Tymoteusz Doligalski

Internet-Based Customer Portfolio Building

Proceedings of the 10th International Conference Marketing Trends,
Paris, January 20th-22nd.

Warsaw, November 25, 2010
Internet-Based Customer Portfolio Building

Abstract

This paper presents a conceptual model of Internet-based customer portfolio building. The proposed model refers to the concept of value exchange between a company and a customer, as well as to the concept of delivering values to customers. The model is made up of five stages: defining, creating, communicating and delivering values, as well as generating values for a company.

Key Words


Introduction and Objectives

Contemporary companies compete in many markets. The most important of these is the market of customers. Customers provide companies with many values, among them revenues. Revenues attract participants of other markets such as shareholders, suppliers or potential employees. The area which contributes to value creation in companies migrates from fixed assets and production, to customer relationships and other market-based assets. Therefore, customers in most markets become an asset of great value to companies. Successful development of this asset through long-term and profitable customer relationships contributes to the growth of companies’ value and profits.

Changes in the theory and practice of management are accompanied by social and technological transformations. The Internet and IT have added a new dimension to customer relationships. Contrary to traditional media, the Internet has become an environment that facilitates multi-sided communication, searching for information, conducting transactions and even co-creating values. Hence, companies are able to develop to a greater extent Internet-based relationships with customers, as it allows companies to grasp such benefits as cost reduction, increasing values for customers, or the acquisition of new customers.
The combination of these two areas, customer relationships and the use of the Internet, creates a great challenge for marketers and entrepreneurs. The purpose is to create long-term and profitable customer relationships, often in markets hardly accessible through traditional channels. This challenge requires a new orientation adapted to the online environment. The experiences of companies from the period of “the Internet bubble” prove also that the question of how to develop customer relationships on the Internet should still be raised.

This paper is an attempt to answer this question by proposing a model of Internet-based customer portfolio building. The proposed model refers to many marketing concepts such as value exchange perspective, market-based assets and competences, trust building, customer portfolio segmentation and customer switching costs.

**Literature review**

The customer relationship is presented as value exchange both in classical (Bagozzi 1975, McCarthy and Brogowitz 1981), and more recent marketing approaches (Miller and Lewis 1991, Jackson 2007, Cheng 2009). In the process of value exchange companies provide customers with values, receiving in return other values from customers. The concept of “values for customers” appears in many marketing and managerial publications (Drucker 1954, Porter 1980, Payne and Holt 2001).

The concept of values for customers has been a premise for creating models of delivering values to customers (Szymura-Tyc 2005; Kordupleski and Simpson 2003; Baker 2003). The concept of creating values for customers has also been raised in Peppers’ and Roger’s publication, in which they stress the need for individualized and cooperation-based dimensions in the relationship (1997). Cooperation with customers within the process of co-creating values may be the basis for a competitive advantage (Prahalad, Ramaswamy 2004, Tapscott, Williams 2006).

Relationships with customers should be viewed from the perspective of creating values for shareholders. This position is shared by Doyle, who in *Value-based marketing* subordinates marketing efficiency to maximizing return for shareholders (2004). The approach to customer relationships as to managing company’s assets has been described by Blattberg, Getz and Thomas in *Customer Equity: Building and Managing Relationships as Valuable Assets* (2001). Gupta and Lehman in *Managing Customers as Investment* proved the relationship between customer value and corporate valuation (2005). This position finds its reflection in the fifth stage of the proposed model, which is generating values for a company.
The concept of customer portfolio relatively rarely appears in marketing literature. In the article *Customer Portfolio Management: Toward a Dynamic Theory of Exchange Relationships* Selnes and Johnson exhibit dynamics of relationships between various segments of customers and their influence on marketing efficiency (2004). Portfolio dynamics have also been investigated by Homburg et al (2009).

In the area of developing customer relationship in the online environment there is still a lack of publications explaining this process. Amit and Zott show the source of value creation in e-business (2001). Verona and Prandelli investigate affiliation and lock-in as the source of competitive advantage of Internet companies (2002).

