer intimacy and brand leadership. A winning value proposition must meet the criteria of customer benefits, uniqueness, profitability and sustainability.

### *3.8 An Overview of Supermarkets in Southampton*

This section of the literature review concentrates on the four supermarkets in Southampton where the study took place. It emphasizes the value they seek to deliver to end customers and the corporate and marketing activities introduced in order to create value to retain existing customers and attract new ones. The following is a description of each supermarket's vision, mission, strategy, social responsibilities and some marketing activities, aligned to deliver value to end customers. The information is derived from supermarket websites and from some articles. One point that needs to be considered is that these values are related to the whole company's prescript, where they are not just providing retail services, but also financial services, petrol pump services as well as selling and managing properties. In this study, an attempt has been made to look at these businesses separately in order to obtain the clear value perspective that the company seeks to deliver.

#### *3.8.1 Asda*

The company was started in 1949 by the Asquith and Stockdale families in Castleford, Yorkshire. Associated Dairies and Farm Stores Ltd. was the start point for a huge supermarket chain that has been successful over the last six decades. It became a part of Wal-Mart, the world's largest and best retailer in 1999. Asda began operating in the south of the United Kingdom in the 70's, establishing its first store in Gosport (15 miles from Southampton), then in Southampton itself and other locations in the South.

Asda supermarket is ranked second in terms of sales in the United Kingdom. The company's core value is statement communicated to customers "saving you money every day". They lately won the 12<sup>th</sup> award for the lowest priced supermarket in the United Kingdom. The company perspective is to lead the way in giving UK customers the products they want at the lowest prices and to continue to widen the gap with competitors, and this is what customers should recognize ([www.asda.co.uk](http://www.asda.co.uk)).

#### *3.8.2 Tesco*

When introducing Tesco, space should be given to mention the success of the loyalty card campaign which was awarded the UK's most successful supermarket loyalty card scheme (Thomas, 2009). One of the benefits of loyalty cards is that they give the supermarket insights into what its customers prefer to buy. Tesco designs offers and gives vouchers to customers on the basis of their previous history, so that customers receive the product that they prefer (on promotion). Tesco is the top ranking UK retailer and also the third in the world. Its website contains the world's most successful online grocery retail business ([www.tescopl.com](http://www.tescopl.com)). As stated by David Potts, the retail and logistics director, it is still important to use the statement: "every little help" providing customers with every bit of help and efforts. He explains that a small amount of work by a member of staff can translate into a great service in the end. He emphasized that this point is truer than ever before. Tesco considers



the community, the environment and social responsibilities. They have introduced many activities that should create customer lifetime loyalty, which they seek to achieve with consistency.

### 3.8.3 Sainsbury's

The company gives continuous commitment to customers and suppliers, has a strong perspectives on ethics in business, a passion for good food at a fair price and commitment to deliver value to customers. Sainsbury's have been operating for 140 years, serving customers and delivering the value they seek. The brand originally was built upon providing customers with healthy, safe, fresh and tasty food with quality at a fair price. Their market share currently is around 16 per cent and they serve more than 68 million people a month (annual report and financial statement 2009 J. Sainsbury's Plc.). Sainsbury's has belief in its statement "Our value makes us different", and that includes five aspects, namely best food and health record, sourcing with integrity, respect for the environment, making a positive difference to the community and making Sainsbury's a good place to work. These five aspects involve all responsible parties delivering value to end customers and employees, as well as social commitment and environmental support. These are in general the most important factors that deliver value and good image for an organization these days.

### 3.8.4 Waitrose

Over 100 years in operation running nearly a total of 200 stores, Waitrose, a part of the John Lewis Corporation is one of the most recognizable grocery retailers in the United Kingdom. Their business model acknowledged that they want to provide customers with the best possible shopping experience, with outstanding choice, value and polite knowledgeable and consistent service (CSR report). Early this year Waitrose was nominated top food retailer for customer service (Waitrose Press Release). Waitrose differentiate itself from others by the following factors: firstly, quality food. Waitrose established its reputation on quality and fresh food. It is committed to being a source of a quality food, which gives them the edge over all other supermarkets; secondly, partnership value: That is a result of its cooperation with John Lewis. It claims that it is not owned by shareholders but by each member working for this partnership. Thirdly, Waitrose has quality and so its prices are higher than other supermarkets, but it claims to sell "quality food, honestly priced". Finally, they seek to make the shopping much easier by providing several services, such as packing, carrying customers' shopping to their cars, free minicab phones, wheelchairs and wheel trolleys, accompanied shopping, online shopping and home delivery.

To summarize, each of the supermarkets has presented and communicated a company perspective and other factors that must deliver value to the end customers: They are similar in some of them and different in others. On the other hand, customers are not equal in value proposition. They expect, seek, and understand values and services provided differently, depending on their needs, wants and sometimes on their education level.

