

## Customer Perceived Value Determinants in Digital Marketing - A Theoretical Approach

محددات القيمة المدركة للزبون في التسويق الرقمي "طرح نظري"

Karima ZIDANE<sup>1\*</sup>, Yacine REDJOUANI<sup>2</sup>.

<sup>1</sup> University of Blida 2 (Algeria), K.zidane@univ-blida2.dz

<sup>2</sup> University Of Bouira (Algeria), Y.redjouani@univ-bouira.dz

Received: 30/03/2023;

Accepted : 30/06/2023;

Published: 30/06/ 2023;

### Abstract:

The digital marketing era has led to a paradigm shift in the way companies create and deliver value to their customers. Customer perceived value (CPV) is a critical concept in marketing, as it plays a significant role in shaping customers' attitudes and behaviors. In this paper, we provide a theoretical approach to understanding the determinants of CPV in the digital marketing era. We review the literature on CPV and identify key determinants that are particularly relevant in the digital context, such as website perceived quality, personalized communication, customer participation and interaction. Our findings suggest that companies need to focus on delivering a seamless, personalized, and interactive digital experience to enhance CPV.

**Keywords:** Customer perceived value, Digitalization, Website quality, Personalization, interaction, customer participation.

**Jel Classification Codes:** M31, M37, L86.

ملخص:

أدى التسويق الرقمي إلى تحول نموذجي في الطريقة التي تخلق بها المؤسسات القيمة وتقدمها لعملائها. تعتبر القيمة التي يدركها الزبون مفهوما مهما في التسويق، حيث إنها تلعب دورا مهما في تشكيل مواقف الزبائن وسلوكياتهم. في هذه الورقة، نقدم نهجا نظريا لفهم محددات القيمة المدركة للزبون في ظل التسويق الرقمي حيث قمنا بمراجعة الأدبيات الخاصة بقيمة الزبون وتحديد المحددات الرئيسية ذات الصلة بشكل خاص في السياق الرقمي، مثل الجودة المدركة لموقع الويب والتواصل المخصص ومشاركة الزبائن والتفاعل؛ تشير النتائج التي توصلنا إليها إلى أن المؤسسات بحاجة إلى التركيز على تقديم تجربة رقمية سلسلة وشخصية وتفاعلية لتعزيز قيمة الزبون.

**الكلمات المفتاحية:** القيمة المدركة للزبون، الرقمنة، جودة الموقع الإلكتروني، الشخصية، التفاعل، مشاركة الزبون.

**تصنيف JEL:** M31, M37, L86

\*Corresponding author,

## Introduction:

A few years ago, the dominant concept in marketing was industrial marketing, which only focused on the transactional relationship between companies and their customers. This was particularly true in the B2B field, where the relationship ended as soon as the deal was completed. However, as time passed, service marketing emerged as a new concept. This approach emphasized the importance of companies providing additional supportive services after the sale of their main product. This led to the development of a more dimensional and communicative relationship between companies and their customers. The concept of relationship marketing then emerged, which aimed to build and strengthen the relationship between a company and its customers, as well as its overall business network. Today, companies are looking for ways to satisfy their customers and keep them loyal. In most marketing literature, customer satisfaction is measured by analyzing the gap between customer expectations and their perceptions of actual quality after consuming a product or service.

This concept has been criticized by some researchers as being somewhat limited. Today, customers evaluate products based on the benefits they receive in exchange for the sacrifices they make. This is known as the customer perceived value theory. The emergence of relationship marketing has led to the development of other elements of perceived value, which are now considered part of the perceived value of the relationship or the value of the relationship. This value is represented in everything related to the emotional bonds between the company and the customer, and it goes beyond just the product or service being offered.

With the advent of digital marketing, the relationship between companies and customers has become even stronger. This is due to the ease of communication, the ability to customize products and services, and the opportunity to interact with customers in real-time. As a result, researchers have begun exploring the changes that have occurred in the elements of customer perceived value. One important question that has emerged is: *what changes have occurred in the dimensions of customer perceived value in the era of digital platforms?*

**Research importance:** The research on the development of perceived value elements after the emergence of digital marketing, particularly digital platforms, is of significant importance. The digital era has led to a transformation in the way companies and customers interact, and it is crucial to understand how this transformation has affected the dimensions of customer perceived value. This theoretical research is particularly relevant as it focuses on the role of digital platforms in increasing benefits or reducing costs, especially those related to the value of the relationship or the emotional value. By exploring these concepts, researchers can gain a better understanding of how companies can enhance their relationships with customers in the digital age, leading to increased customer loyalty and overall business success.