**The concepts of value exchange and customer portfolio**

In the process of value exchange companies provide a customer with values (a set of values, composition of values), receiving in return other values from a customer. The values for customers can be differently categorized. The simplest categorization includes functional and symbolic values. Xu and Cai built an e-commerce value model based on three components: the outcome value, the process value, and the shopping enjoyment (2004). Cheng et al. while researching perceived customer values in e-commerce used a modified categorization of Sheth et al. (1991), which included functional, social, emotional and epistemic values (2008).

The author proposes the following categories of values for customers delivered in the online environment: value of purpose, convenience, individualization, communications, community and safety (Figure 1.). Value of purpose results from the company’s competence to satisfy customer needs according to his or her expectations. Value of convenience refers to the customer’s perceived easiness to initiate and continue a relationship with a company. Value of individualization describes the customer’s ability to customize the received values to his or her needs. Value of communications refers to the company’s ability to provide a customer with information, which he or she currently expects, as well as the ability to listen to a customer. Value of community is the benefit resulting from communicating or interacting in a different way with other company’s customers (e.g. users of the same product). Value of safety refers to the low level of risk related to a relationship with a company.

Viewing the value exchange from the perspective of values delivered to a company by customers, the author distinguished the values in the following dimensions: revenues; data, information and knowledge; values for another group of customers (on a multi-sided market);
contribution to co-creating a value process; word of mouth; company’s image; economies of scale; network effects.

**Fig. 1. Conceptual model of a value exchange between a customer and a company on the Internet**

- values of purpose
- values of convenience
- values of individualization
- values of communications
- values of community
- values of safety
- revenues
- data, information and knowledge
- values for another group of customers
- contribution to co-creating value process
- word of mouth
- image values
- economies of scale
- network effects

Among the most common types of value exchange the author distinguishes: initial, non-monetary and monetary. The essence of the **initial value exchange** is providing potential and current customers with information on a company and its products, trust building and enabling contact with a company. This pattern of value exchange is followed by many companies that use their websites mainly for the purpose of customer acquisition, and later develop customer relationships through traditional channels. Within the **non-monetary value exchange** the company offers customers some free values (e.g. articles, podcasts, videos) or services (e-mail, search engine, content publishing). The company displays advertisements to its users, and in consequence it is able to create value for another group of customers, who are advertisers and who provide the company with revenues. The **monetary exchange** consists of delivering values to customers, which they pay for. Companies that participate in the monetary value exchange are not only online stores, but also companies offering paid content
(e.g. newspaper archives, music files) or rendering paid services (e.g. banks, financial brokers).

A customer can be defined as a company’s stakeholder who participates in an exchange of values with a company in order to have his or her needs satisfied. Consequently, a customer may not necessarily provide a company with revenues, which is exhibited by the non-monetary value exchange.

Customer portfolio is the sum total of any given company’s relationships with its customers. Customer portfolio can be described with various variables. Probably the most important is its value, which is the discounted value of benefits, which the company may derive from it, reduced by costs related to it. The other important variable is the structure of the portfolio. The structure of the portfolio can be viewed from such perspectives as values expected from, or values delivered to, a company.

From managerial perspectives information concerning customers’ responses to company’s activities is important, such as customer satisfaction, loyalty, trust or involvement. Information on the course of relationships with customers is also important (durability, frequency of purchasing or consuming values from a company). Another important category of information is the total risks resulting from customer relationships and incurred by a company (delays in payments, higher costs, revealing confidential information).

Customer portfolio building is the total of a company’s actions aimed at increasing values derived from the portfolio and resulting in values for stakeholders. Customer portfolio building should usually guarantee diversified streams of values in the long term, as various values are necessary for different operations of a company. Revenues have an effect on profitability and liquidity and as a consequence enable companies to deliver values for other stakeholders. Customers also provide a company with data, information and knowledge, which make it possible for the company to understand better their needs and thus develop innovations aimed at increasing values for customers or decreasing company’s costs. Customers recommendations passed in informal communication (word of mouth) are also important, as well as the positive image values resulting from a better perception of a company due to providing service to a prominent customer.
The model of Internet-based customer portfolio building