## 4. Methodology

### 4.1 Research Philosophy and Paradigm

The choice of a research philosophy is an early research consideration. Identifying an appropriate research philosophy is at the basis of a strategy for data collection and analytical methods. According to Burke (2007), a philosophy can be defined as the questioning of basic fundamental concepts according to a need to embrace a meaningful understanding of a particular field. Identifying a research philosophy, according to Smith (2002), allows a choice of research approach and method(s), in spite of constraints that may impinge on the research (Knox, 2004). The research philosophy considered for the present work is interpretivist, as it provides contextual depth on how customers perceive the value offered by supermarkets. Interpretivism "is an epistemology that advocates understanding of the differences between humans in their roles as social actors" (Saunders, Lewis & Thornhill, 2007: 106). Epistemology is the philosophical theory of knowledge, which concerns what constitutes acceptable knowledge in a field of study (Saunders, Lewis, & Thornhill, 2007). One of the advantages of using this philosophy, according to Hussey and Hussey (1997), is that it situates people in their social context, allowing greater opportunities to understand their perceptions on company activities. The approach demands an empathetic stance in order to gain the acceptance of participants and maximize the amount and the quality of information that can be elicited. When the philosophy has been chosen, a paradigm can subsequently be made.

There is no specific definition of a research paradigm that has gained wide acceptance, and the term is used in various ways according to the topic area. To illustrate, Saunders, Lewis and Thornhill (2007: 112) defined a research paradigm as "a way of examining social phenomena from which particular understanding of these phenomena can be gained and explanations attempted". However, Bogdan and Biklen (2007) defined the term paradigm as "a loose collection of logically related assumptions, concepts, or propositions that orient thinking and research". According to Mackenzie and Knipe (2006), interpretive approaches to research have the intention

of “understanding the world of human experience”. Researchers tend to rely upon the participants’ views of the situation being studied and recognize “the impact on the research of their own background and experiences”.

#### *4.2 Research Approach*

The approach assigned to this research is inductive, according to the nature of the results expected to gain, which will constitute feedback from customers on their value propositions from their shopping experience, specifically from marketing services and activities provided by each supermarket. The term induction has been defined by Malhorta and Briks (2006: 141) as “a form of reasoning that usually involves the inference or repeated combination of events that may be universally generalized”. According to Saunders, Lewis and Thornhill (2007), the strengths of the inductive approach are that it provides alternative explanations for events and it enables the researcher to understand how humans interpret cause and effect relationships. Thomas (2003: 2) listed three purposes underlying the development of the general inductive approach: “to condense extensive and varied raw text data into a brief summary format, to establish a clear link between the research objectives and the findings and to ensure these links are both transparent and defensible, finally, to develop a model or theory about the underlying structure of experiences or processes which are evidenced in the text”. He also emphasized that the purpose of the inductive approach is to allow the research findings to emerge out of frequent, dominant or significant themes inherent in the raw data, without the restraints imposed by structured methodologies. As a result, the inductive approach is chosen to fill a gap in knowledge about value propositions in Southampton supermarkets. The next step, after identifying an approach, is to set the research design and the strategy.

#### *4.3 Research Design and Strategy*

The research design helps to give structure to the collection and analysis of data. The design selected was of the explanatory kind, as it helps to establish causal relationships between variables (Saunders, Lewis and Thornhill, 2007: 134). According to Malhorta and Briks (2006: 58), the research design is a “framework or blueprint for conducting the marketing research project. It specifies the details of the procedures necessary for obtaining the information needed to structure or solve marketing research problems”. It will explain how value is perceived by customers in their shopping experiences. Wilson (2006) emphasizes that causal or explanatory research provides the type of evidence necessary for making inferences about relationships between variables. However, some potential errors might appear in research designs, which may be related to the sources. Firstly, random sampling errors exist because of the imperfect nature of the sample selection process. Secondly, non-sampling errors may occur, such as errors in problem definition, approach, methods of interviewing, responses, data coding and analysis (Malhorta and Briks, 2006). To overcome these errors following care was taken, first by using a random sampling method that covered a considerable area of Southampton city. Second, used very simple questions so that everyone could answer them irrespective of their level of education.

As regards the research strategy, it will have a dramatic influence on procedures in terms of collecting, coding, storing and analyzing the data. The explanatory design entails ‘how’ and ‘why’ questions, to explore the causal links between independent and dependent variables (Saunders, Lewis and Thornhill (2007). The experimental group is the customers of the supermarkets that seek to deliver value.