**Research objectives:** The main goal of this study is to emphasize the significance of digitization in revitalizing the relationship between companies and their customers. The emergence of digital marketing and platforms has transformed the way companies and customers interact, making it easier to personalize offers, communicate effectively, and provide unique experiences to customers in the digital space. This study also aims to highlight the cost benefits associated with digitization, such as reducing customer effort and time, and replacing direct interactions with service providers with machine-based interactions. By reducing these costs, digital platforms can help to minimize conflicts between companies and customers. Overall, this research seeks to underscore the importance of digitization in improving the relationship between companies and their customers, leading to greater customer satisfaction and loyalty.

### **I- The concept of customer value and its importance:**

The concept of customer value has been a central focus of marketing research and practice for decades. According to Zeithaml, perceived value is "the customer's overall evaluation of the utility of a product based on perceptions of what is received and what is given". (Graf & Maas, 2008, p. 6) Jose Lapierre defines customer value as "the difference between perceived benefits and perceived costs" (Golik Klanac, 2013, p. 25), while Robert Woodruff sees it as "the customer's perception of what he or she wants to achieve in a specific usage situation, with the help of a product, in order to accomplish a desired purpose" (Golik Klanac, 2013, p. 25).

These varying definitions reflect the existence of several theoretical perspectives on customer value, which will be discussed in the subsequent sections.

Customer value is critical to the success of any business strategy in the 21st century. As Golik Klanac notes, customers only pay what they believe a product or service is worth, so an organization's success depends on delivering value that exceeds their expectations (McFarlane, 2013, p. 5). Providing superior customer value not only leads to higher profits and market share, but also helps organizations stand out in highly competitive markets (ART WEINSTEIN, 2012, p. 4). With the rise of digital technologies, customers have become more informed and demanding, seeking out organizations that offer maximum value and personalized experiences). In short, customer value is a critical factor in customer satisfaction, loyalty, and ultimately, business success.

### **II- Theories explaining customer value**

There are several theories that explain customer value, including the theory of benefits and sacrifices, the means-end theory, and the empirical theory. The theory of benefits and sacrifices, which is the most widely accepted theory in both business-to-business and business-to-consumer contexts, emphasizes the need to evaluate the positive and negative aspects of customer perceptions and confirms that customers look at the gains and losses when they participate in any activity. The theory considers both benefits and sacrifices as important components of customer value, and suggests that customers will choose the option that offers them the greatest net benefit. According to this theory, the customer's value perception is based on the relative importance of the benefits and sacrifices associated with the offer being evaluated.. This theory has been supported by many authors, including Zeithaml, Lapierre, Gronroos, and Kotler (Lapierre, 2019, p. 2).

However, this theory has also been criticized for arranging the characteristics of offers and the results of the customer's commitment to these offers according to benefits and sacrifices without separating these concepts, but rather integrating them. It does not help in understanding the sources of value, unlike the "means-end" theory. Despite these criticisms, the benefits and sacrifices theory is still widely used in marketing research and practice as a valuable tool for understanding customer value.

**The means-end theory**, on the other hand, has been neglected in the business-to-business context, but has been supported by pioneers such as Woodruff, Frank Huber, and Pitts Robert. This theory defines value as the customer's perceived preference and evaluation of the product's characteristics, its results upon use, and the extent to which it facilitates or hinders the customer in achieving his goals from this use. (Huber & Herrmann, A, 2001, p. 32); **Finally, the empirical theory** treats customers not only as people who have thinking, but also as people who have feelings and sensations. This theory has been criticized for limiting customer value to their experience with the company's offers and neglecting other aspects such as how the characteristics of the offer affect this value, as well as the positive and negative aspects of the offer (Sweeney, Soutar, G. N., & Johnson, L. W., 1999, p. 78).

### **III- Determinants of customer perceived value**

The explanation of these components depends on the theory of benefits and sacrifices, since it is the most used, so we will depend on the components of the value that was relied upon Kotler In his detailed explanation of perceived value, we then move on to the model he put forward Gronroos Known as the total value model.