The first stage in the process of customer portfolio building is defining values, when the value proposition and target group are selected (Figure 2.). The essence of the next stage, which is creating value, is to provide the company with assets, competences and other managerial solutions necessary for the offering the chosen value proposition. Communicating values is the third stage in the process of Internet-based customer portfolio building. It consists of attracting customers to the company and trust building. Delivering values is a continuous stage including customer segmentation, value exchange, involvement and loyalty building. Customer segmentation aims at distinguishing groups of customers who share common or similar characteristics and who react to the company’s actions much the same way. The value exchange is a transactional part of the relationship during which customers receive values from the company and in return deliver other values to it. Involvement building consists of increasing the scope of values which are the subject of exchange. Loyalty building is understood as increasing customer willingness to continue the relationship with the company. The final stage in the proposed model is generating value for the company, which underlines the need to create values for shareholders based on marketing activities.
Defining values

Defining values is the first stage in the process of customer portfolio building, when decisions regarding the value proposition and the target group selection are taken. The purpose of defining value is to achieve a sustainable distinctive advantage, which is described by Doyle and Stern as a “perceived difference that leads customers in the target segment to prefer one company’s offer to those of others” (2006).

In order to select a target group selection, market segmentation should first be performed. Remaining within the concept framework of the value exchange, dimensions of segmentation can be described as values expected by customers, values delivered by customers to a company and the use of the Internet. The first dimension is closely related to the customer’s needs and expectations, the second to their potential for the company. Many studies show that the use of the Internet and adoption of Internet-related services such as e-commerce or social networking is diverse within the population of Internet users (Monroe, Sinclair, Wachinger 2009, Forrester Research 2010). Therefore, the need to take into consideration this dimension also arises.
In companies that develop customer relationships through traditional channels, adding the Internet as another marketing channel usually does not exert a breakthrough influence on the target group selection. The target group is then broadened by new customers, who, due to various constraints, have not taken advantage of company’s offer through traditional channels. These new customers might not have chosen the company’s offer before due to unfavourable location, or lack of time or mobility.

Companies usually develop relationships with customers who purchase products or services and thus provide companies with revenues and other values. This is the basic model of the value exchange between companies and their customers. The target group selection becomes more complex when a company operates on a multi-sided market, and in the process of the value exchange needs two or more distinct groups of customers (Evans 2003). There are many examples of companies acting on multi-sided markets. Internet portals deliver value to both users and advertisers. Online auctions develop a relationship with both sellers and buyers. Producers of operating systems need hardware producers, software developers and final users.

In the traditional economy a common rule of the value proposition formulation is combining a price level with values for customers. According to this rule, companies offering inferior values charge customers lower prices than companies offering superior values. Hence, several strategies concerning the value proposition can be distinguished (e.g. inferior value – low prices, superior value – high prices). The application possibilities of this rule on the Internet are limited. The rule explains well the strategies of companies taking part in a monetary value exchange, such as online stores. Among them there are companies selling a product with inferior customer service and charging a low price, as well as other companies that enrich the same product with greater customer service and expect higher prices for it.

Referring values to price level may not always be used on the Internet for several reasons. In the online environment many companies offer superior customer values for free. Examples of these companies include newspapers which publish their content free of charge and companies which offer communications services on the Internet, such as e-mail or instant messaging providers. Moreover, according to Kim, on the Internet the strategy of offering superior values and charging high prices is rarely adopted (2004). In the traditional economy this strategy is most often used when marketing high quality, well-branded products to affluent customers.

The value proposition on the Internet is influenced by: product virtualization including partial or entire digitalization and product enrichment in information (Doligalski 2006);
network effect, which refers to an increase in values for a customer (utilities) when the number of other customers (users) of that product increases. (Tellis, Yin, Niraj 2009); co-creating values with customers (Prahalad, Ramaswamy 2004) and experience-based consumption (Jiang, Benbasat 2004-5). The author distinguishes strategies of the value proposition on the Internet into the following five: strategy of efficiency, free values, complete customer solutions, unique values and value co-creation. It is worth mentioning that these strategies have been formulated according to different criteria and may be merged (Doligalski 2010).