#### *4.4 Research Method*

A research method, as defined by Ghauri and Grønhaug (2002), is a “systematic, focused and orderly collection of data for the purpose of obtaining information from them, to solve/answer our research problems or questions”. The research method for this dissertation is qualitative. Qualitative research uses an unstructured or semi-structured approach with a small number of carefully selected individuals, and produces insights into behaviour, motivations and attitudes without necessarily quantifying them (Wilson, 2006: 105). According to Marshall and Rossman (2006), qualitative research is pragmatic, interpretive, and grounded in the lived experiences of people. It clarifies the participants’ view of the context in which they operate. The qualitative research method is chosen to gain detailed perceptions on customers’ shopping experience in supermarkets in Southampton. Other benefits of qualitative research are listed by Ghauri and Grønhaug (2002). Qualitative methods focus on understanding from the respondents’ point of view. They are subjective, oriented towards exploration and provide a holistic view. A qualitative method is preferred, because it does not rely on measurements, but upon explaining reasons behind facts. Mariampolski (2001) listed the benefits of qualitative research. It produces a deeper understanding at a high level of involvement with clients; it is easy to organize, flexible, provides greater confidentiality and raises the quality level of the research. Qualitative data are attractive for many reasons as noted by Ghauri and Grønhaug (2002). They are rich, full, down-to-earth, holistic, real, and their face validity is optimal. The next section is divided into two subsections, data collection and data analysis.

#### 4.4.1 Data Collection

The data collection methods are set to provide the answers to the research questions. Two stages were made to collect the required data. The first was to collect secondary data and the mini-depth interviews for primary data stage. The secondary data was mainly collected in the literature review. The concept of the value proposition has different definitions as well as different criteria, as identified in the literature review. The primary data “are the data originated by a researcher for the specific purpose of addressing the problem at hand” (Malhorta and Briks, 2006: 85). The technique was to conduct mini-depth interviews with supermarket shoppers in Southampton. Interviews were conducted face-to-face to gain a detailed response based on each customer’s experience. Mini-depth interviews usually last for 15-30 minutes. They were semi-structured and used non-standardised questions. To increase objectivity, Whyte (1978) suggested that a researcher should treat the interview as a sharing of insight and experiences, which may encourage the interviewee to reveal more idiosyncratic factors, such as moods and feelings (Maylor and Blackmon, 2005: 233). Responses are usually recorded with an audio-recorder, which allows the conversations to flow and be saved for future reference, such as when coding and conducting analysis. Wilson (2006: 109) listed eight key factors related to interviews, namely length of interview, information collection techniques, topic lists of questions and themes, location, which is normally the place where to conduct the research, paired interviews, such as with married couples, rapport, body language and interviewer skills. Giving respondents’ confidence can influence the success of the interviews. The disadvantages of interviews are that they can be more expensive and time-consuming at both the performing and analysis stages.

Before starting to collect data, it is necessary to develop a sampling plan. The process can be summarized in six steps, according to Wilson (2006). The first step is to define the population of interest, that is the total group of people the researcher wishes to study, in my case the population of main family supermarket shoppers in Southampton’s Asda, Tesco, Sainsbury’s and Waitrose stores. The second step is to decide whether to sample or to conduct a census. A census is when data is gained from every member of the interested population, but that was impossible in this study. The third step is to select a sampling frame, where the population of interest can be interviewed. The sampling frame was assembled from a list of places to cover as big a section as possible of Southampton. Those places were not in store as the response from store managers was too slow. Instead individuals in Bassett, Eastleigh, Portswood, Shirley and at the University of Southampton were interviewed. Step four, is to choose a sampling method which might be a probability sampling method or a non-probability sampling method. I considered for my research the simple random sampling technique under the probability sampling method. According to Saunders, Lewis and Thornhill (2007), the advantages of simple random sampling are that it is an accurate technique for sampling and the sample can be easily accessible. It may cover a significant geographical area and it is not too costly. Step five concerns the process of sampling and determining the sample size. The sample size I considered to best fit my research, available time and resources was forty respondents (ten per supermarket). However, in order to avoid bias, I increased the number to sixty to make sure that at the analysis stage I had sufficient data. Finally, the interviews were conducted with as much accuracy as possible.

There are two approaches for the interviews. The first is to ask the respondents introductory questions about age, marital status, and number of family members. These types of questions would indicate whether the interviewee fitted with the study characteristics. The main inclusion criterion in this research is for the interviewee to be the main shopper of a family. After confirming this, the interviewee was asked for the amounts spend each month in supermarkets. Customers are then asked to identify mainly what value they are looking for in a supermarket and whether they see the value as actually delivered by that supermarket. For example, questions like reasons for switching supermarket (if the customer has switched), will illustrate a new value perception by the customer or a previous impression or bad experience with a previous supermarket. Another question to ask is why the customer prefers his/her chosen supermarket above others. The answer could reveal what special services provided by the supermarket attract the customer more than the other supermarket chains in Southampton. The most important question is what are the values that a customer seeks from supermarkets in general and what values does the chosen supermarket provide. By answering this question I can compare and examine whether the same values written in the vision and mission statements are actually delivered to customers, or whether there is a lack from one side or the other in receiving the communicated values. Finally, I asked customers to rate the level of credibility for each supermarket in delivering the value that they promise to deliver, as a percentage. That would indicate whether the value is delivered perfectly or poorly or not delivered at all. Eight examples of the interviews are available in the appendices section (two respondents from each supermarket).