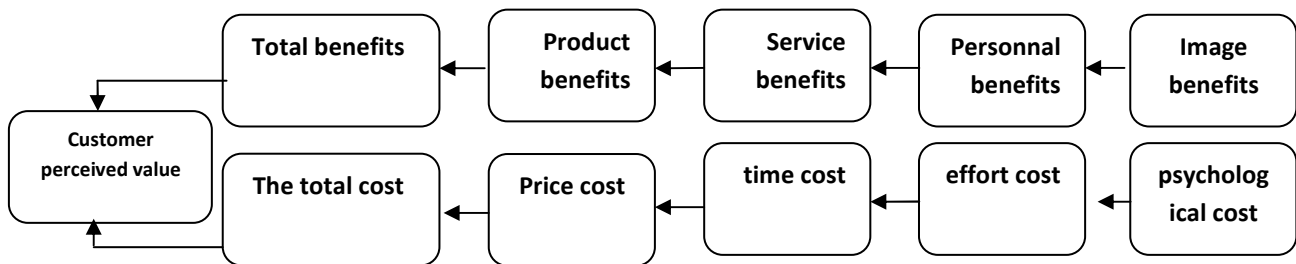
### III-1-The benefits and sacrifices model for Kotler

Kotler believes that Customer Perceived Value (CPV) is the ratio of perceived benefits to perceived sacrifices (costs). The formula for Customer Perceived Value is (Christian & Raval, 1996, p. 21):

$$\text{Customer perceived value} = \frac{\text{Total benefits}}{\text{Total sacrifices}}$$

The figure below illustrates the meaning of Customer Perceived Value. As customer satisfaction is achieved through this relationship, a company can increase customer value by increasing benefits or decreasing costs. Therefore, service quality plays a crucial role in increasing the value provided to customers and cannot be separated from it, considering that service characteristics are an integral part of the value. (Christian & Raval, 1996, p. 21)

**Figure n°1: Determinants of customer perceived value**



Source: (KOTLER & KELLER, 2014, p. 12)

Through the figure, it can be said that the customer perceived value is determined by comparing the total benefits with the total costs, where the total benefits consist of a package of economic, functional or psychological benefits that the customer obtains as a result of using the product, or dealing with the organization's personnel and its image. As for the total costs, they are the sum of the costs incurred by the customer in evaluating, obtaining, and using the product, including monetary, time, effort, and psychological costs.

### III-2-The Total value model

The Grönroos and Raval Total Value Model suggests that the relationship between the customer and the organization can have a significant impact on the perceived total value. This value cannot only be derived from basic goods and supporting services, but it must also include the effects of maintaining the relationship. They use the term "Total Episode Value," which can be described as follows (Christian & Raval, 1996, p. 23):

$$\text{Total Episode Value} = (\text{Relationship Benefits} + \text{Episode Benefits}) / (\text{Relationship Costs} + \text{Episode Costs})$$

The value of the relationship with a particular organization is perceived by the customer through three aspects:

- Reduced costs as the employees know the customer well, their needs, and preferences.

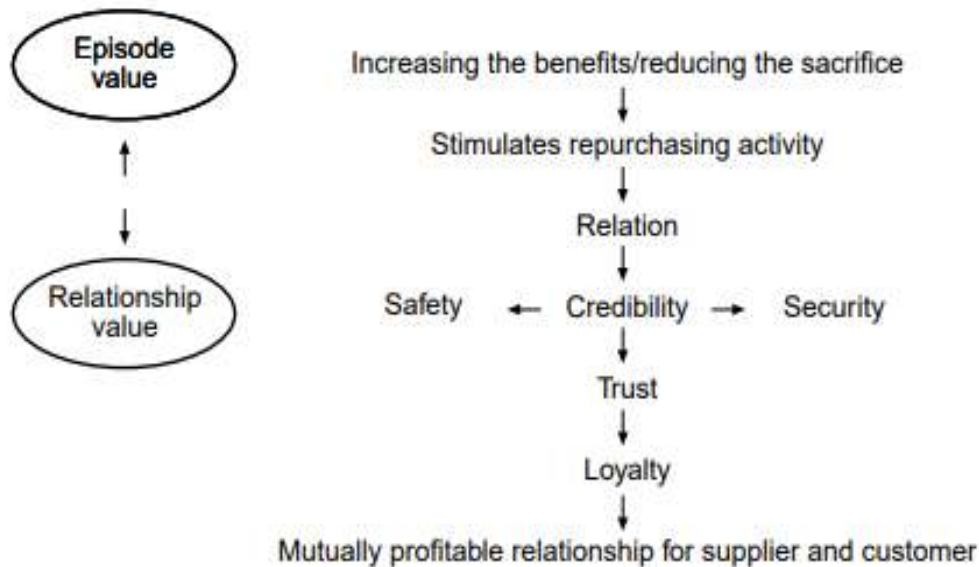
- Familiarity and effectiveness that drives the organization towards successful performance.
- Increased credibility.