The efficiency strategy consists of offering values to customers, which are to lower their transactional and other costs, and in this way allow savings of time and money. The examples of companies adopting this strategy are online auctions. Due to supply aggregation they offer a wide range of products, which leads to lowering customer transactional costs within offer search and analyses. Many Internet companies apply the efficiency strategy while offering values related to communications. Solutions such as e-mail services, instant communicators and social networking websites also reduce the transactional costs of a customer.

The free value strategy is based on offering values to customers for which they are not charged. This strategy has been popular since the early years of commercial use of the Internet. Consequently many companies (e.g. newspapers), which usually charge customers in traditional channels, offer the same or similar values for free in the online environment, which in turn leads to problems with generating income. The strategy of free values can be a part of a broader business strategy assuming revenue generation. This can be performed twofold: revenues can be generated by another group of customers on a multi-sided market or the company can charge customers for premium values (the so called freemium strategy).

The strategy of complete customer solutions relies on offering a broad scope of values from certain categories. Internet technologies enable the presentation of a high number of products in online stores, which results from low technological constraints. Therefore, online stores often shape their offer according to the long tail rule, which assumes offering both best-sellers, as well as niche products. Moreover, many companies offer values based on economies of scope. This concept consists of offering products from different categories. An often-quoted example of a complete customer solution is Amazon.com. The company offers a wide range of products (the long tail) including niche products, and at the same time offers products from other categories such as household electronics (the economies of scope).
The next strategy formulated is **the strategy of unique values.** A company follows this strategy if it offers scarce values on the market. This situation is very attractive, as it allows companies to charge high prices and therefore take advantage of a high margin. The greatest disadvantages of this strategy are difficulties in creating scarce values and then sustaining the scarcity in long term. The adoption of the unique values strategy may result from innovations, privileged access to resources or operating in a niche.

**The strategy of value co-creation** assumes that customers actively participate in shaping the value proposition, which will be delivered to themselves or to other customers. According to Prahalad and Ramaswamy, this is the value co-creation with customers that is the essence of competition in the modern economy (2004). The scope of the strategy is broad. It includes a situation, in which a customer co-creates the composition of values with a company for him or herself. A customer may also create values orientated not at him or herself, but at other customers. In the first case, customer’s activity can be described as mass customization. According to Kleeman and Voss mass customization refers to “isolated activity of individual customers (..), not to the collective activity of many individuals” (2008). Within mass customization, the value exchange can be described as one-to-one and the participation of other customers is not required. The value co-creation orientated at other customers assumes that a customer actively participates in activities aimed at creating values for other customers. The range of these activities is also wide. They include creating and publishing content on the Internet, interaction and communication with other customers on social networking websites or software development in the Open Source movement.

**Creating Values**

The essence of creating value is the next stage in providing a company with assets, competences and other managerial solutions necessary for the offering the chosen value proposition.

Firm-specific assets are always closely related to its field of activity. Therefore, it is difficult to list the most common assets. However, one can try to list the Internet-specific assets, which are helpful or necessary in the customer portfolio building process:

- brand;
- domain;
- reputation;
- opinions of a company or its products published on blogs, chats, forums;
- hyperlinks leading to a company’s website;
informational resources created by a company or its customers;
- technological infrastructure;
- relationships with supplier;
- partnerships with other websites, portals etc.

Internet-specific assets may overlap or include some sub-assets (e.g. brand, reputation, opinions on a company). Internet-specific assets can be perceived from different perspectives such as brand equity, search engine positioning or social media marketing. From a brand equity perspective, there are assets and liabilities that add to or subtract from the value provided by a product or service (Aaker 1991). In search engine positioning, which is aimed at getting the highest position in search engines listings, other assets become crucial. They are links leading to a website, valuable domain, information resources on a website and the proper construction of a website. From the view of social media, marketing essential assets include opinion leaders who promote the company and people who join the company’s profile on a social networking website.