The data collection stage is very critical in research. It is subject to ethical and confidentiality issues. These must

be considered by a researcher in order to express confidence to the respondents, so that they act normally and without restriction. Data were stored by me personally in a secure location; interviewees were promised that there would be no revealing of names or any personal details in the report. Apart from me, only my supervisor at the University had access to the data. Ethics and risk assessment forms issued by the University of Southampton are pre-signed.

#### 4.4.2 Data Analysis

At the analysis stage, I used the inductive approach. The data display and analysis approach contains three sub-processes, as described by Miles and Huberman (1994: 11): data reduction, data display, and drawing and verifying conclusions. Data reduction is the process of summarizing the relevant data. Data display involves organizing and ordering the reduced data. Miles and Huberman present several ways of organizing data, such as in matrices, graphs, charts and networks. I made use of the network system, because it indicates relationships between variables. Malhorta and Briks (2006) added one more analysis process, called data assembly, which means “the gathering of data from a variety of disparate sources”. This may include theoretical support from secondary data, audio tape recordings and transcripts of recordings, notes taken during interviews, and suggestions from other researchers or moderators involved in the process of collecting the data. Morse (1994) found four approaches to analyzing qualitative data. The first step is to acquire a full understanding of the setting, culture and study topic before the research commences. The second is to synthesise, sift and reduce. The third is to theorise after “continual development and manipulation of malleable theoretical schemes, until the best theoretical scheme is developed (Hussey and Hussey, 1997: 257)”. The final step identified by Morse is recontextualising, and that is the process of generalization, so that the theory emerging from the study can be applied to other settings and populations (Hussey and Hussey, 1997: 256-7).

This dissertation mainly adopted the processes identified by Miles and Huberman, as the data are simple and clear and the sample is small. Whyte (1978) suggested some steps to overcome bias, namely to check whether the story seems plausible, to consider the reliability of the interviewee and to list and evaluate obvious influences for bias (such as political) (Maylor and Blackmon, 2005). At this stage a researcher’s experience plays an important role in analyzing data. It is very important to match the results and the research objectives to answer the research question(s) properly. I used Excel software to create graphs, tables and charts to present the findings and the relationships between variables.

#### 4.5 Reliability and Validity

Reliability refers to “the extent to which your data collection techniques or analysis procedures will yield consistent findings” (Saunders, Lewis and Thornhill, 2009: 156). To prove the reliability of this study, from my point of view, I could obtain the same results if the study were repeated on other occasions. One of the reliability threats may be subject or participant errors. To overcome question bias, I revised the interview questions with my supervisor and with four PhD students at the University of Southampton before the main work. I considered their comments and suggestions, but only minor changes were necessary. In addition, to overcome participant bias, I chose to meet respondents in their offices or homes, because they would be more at ease and there would be less rush.

According to Saunders, Lewis and Thornhill, (2009: 157), validity “is concerned with whether the findings are really about what they appear to be about”. In other words, “validity refers to the truth and accuracy of the representations and generalizations made by the researcher; how true the claims made in the study are or how accurate the interpretations are” (Moisander and Valtonen, 2006: 24). In this study the concept value proposition and the way that a customer perceives value are different. From my point of view, the results of the study are valid because the respondents replied with clear values about services provided by their chosen supermarkets.

### 5. Results

The results chapter of this study is divided into three parts: the first part is the general findings about the value proposition concept found for all four supermarkets. The second part is to illustrate and then discuss the findings on each supermarket with the literature review section under the value proposition concept. Finally there are recommendations from my point of view about some considerable action that might be taken by those supermarkets to deliver proper value to end customers that meet the company’s objectives and create value awareness from the customer perspective, as a result delivering profit to the organization. One point should be mentioned is that the analysis was only for the most accurate forty respondents, while the sample was 60 but I exclude twenty of them for a purpose of accuracy.

### 5.1 General Findings

This section will identify the general findings of the research in the value proposition context. That is to clarify the relationships between customers and supermarkets in Southampton in general. One important fact commonly found is that the majority of customers become more loyal when they shift supermarket for any reason. Then it became very difficult for a competitor to pull and attract loyal customers. More than 90% of the respondents have at least one loyalty in their chosen supermarket, while the other 10% do not too much care about where they shop or how much they spend.

Figure 1 identifies the major elements of the value propositions described by customers in their shopping experience. It clarifies the relationship between the number of respondents and the perceived value. The majority of customers find that the highest delivered value is store location, distance to the store, other distribution channels such as via internet delivery, available car parking and bus access. The second element is quality. A quarter of respondents mentioned quality as a value creator. Definition of quality in this study is quite general. It includes any product that differs from others in terms of better taste, more freshness and better packaging. Those are the quality characteristics stated by respondents. Third comes price. Customers value cheap prices. Seven out of forty customers saw the value on cheaper prices. Finally, elements such as loyalty card, product range and promotion was the lowest value producers from customers perspective in this study.