Therefore, the organization should be able to maintain a good relationship with customers, which makes them tolerant at times of certain errors.

In a long-term relationship, the concept of benefit takes on a deeper meaning to include safety, credibility, security, continuity, and other qualities that work together to increase trust and encourage customer loyalty.

This can be illustrated through the following figure.

**Figure n°2: The value from a relationship marketing perspective**



**Source:** (Christian & Ravald, 1996, p. 25)

Traditional theories that describe the company's offering as a basic product supported by complementary goods and services represent a one-dimensional view of customer value, as they do not take into account the relational aspect. For example, the value of the relationship, such as mutual commitment, should be added when analyzing the offer and its impact on customer perception. The relationship itself has an impact on the perceived total value. Customer satisfaction with the company's products alone may not always be the reason for repeat purchases; it could be due to the existence of a strong relationship between the customer and the company.

The value of the relationship has become important in both B2B and B2C contexts, and the overall value can be described by the following dimensions (Hammami, Ines, & Bahia, 2012, p. 10)

- Benefits associated with the product: alternative solutions, product quality, product customization.
- Benefits associated with the service: flexibility, reliability, technical efficiency.
- Benefits associated with the relationship: company image, trust, company guarantee with its customers.
- Sacrifices: price.
- Relationship-related sacrifices: time, effort, energy, and conflicts.

Kevin Gwinner added some relationship-related benefits that include:

- Social benefits: mainly in the form of friendship between customers and front-line employees.
- Preferential treatment benefits: related to offering exclusive deals, prioritizing loyal customers, and providing quick service.

David Freemantle also expressed the value of the relationship in terms of emotional value, as it is of great importance in building emotional loyalty among customers. A value-oriented and integrity-driven company should be focused on emotions and feelings, as these work to convince customers that they are valuable and that the company is trustworthy. Words alone are not enough for this purpose, as uniform responses to customer complaints and inquiries are often not very effective because they lack emotional value, or sometimes even lack it altogether. It is also necessary to keep promises and fulfill them, as they are the best way to express the integrity of the company . (Freemantle, 1999, p. 83)

#### **IV- Value in the context of digital marketing**

Digital technology has changed customers' perceptions of value by influencing perceived quality and website browsing experience, which will be discussed in the following elements.

**IV-1-customer participation in creating value:** Participation reflects the dynamic relationship between the customer and the enterprise in designing, producing, and distributing value to achieve a common goal, making both parties consumers and creators of value, and generating superior value(Conservatoire national des arts et métiers, 2016, p. 105) . This strategy has strengthened the links between the customer and the enterprise, leading to the emergence of what is known as participative marketing and also called "crowdsourcing." This allows a large number of customers to be involved in developing commercial offers and enables the enterprise to better direct the offer with regard to the expectations of its customers who will feel closer to the products they helped create. Additionally, the internet has encouraged pre-designing of products by customers, and the goal of this participation is to collect and analyze the necessary information to prepare the offer. Thanks to social networking sites, it has become possible to expand the sample relied upon for suggestions(Conservatoire national des arts et métiers, 2016, p. 105).