It is difficult to list the most common competences needed for Internet-based customer portfolio building as they are closely related to a company’s core activities. They can be categorized according to the stage of the process. Hence, the competences can be seen from the perspectives of:

- defining values – understanding customer needs and choosing the appropriate value proposition;
- creating values – acquisition of assets and competences required to offer the value proposition;
- communicating values – reaching potential customers with the proper message resulting in their visit to a company’s website, as well as trust building;
- value delivery – customer service aimed at customer satisfaction, involvement and loyalty;
- value generation for the company – ability to derive financial benefits from customer relationships.

A similar approach is shared by Zhu, who distinguished four dimensions of e-commerce capabilities (competences), which are: information, transaction, customization and back-end integration (2004). Zhu found that in companies conducting online sales, the e-
commerce competences, together with a complimentary factor which is IT intensity, positively mediate firm performance measures such as sales generation, cost reduction, asset return and inventory turnover.

Competences can be perceived also from the perspective of organizational structure. On an abstract level the competences of the Internet pure players, companies which operate only in the online environment, can be described as abilities to deliver values to customers and to satisfy their needs online. In the case of brick-and-click companies, which are multichannel players active both on the Internet and in traditional channels, an essential competence becomes the ability to manage the customer relationships through different channels. According to Lindstroem, merging different channels in the process of customer service has become a major challenge for contemporary enterprises (Lindstroem 2001).

The major assets of Amazon.com include brand, and related to it domain, technology allowing mass customization and seamless order placement, hyperlinks pointing at the company’s websites, customers who trust the company, recommend it and write reviews and the base of tens of millions of reviews written by more than five million customers (Ante 2009). Thanks to this asset, Amazon.com is not only a place where products are sold, but also where decisions on products are taken. Core competences of the company include abilities to provide customers with detailed product information, as well as the proposition of similar products to purchase, abilities to enable a seamless placement of orders, and to deliver products to customers, which requires management of sophisticated logistical processes. Thanks to these assets and competences Amazon.com was able to widen the range of products sold from books to various categories and therefore take advantage of economies of scope. Competences even on a much lower level than those of Amazon.com are not easy to build nor to acquire. This is well exhibited by the sector of Polish online groceries, some of which successfully compete on the Internet against traditional retail chains, mainly of French or German origin. The latter take advantage of their assets, such as a well-recognized and trusted brand, developed logistics infrastructure and a wide range of products. What traditional retail chains usually miss are the competences in the field of online customer service and delivery of purchased products to the customer’s location within the chosen time frame. This example shows that competences of pure players and traditional companies may be very distinct from each other.
Communicating Values

Communicating values is the third stage of the process of Internet-based customer portfolio building. It consists of attracting customers to a company and trust building. The process of attracting customers to the company is usually based on informing them of the value proposition and convincing them to visit the company’s website, or contact the company in a different way.

Within communicating values strategies of push and pull can be distinguished. The push strategy includes direct activities of a company, which are to influence potential customers to purchase a product or change the perception of a company. In the pull strategy it is the customers who initiate actions aimed at developing the relationship with a company (Kumar, Shah 2004). There is a common belief that the Internet is a pull medium. The pattern of consumer behaviour, in which customers initiate relationships by searching for information and placing enquiries etc. takes place on the Internet, however this is not the only one. While increasing the Internet’s potential as an advertising medium, resulting from the growing number of its users, development of new promotional forms, targeting possibilities and more in-depth research, the Internet offers advertisers the possibility of reaching a wide audience with their messages in the push concept.

Promotion on the Internet also allows various types of message targeting to specific groups of customers as well as minimizing contact with Internet users who do not belong to the target group. Targeting may take place by considering placement of advertisements as well as based on users’ profiles or consumer behaviour, etc.

Informal communication (word of mouth, viral marketing) plays an important role in attracting customers. This phenomenon is the exchange of information concerning companies or their products, conducted by people not related to these companies. The Internet facilitates the informal communication by enabling the finding, publishing and exchanging of information. Information itself in the online environment may be transmitted through different channels such as: blogs and microblogs, forums, social networking websites, e-mail services, online communicators, video-sharing websites etc. Informal communication is also the essence of the current trend: the popularity of social networking websites.