Table 1 details the value perceptions from the customers point of view. It shows that Asda and Tesco have more than one source of value to its customers, while Waitrose and Sainsbury's are different, and they deliver one major value basis. To illustrate, Tesco is recognised as a supermarket that is in good locations (good access to stores, internet shopping, parking and nearness), loyalty cards, quality and range of products. Therefore it is a kind of supermarket that delivers more than one attribute of value. Waitrose has only two attributes of value, namely quality, which is the major one, and location. Therefore, excluding customers who shop in a shop because of its location, Waitrose is the only one providing a quality attribute as its main value proposition.

Figure 2 clarifies in percentage terms how much respondents believe that their chosen supermarket delivers the value promised. Table 1 had previously revealed percentages. 90% of Sainsbury's respondents shop there because of its location. Tesco, Asda and Waitrose's customers have different value propositions elements, such as cheap price and quality, which gave them nearly 80% compared to Sainsbury's 72%. These answers were based on a question on the clearness of the communicated statement that each supermarket conveyed. These statements are, Asda "saving you money every day", Tesco "every little helps", Sainsbury's "Doing something different today" and Waitrose "Quality food, honestly priced".

A question was asked of all respondents at the beginning of each interview on the level of impact that supermarket location affects their decisions when selecting a supermarket to shop in. Results were that nearly one third were not affected at all by how far they live from the supermarkets. One third is sometimes affected by the location and the rest was always affected by the location. These results indicate that nearly half of the customers can make a journey of five miles or more sometimes in order to shop from the supermarket that they are loyal to and that delivers them the value proposition they seek.

### 5.2 Other Findings

- From the total of forty respondents, only one male less than 30 years old mentioned the social, community contributions and environmental awareness activities that all supermarkets are trying to deliver in order to meet expectations from customers (that they are contributing in developing the community).
- As the number of family members changed (increased or decreased), the value proposition changes as a result. Customers with children are more likely to buy at cheap prices and good offers. However, older customers mainly focus on the location rather than anything else and they prefer the closest shop to their home because they do not spend much and therefore there is no reason to go far to shop.
- Shopping online has the same impact on creating or damaging value perceptions. For example, even when people live quite far from a store, they use online shopping and they perceive the same value that they tended to perceive in in-store shopping.
- Two main factors have been mentioned by respondents as main assessment areas in a supermarket. If a supermarket fails to meet customers' expectations in these areas, then a supermarket is no longer a good supermarket. These two factors are the deli area and the bakery. The majority of respondents indicated that the range of products and the freshness of items in these departments are the most important reasons for shopping from the selected supermarket.

### 5.3 Discussion

As described in the introduction to this chapter, this section will compare and discuss the findings with the literature review part. Each supermarket is taken individually.

#### 5.3.1 Asda

The first supermarket is Asda. I made two categories of factors, the first is individual factors and the second is collective. The majority of respondents stated the value perception they had of Asda, cheap prices. Many comments were made by respondents about the cheap prices, lesser spending, and all these factors match the company's perspective that Asda seeks to deliver to its customers, mainly advertised in their slogan "saving you money everyday" or "always low prices". Respondents had other value perceptions, listed below:

- Helpful staff and good customer service: half of the respondents were concerned with these issues in shopping at Asda.
- Easy access to the store, including parking availability, location of the store and whether the bus service covers that area or not. Four out of ten saw a part of the value delivered by Asda as the ease in accessing their store.
- Range of products, which is the choices available from each product, the majority of customers saw this as one of the facts that give them the value they seek. Having many products makes them more competitive in product range and price.
- Speed at the check-out is as important as other factors. Shoppers needed to feel that their supermarket shopping journey was not lengthened by queues and delays.

There are also value perceptions of individual kinds about shopping at Asda. These include, late/early opening hours, good quality of store's private label products, including the three lines of smart price, Asda brand, and the extra special. That sort of categorization created a belief that Asda is treating its customers at their level of available budget with quality. Reliable and attractive promotions were mentioned by ten respondents as a value proposition. One gentleman saw value and was loyal to Asda because he was familiar with the store layout, he could find what he needed always in the same place, which reassured him on his journey to the supermarket. Finally, Asda sells everything from groceries, foods, house ware, electronic goods, petrol and provides services, and the value proposition is that sells all these at the most reasonable prices.