#### **IV-2-Online perceived quality**

Digital technology has changed the organization of institutions, leading to the standardization of service, reducing transaction costs, and minimizing contact between customers and employees. This has resulted in a change in the customer purchasing experience, influenced by several factors that affect the online perceived quality, including(ROLLAND, 2003, pp. 73-80) :

- **Digitization of goods and services:** Digital technology is accompanied by intangible products. For example, even if the products sold are real goods, they are abstract shapes, making it impossible for the perceived quality to be the same in both the physical store and the website. On the web, the elements that can be evaluated are limited to the site's interface, the quality of the design, and the working environment.
- **Moving from employee variability to machine regularity:** In a traditional shopping experience, perceived quality is affected by the performance of front-line employees with customers. This leads to a change in the performance level from one employee to another. By replacing face-to-face meetings with an electronic interface, the relationship between the customer and the institution is automated. Technological solutions, such as cookies or electronic agents, help translate customer needs.
- **Moving from co-production to self-production by the customer:** This participation is particularly evident in the field of services, where customer participation is necessary and has

an impact on perceived quality. online self-service represents the maximum customer participation, where the customer not only participates in the service production but also produces it. A prominent example is the travel ticket that can be printed directly from the website.

- **The immersion phenomenon:** Immersion is a state that occurs during continuous internet browsing without interruption, accompanied by enjoyable interaction with the machine (computer, phone, digital tablet), and loss of self-awareness. This phenomenon has several benefits, such as:

- **Pleasure benefits:** These benefits are derived from the enjoyable interaction with the machine, leading to a positive experience.

- **Time benefits:** Continuous immersion saves time, as the customer can perform multiple tasks at the same time.

- **Money benefits:** Immersion reduces the costs of travel and transportation, which would otherwise be necessary to visit a physical store.

#### **IV-3- The perceived value of a website**

The experience that a customer has online is strongly influenced by their perception and evaluation of the digital environment around them. The results of this experience can be seen in the emotional benefits that the customer gains from visiting the website. The concept of perceived value is the most appropriate concept to clarify this, as it takes into account the sum of the emotional, cognitive, and sensory dimensions that are perceived. There are many dimensions that distinguish the perceived quality of a website, including: (ROLLAND, 2003, p. 86)

- **Ease of use:** It is considered a very important factor for website visitors, and this is reflected in the ability of the website interface to be effective and easy to use. This relates to the availability of browsing aids and the technical capabilities of the website (page loading time, time required for the user to access the product or service or information available on the website);
- **Accessibility:** This refers to the ease of accessing the service or its availability on the web, and is related to the technical performance of the website;
- **Aesthetics:** This is related to the visual and audio appearance. The web allows the use of graphics, animated graphics, and sounds in a way that makes the experience of obtaining the service very enjoyable;
- **Quality of display:** This is the most important element, as customers visit the website to obtain information about the product, its consumption, or its order. In addition to the basic service, some complementary services can be provided, such as providing up-to-date information, links to complementary websites or products, as well as the availability of many display-related features such as price and product availability;
- **Quality of information:** It refers to the degree to which website visitors can obtain accurate information about product features and prices in a way that allows for comparisons;
- **Reliability:** It is related to the company's ability to keep its promises, as e-commerce websites are bound to respect all elements related to quality, quantity, price, and deadlines;
- **Security:** It often refers to the security of financial transactions, especially in e-commerce websites, but this concept also extends to personal data security and information protection. Security generally refers to the extent to which the website is protected against the misuse of customers' financial and personal data;

- **customization and interactivity:** they are considered the most important features introduced by the internet and technology in general for marketing. Customization refers to a set of technologies and means that aim to make the display and content environment more personalized according to the characteristics that the customer desires. This helps to facilitate the browsing process by adapting the suggested options to the customer's preferences. Personalization refers to the facilities that allow the website to know each customer, their preferences, history, and browsing paths on the site. Interactivity includes all machine dialogue activities and can be translated into the ability to send an email, form an opinion, criticize, or chat on discussion forums. Companies can also harness online support tools (virtual assistance, online or telephone customer service) and the internet also provides the possibility of social interaction through the exchange of interests and opinions among customers;
- **Credibility** differs from reliability as it is not only related to the service but also to the image of the institution or product. It is represented by the elements of the website that allow gaining the customer's trust, in addition to the reputation of the website. The customer is more confident in websites affiliated with real-world institutions that have previously dealt with them.