When developing relationships with customers in the online environment, the significance of trust increases. The high level of risk perceived by customers is typical not only for beginners, but also for advanced Internet users (Forsythe 2006; Schlosser, White, Lloyd 2006). Negligence in trust building may result in a lack of it, which is often the main reason why customers tend to withhold from placing orders online, the use of e-services or
submitting vulnerable information (Wang, Beaty, Foxx 2004). Erkki Liikanen, a member of the European Commission responsible for the Information Society, explained the role of trust in e-commerce without ambiguity saying “No trust, no transaction” (Kossecki, Świerczyńska-Kaczor 2004). Oblój and Capron showed that, as far as Internet auction are concerned “the ability of a reputable seller to command a price premium increases with the size of the reputation gap between the focal seller and its matched competitor” (Obłój, Capron 2002). Hence, the reputation, which is closely related to the concept of trust, allows selling at higher prices. Dellacoras presents the conclusions of much research, which shows that when it comes to online auctions the seller’s reputation positively mediates the price and the possibility of purchase (Dellacoras 2002).

**Delivering values**

Due to the wide scope of values that are the subject of exchange on the Internet, relationships between a company and its customers may differ from each other. Hence, the need for customer portfolio segmentation (customer profiling) arises, which allows companies to distinguish groups of customers who share similar or common characteristics and who react to company’s actions similarly.

There is a principal difference between market segmentation conducted while defining values and profiling customers. Market segmentation is aimed at the identification of groups of potential customers who the value proposition will be addressed to. Customer portfolio profiling means operational attributing current customers to segments in order to achieve better satisfaction of their needs and higher concentration on the most valuable customers. Customer portfolio segmentation has been described profoundly by many scholars (Storbacka 1997; Zeithaml, Rust, Lemon 2001; Reinartz, Kumar 2002). Customer portfolio segmentation can be based on such dimensions as values generated by customers for a company, and values expected from a company.

Value exchange is the transactional part of the relationship, during which customers receive values which are to satisfy their needs and provide companies with other values. The value exchange may take place not only on a company’s website, but also on a social networking website, an online auction, through instant communicators or e-mail.

Involvement building is understood here as an increasing in the scope of values which are the subject of exchange. Involvement building can be conducted twofold: the types of values exchanged remain the same, however the intensity of the exchange grows and the scope of values is broadened. A non-trivial task within involvement building in an online
store is convincing its visitors, of whom usually only a small fraction are buyers, to make purchases and - of smaller importance - to publish their product reviews.

The last activity within value delivery is loyalty building. Customer loyalty on the Internet is usually not mediated by loyalty programs, but by the proper satisfying of customer needs. This is confirmed by conclusions in the publication 2006 Walker Loyalty Report for Online Retail (Walker Information 2006). A few loyalty leaders among e-commerce companies from various categories were identified, which were: Amazon.com, eBay, iTunes, L.L.Bean, Lands’ End, QVC, Victoria’s Secret and Walgreens. These companies outperformed the industry average in all areas including: look and feel, being trusted and safe, ease of use, personalization, uniqueness of items, display and description of items, response time and speed of site, recommendation and reviews. The concept of customer switching costs is useful in understanding customer loyalty on the Internet. These are the real or perceived costs that have to be incurred by the customer if he or she wants to change provider and do not have to be incurred if the customer stays with the provider. These costs usually arise with the customer’s growing involvement in the process of value exchange. Consequently, of the growth of customer involvement, there is higher loyalty (Chen, Hitt 2002).

Once the value exchange takes place and companies perform their cross-selling and loyalty building activities, customers’ needs and expectations may change, hence there is a need for another segmentation of customer portfolio, which may result in attributing customers to different segments. This in turn may lead to offering them a modified composition of values.

**Value Generating for a Company**

The last stage in the model of the customer portfolio building is generating values for a company. In the initial value exchange, in which the Internet is used to start the relationship, which later develops through traditional channels, companies derive benefits from customer acquisition. The benefits may result from acquisition of customers in new markets or from higher efficiency in current markets. Due to the fact that it is the customer who initiates the relationship with the company, there is customer self-selection in regard to matching the company’s value proposition to customer needs.