#### 5.3.2 Tesco

Considering its strategy marketing approach, Tesco's customers perceive the expected value. Tesco customers are very loyal to the brand. They see the loyalty card scheme as a main reason for them to keep shopping with that supermarket chain. Nearly all respondents mentioned the Tesco club card as a source of value to them. They appreciate the reward scheme that provides them with offers based on their shopping history and the vouchers they get each quarter of the year. They also agree on other value elements such as, range of products, local store and better quality. These three elements were almost standard answers from all Tesco customers. Seven respondents out of ten agreed on these factors. They defined the range of products as a varied selection at different prices. They saw the store as an English company and support home industries. The majority of Tesco customers defined value for money as the ratio between the price they spend and the quality they receive. They acknowledge that no one is providing the same quality as Tesco at the low prices they offer. Less than one third of respondents mentioned the stores' layout and the attractive offers. Tesco customers see offers as being reliable and attractive, and no other supermarket has the same offers.

Some particular factors were stated by a couple of respondents, namely that a recycling centre is available at some stores, there are small shops in nearly every district as well as the main super-stores, and they deliver better food in terms of freshness to online customers than other stores. Two respondents complained of a bad experience with one supermarket that delivered low quality and nearly expired items 'not as fresh as in store, however; Tesco has the best quality products and the freshest items. One respondent stated that Tesco covers all Southampton; it has everything he needs and provides him with a reward scheme as well. He said that there was no competition in his opinion.

#### 5.3.3 Sainsbury's

The main reason for selecting Sainsbury's is location. Its customers stated that it is not worth making a five mile journey when they have a shop close to home and work selling the same products at the same quality, and nearly the same prices. Customers at this supermarket prefer the easy access store and available car parks. They see its value in competitive prices, reasonably sized stores, and not being too crowded. Respondents who shop at

Sainsbury's perceive value from the product range, offers and promotions. Eighty percent of customers who prefer Sainsbury's are over forty years of age. The negative point about Sainsbury's was that no mention was made by respondents about the Nectar reward scheme provided to customers.

A particular factor was introduced by a male respondent, who was the only one to recognise Sainsbury's socially responsible activities and the environmental awareness that they promote and engage in. He emphasized that these issues must be the main value creator for all organizations these days, especially supermarkets, because, as he said, all supermarkets can deliver attractive prices and promotions but not all of them are contributing honestly in the community while this must be the most important point for the value proposition.

Sainsbury's is a huge supermarket chain that covers almost every city in the United Kingdom. They provide many services to meet customers' expectations and to add value to their shopping experience. However, this study shows that they might have failed in communicating or using the right marketing techniques to deliver the clear value elements that they strategically identified in their annual report. They must clearly communicate them and make them feasible and perceptible, so that all customers understand clearly what the exact and complete bundle of offers provided by the supermarket is.

#### 5.3.4 Waitrose

"Quality product, honestly priced" is the short expression that explains what is the core value that Waitrose provides. The majority of respondents who shop there frequently are quality seekers, as they said. They see Waitrose as a five star supermarket which creates for them an image of a high standard shopping place. Customers are from different age groups, but with small households (three or less). They agree on the elements of the value they perceived from their shopping experience.

Apart from the quality products, these elements are:

- They sell many things different that others do not.
- The stores are quiet and queuing time is not a problem.
- The ready to eat foods are fantastic, almost similar to what restaurants offer.
- The staff is helpful and well organized.
- The store's private label products have nearly the same quality as the major labels.
- Shopping online is useful and delivery is speedy.

Some particular points were made in addition to the quality and the other above mentioned factors. Customers like the product pack sizes which are suitable for smaller households. One respondent believed that it was worth spending 20% more to have this kind of product and service.

Waitrose is mainly a quality food provider; customers see and feel its value tangibly and intangibly. Based on its corporate social responsibility report, it successfully delivers the value it seeks to deliver and customers perceive the core values offered to them.

#### 5.4 Recommendations

The results of the study show some failure to some aspects of value. Consequently, customers may receive the offer they wanted to receive, but not as it should be. Companies are responsible for defining and shaping their strategic and tactical approaches in several aspects. These elements must be defined in marketing according to customer feedback. They must be communicated, promoted and advertised clearly to all customers, so that they know exactly what is the complete offer. Woodruff (1997) recommended implementing a customer value delivery strategy based on customers' value learning process. The learning process starts by developing marketing information systems to complement internal performance and operation-oriented information systems. Learning about customer value can be made through a customer value determination framework (Appendix E) which is designed to provide managers with answers to critical questions about their customers, especially about how they value the product or service that an organization offers. The process begins with what target customers value, and that includes all stages of collecting data about customers and analysing them to identify a link between product or service attributes and values. The second step is to minimize those value dimensions to what are the most important attributes required by customers and to examine the strongest and weakest position of the organization in delivering the value required by the targeted customer. Then it must answer questions about why the organization is doing poorly in delivering values, which can be learned through qualitative interviews with target customers. Apparently, companies must predict the future and shape their predictions to define what values target customers are likely to have in the future. After gathering customer value information, a process of

translating these into action is required (Appendix F). The process is simply to create a value strategy then translate strategies into internal processes, implement the value delivery strategy on customers, and track the performance of the value deliveries in an ongoing process. As a result of successful completion of these processes, companies will create clear values based on customer perceptions.