There are many studies that have addressed the subject of perceived value through social media and represent the extent of website visitors' participation in their opinions and criticisms about everything related to the product. Word of mouth also spreads through these websites and affects the customer's perception, emotion, and loyalty. As for perceived value through the mobile phone, it is represented in providing this tool with several benefits, whether related to the benefit of use (quality of content, credibility, and suitability of marketed services through the phone) or emotional benefits related to adapting to the use of the mobile phone as well as the entertainment, pleasure, and interactivity that this tool ensures (Strom, 2014, p. 1004)

### **conclusion**

In conclusion, customer perceived value has become a critical concept in the digital age, where businesses strive to provide personalized and interactive experiences for their customers. The ability to customize offerings and interact with customers has been made possible by technology, which has significantly transformed the marketing landscape. In addition, the credibility of a business is crucial in gaining customers' trust, and a positive reputation can be established through various online platforms. Therefore, in the digital age, companies must focus on providing value to their customers through personalized experiences, interactive platforms, and maintaining a positive reputation to succeed in a highly competitive marketplace.

Also, we can say that this study highlighted several factors that contribute to the impact of digital marketing on customer perceived value. Firstly, customer participation in creating value is a strategy that strengthens the relationship between the customer and the enterprise, and allows customers to feel closer to the products they helped create. Additionally, the internet has made it possible for customers to pre-design products, thereby increasing their participation in the production process.

Secondly, the digital technology that is used in the online environment has changed the way institutions operate and has influenced the perceived quality of services. Factors that impact online perceived quality include the digitization of goods and services, moving from employee variability to machine regularity, moving from co-production to self-production by the customer, and the immersion phenomenon. The digitization of goods and services has resulted in a shift in the



elements that can be evaluated in terms of quality, from physical products to the website's interface, design, and working environment. Moving from employee variability to machine regularity has eliminated the impact of individual employee performance on perceived quality, as the customer relationship with the institution becomes automated. Moving from co-production to self-production by the customer has allowed customers to produce and participate in the service production, the immersion phenomenon has several benefits, including pleasure, time, and money benefits.

Finally, The perceived value takes into account the emotional, cognitive, and sensory dimensions that are perceived, and includes several dimensions that distinguish the perceived quality of a website, such as ease of use, accessibility, aesthetics, quality of display, and quality of information.

## Referrals and references

- ART WEINSTEIN. (2012). *Superior Customer Value: strategies for winning and retaining customers*. New York: CRC Press Taylor & Francis Group.
- Christian, G., & Ravald, A. (1996). The value concept and relationship marketing. *European Journal of Marketing*, pp. 19-30.
- Conservatoire national des arts et métiers. (2016). *Digitalisation de la fonction commerciale : nouveaux enjeux, nouveaux métiers, nouveaux outils*, Livre blanc national collectif.
- Freemantle, D. (1999). *What Customers Like About You : Adding Emotional Value For Service Excellence And Competitive Advantage*. London: Nicholas Brealey Publishing Limited.
- Golik Klanac, N. (2013). An Integrated Approach to Customer Value: A Comprehensive Practical Approach. *J Bus Mark Manag*, 1.
- Graf, A., & Maas, P. (2008). Customer Value From A Customer Perspective: A Comprehensive Review. *Working Papers On Risk Management And Insurance*(52).
- Hammami, B., Ines, & Bahia, K. (2012). La valeur relationnelle: étude qualitative dans le domaine des télécommunications. *International Marketing Trends Conference*. Venise.
- Huber, F., & Herrmann, A. (2001). Understanding customer value: a key to success. *Business Strategy Review*, 12(2), 31-38.
- KOTLER, P., & KELLER, K. (2014). *Marketing Management, 14th Ed*. paris: Person edcation.
- Kotler, P., & Armstrong, G. (2010). *Principes de marketing*. France: Pearson Education.
- Lapierre, J. &. (2019). A replication and extension of the value-satisfaction-loyalty chain of relationships in a business-to-business context. *Journal of Business and Industrial Marketing*, 34(1), 79-93.
- McFarlane, D. A. (2013). The Strategic Importance of Customer Value. *Atlantic Marketing Journal*, 2(1), 4-27.
- ROLLAND, S. (2003). Impact de l'utilisation d'internet sur la qualité perçue et la satisfaction du consommateur. *Thèse pour l'obtention du titre de Docteur en sciences de gestion, Centre de recherche DMSP*,. Université Paris DAUPHINE.
- Strom, R. V. (2014). Mobile marketing: A literature review on its value for consumers and retailers. *Journal of Retailing and Consumer Services*(21), 1001-1012.
- Sweeney, J. C., Soutar, G. N., & Johnson, L. W. (1999). The role of perceived risk in the quality-value relationship: a study in a retail environment. *Journal of retailing*, 75(1), 77-105.