In a non-monetary exchange, the company provides customers with values for which they do not have to pay. The values that customers deliver to company in return are usually appreciated by another group of customers, who are the advertisers. This model is very
common on the Internet, as many companies offer some values, such as content or services without charging the customer, for which they display advertisement. However, starting already from the 1990s this concept has been criticized for not being profitable enough, which is also raised in the current debate concerning free access to the press online.

Probably the most traditional model is based on monetary exchange. Customers pay for values received from companies. Online stores, paid databases and some e-services operate within this concept. Despite the simplicity of this model, there are many online stores in Poland which do not generate profits (Internet Standard 2009). In the case of paid e-services, the challenge becomes the ability to create such a value proposition, for which customers will be willing to pay, knowing that there are other free services available in the same category.

Independently from revenues, customer portfolio building on the Internet enables the acquisition of data, information and knowledge of customers, all of which are often difficult to achieve through other channels.

**Research and managerial implications**

The proposed model of Internet-based customer portfolio building is an integrative framework presenting the interdependence of various marketing actions orientated at the development of customer relationships. The model itself, as well as all of its stages, requires further research. The most interesting aspects – in the author’s opinion – are presented below.

What is the right approach to creating a superior value proposition on the Internet? In which regard do the online superior value propositions differ from the superior offline ones? In which way is the superior online proposition influenced by customization, network effects and digitalization?

When should customers be value co-creators? Is value co-creation a proper strategy for all companies? When do customers prefer to be co-creators and when only consumers of values?

Viewing the customer portfolio from brand and relational perspectives, which of the two interdependent assets is more important on the Internet: brand equity or customer equity? Which is more crucial in creating online brands: delivering superior values to customers or effective mass communication? Is customer equity an antecedent of brand equity in the online environment? If yes, how should it influence the marketing strategies of online companies? Compared to traditional companies, should online companies concentrate more on delivering
superior values and less on mass communication, relying more on customer acquisition through positive word of mouth communication instead?

The issue of trust building on the Internet has been thoroughly researched in literature (Bart et al. 2005; Schlosser, White, Lloyd 2006; Lee, Turban 2001). Still, some questions require more research. Which factors influence a potential customer to initiate a relationship with a company? To what degree does the successful building of trust allow an increase in prices? In other words, what are trust-price strategies?

A very common challenge in customer relationships is achieving an optimum balance between customer acquisition, cross-selling (additional selling) and loyalty building in terms of a company’s expenditures, time spent etc. (Blattberg, Getz, Thomas 2001). Internet technologies are often characterized by high fixed and low marginal costs. Hence, the question arises, how these factors influence optimum balance between customer acquisition, cross-selling and loyalty building in the online environment compared to traditional business? According to Kumar, companies should concentrate more on customer profitability than on the number of its customers or their loyalty (Kumar 2008). The suggestion is then to keep rather a smaller portfolio including the most precious customers. Does the technological environment change this and allow companies to keep a big portfolio deriving benefits also from the least profitable customers?

The marketing efficiency and shareholders perspective on the customer portfolio is also of great importance. Adopting Srivastava, Shervani and Fahey’s (1998) approach, there is a need to research how various elements of the proposed model mediate the shareholder value by accelerating and enhancing cash flows, lowering the volatility and vulnerability of them and increasing the residual value.

The measurement of the customer portfolio and customer lifetime values has been comprehensively described in literature (Berger, Nasr 1998; Bauer, Hammerschmidt and Braehler 2003). Gupta and Lehman showed even direct relationships between the value of customer relationships and the company’s valuation based on examples of Internet companies (Gupta, Lehmann 2003). Still, there is a need for more studies on the dependence between the Internet-related metrics (such as unique visitors, page views etc.) and the value of the customer portfolio. Remaining in the field of marketing efficiency, a useful tool could be metrics for assessing the activities within certain stages of the model. Such metrics could help managers in assessing their activity e.g. in the area of defining values.
Finally, another field of research could be a study examining to what extent the proposed model provides insight into the process of customer portfolio building through traditional channels.

References