Marketing has a recognizable role in delivering value, first by researching the exact needs of customers, then by introducing a product or services that suit these needs. The second is to set the pricing strategy that delivers value from both sides, the corporate side and shareholders' value, and the customer side. Price is the most critical element of the marketing mix, because it is the only one that produces return, while all others generate costs. According to Doyle (2004), effective pricing has four underlying principles:

- It should be based on offers to customers, not on production costs.
- Pricing should be integrated with overall corporate strategies and goals.
- Pricing decisions for a firm should be based on competitors' objectives and long term strategy.
- Customers perceive value differently, therefore prices should be customized and consider those differences.

Customers pay for what creates value to them; they do not mind what was the cost of the product or service. They first consider the product or service, then they start comparing prices between competitors. They also see what is the best offer that provides economic value to them. Doyle and Stern (2006) named two advantages of customers buying products based on that: economic and psychological advantages. Marketing must differentiate the product or the service of a company from competitors; so they can set the best price based on a differential advantage.

The third role is to communicate the values, as it is not enough to have a good product or service. Doyle (2004) stated that without a decisive communications strategy competitors can catch up and usurp the brand's position in the customer's frame of mind. Spending more on advertising and communication, sales can be increased as a consequence of that loyalty and value increase. Supermarkets must use more communication channels to reach a wider number of customers when making sales promotions, regular advertising and public relations. They should invest more to communicate their social activities and the values they seek to deliver, so that regular customers can be exactly informed of what their chosen supermarket is providing.

In addition, an important strategic decision that can be introduced by marketing to create and sustain value is innovation. According to Doyle and Stern (2006: 196), innovation is "developing and delivering products or services that offer benefits that customers perceive as new and superior". Innovation must be a continuous process, because of the environmental changes that create new opportunities; firms must catch in order to create new solutions based on newly realized needs. Innovation can be done through establishing new strategic opportunities, such as expanding the current market, repositioning the business, and product development. Supermarkets can establish new distribution channels; they can also focus on private labelling, while its margin is higher than other top line products with almost the same quality. They can also put on social events, inviting families and their children to them; this is good to do especially in summer time. Doyle and Stern (2006) stress management's role in setting the objective of innovation, which is to have satisfied customers. Feedback can be obtained from customers about what they have recognised as good ideas, innovation and product development which might reflect in their shopping behaviour.

## 6. Conclusion

The concept value proposition has no specific definition, even though the term is widely used. It can be defined as the entire set of experiences that an organization brings to customers, including value for money. There are three types of value proposition, namely all benefits, favourable points of differences and resonating focus. To gain the best combination of value there must be a link between the internal perspective, which covers the shareholders' values and the external perspective represented by customers' value. Customers define value differently, depending on the product features; they balance between positive and negative consequences of product usage. Customers see value by comparing the benefits they receive with the sacrifices they perform, and that includes price, effort, and risk. Superior value can create a competitive advantage through the unique ability of a company to shape, reshape, configure and reconfigure the company's assets to serve customers' needs. In order to deliver that, managers must think like customers and listen to them. Companies must choose between providing generic low cost products or more differentiated ones for specific market segments. They must provide consistent value across all geographical networks to help sustain the value. The value proposition can improve the efficiency and effectiveness of the internal processes, resulting in more satisfied shareholders and customers.



It has been stated that one of the most successful strategies is for the organization to offer superior value. However, it is very difficult to understand value because of two reasons. First, the term is usually linked with pricing issues and second it has different meaning for different people.

Two main perspectives on value. Corporate value is found in the mission and vision statements and the company's objectives, and customer value needs to identify who they are, what their needs are, when they buy, what they buy, how frequently they buy and why do they prefer on offering among competitors'. Companies are recommended to use the customer value creation process to catch the best opportunities for growth within change in the commercial environment. This process is based on customer value analysis and operational excellence. Perceived value and willingness to pay are correlated.

The value proposition must be studied throughout the entire value life cycle, which includes the following stages of value: creation, appropriation, consumption, renewal and transfer. Companies are free to use the best framework to create and deliver their value proposition to their customers, such as a value strategy framework. In addition, the process of creating the value is integrated if it is not only a marketing role. Marketing is to provide insights on the exact needs on which to base the production process in market orientation. The more active market research and customer contact there is, the more value that the company can create. Customers want to see the source of value in their shopping; therefore it is marketing's responsibility to identify what they are seeking. Marketing has an effect on the pricing strategy, so that the company can deliver a price that is competitive and that customers can afford. Marketing helps to identify new distribution channels to make shopping easier for customers.

The research philosophy of this study was interpretivist, in that I was looking to provide contextual depth on how customers perceive the value offered by organizations. The research approach was inductive as there was a desire to understand the relationship between customers and their perception of value in their selected supermarkets. The study was about four major supermarkets in Southampton, namely Asda, Tesco, Sainsbury's and Waitrose. Data collection took two approaches, secondary and primary data collection. The secondary data collected from what had been written in the academic filed about the concept of value proposition. Primary data was collected through mini-depth interviews with a random sample of shoppers. The overall method was qualitative, because I looked for interpretations and reasons behind the shopping behaviours of shoppers in these supermarkets and why they prefer one supermarket over another.

The results indicated common findings in terms of the elements of value: location, price, quality, promotions and range of products. They also indicated that customers perceive the exact value promoted by some supermarkets, such as Asda and its prices. The results also showed some specific findings, such as that customer see value according to their product choice, not just based on what the supermarket is offering. In addition, there was no mention of other value elements, such as social activities conducted by the supermarkets.

Some recommendations have been identified from the study, which are to implement customer value, delivering strategy based on customer value learning processes to help in delivering the right value using the right resources and capabilities. In addition, companies must predict the environmental changes that often create opportunities. It is marketing's responsibility to catch opportunities according to research and identification of customers' needs. That result in creating and sustaining values delivered to end customers. Marketing should also offer strategic and tactical considerations about innovation, pricing and communication of values.

## 7. Limitations of the Research

Researcher tried to accomplish the study in the right way by following a correct and clear path that delivers reasonable and actual results at the end, but there are naturally some limitations that appear at the time of conducting any research, and during analysis of the data and results. These limitations are:

- This research followed the interpretive paradigm, and one of the disadvantages of using this paradigm, according to Kelliher (2005: 123), is that the results can often be criticized in terms of validity, reliability and the ability to generalize, referred to collectively as research legitimization. However, the results I gained at the end of my study provided me with the contextual depth which I was seeking to obtain.
- Time is always an important issue in research. This research was carried out during the summer time, when many supermarket marketing executives were on holidays, and some were not willing to offer time due to the extra workload from that. Therefore, I was not able to meet any of them to discuss the strategies and tactics they use to deliver the value to their customers. I used instead the published annual reports of each supermarket.
- This study was conducted at the time of one of the worst economic crises for a long time (the credit crunch). The economic crisis affected the entire world in the last quarter of 2008, and it is not over yet. The fact is that the

majority of customers are defining value in terms of cheaper product prices or lowest cost shopping. This is a matter of economical fact that affects the entire world, causing lack of money and job redundancies. This is an external fact that is out of control and I could not do anything to overcome customers' perceptions of this fact. It is too difficult to change the way that customers behave during economic downturn.

- Some elements of the value been explained in figure 4.1, for example: quality a term mentioned by 9 respondents from Waitrose, might affect the accuracy of the chart. However, it is a general indicator that illustrates how customers see value.
- Supermarkets do not all have the same physical departments. Some of them have food and non-food departments and others have more departments, for example, textiles and electronics. Some customers mentioned the value as finding everything under one roof and that is not the case of Waitrose for example hence they just sell food and grocery non-food products.

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Table 1. Customer value perception per respondent

| Value Perceptions | Asda | Tesco | Sainsbury's | Waitrose |
|-------------------|------|-------|-------------|----------|
| Location          | 2    | 4     | 9           | 2        |
| Loyalty card      | -    | 4     | -           | -        |
| Price             | 6    | -     | -           | -        |
| Promotion         | 1    | -     | -           | -        |
| Quality           | -    | 1     | 1           | 8        |
| Range of Product  | 1    | 1     | -           | -        |

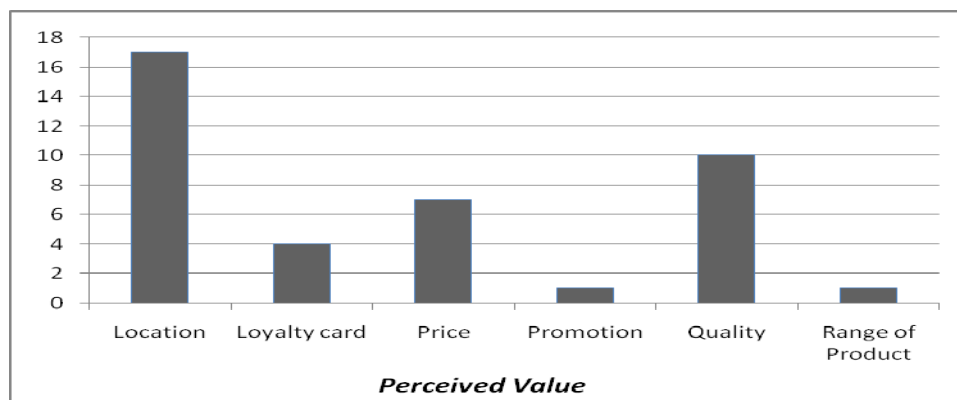


Figure 1. Type of perceived value chart



Figure 2. Customer perceived value per supermarket