Creating Value for Customers on International Scale-from Host Country Perspective

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***Abstract*—The aim of this article is to show difficulties in creating value for the customer on international scale. The conditions on host markets manifest themselves in, for instance, an array of standardization barriers and diversified value perception among customers. As an example of those difficulties to create both cohesive and fitted CRM on international scale some empirical results are shown and discussed here (gathered by questionnaire distribution among Polish customers and enterprises) showing how different can be perception of value by customers and enterprises on the same market and then how ineffective the whole CRM and CSM between customers and companies can be.**

***Index Terms*—Value for customer, MNCs, host market, CRM (Customer Relationship Management).**

I. Introduction

Creating value for a customer is a marketing concept covering a complete company, originated as a result of practical and theoretical conclusion that, in the contemporary world of sophisticated means of competition, a clever use of active sale instruments is no longer sufficient [1]-[4]. Value-creating activities consist in identifying, creating, communicating and delivering value to a customer and are undertaken on all levels of structure, in all fields and processes that occur in a company. Care to win and retain a customer might be reflected in increasingly sophisticated, customer cooperation-related activities where we start from the simple utilization of selected sale instruments and gradually aim at incorporating customer care into company philosophy and its daily activities.

Creating value for customers actually seems to bring marketing to its ideological roots, where customers regain their position from being often treated as mere source of income into coming back to the centre of interest for marketers [5]-[6]. Of course, it does not mean that marketing activities do not actually aim at boosting sales, and increasing markets' share but adopting customers value perspective allows to do it in more sophisticated manner where both sides could feel satisfaction from long term cooperation

The concept of creating value for customer is based on few, but quite fundamental, empirically proven observations, namely:

1) The cost of winning new customers exceeds the cost of retaining the present ones. This regularity requires a reasonable economic entity to focus their efforts on acquiring new customers, yet retaining present ones in particular by building close mutual links which enhance customers loyalty [7];
2) A product or service value is created in a number of stages in a technological chain, hence cooperation and building long term relations with a customer is highly desirable on each and every stage of goods development, in order to create additional value of goods/services that is equally valuable for both parties,
3) The value of an offer is relative and changes over space and time. A bidder's and recipient's perception of an offer differ, and the grounds for these discrepancies might be as follows:

- Perception of a good's or services value depends on the knowledge, emotional attitudes and previous experience of customers; it can also be different before purchase and after it [8] thus customer value analysis plays vital role in proper creation, communication and development of longer term relations with customers
- Value perception by a customer is conditioned by the market: it depends on a variety of economic, institutional and cultural factors characteristic of a given area.

The last remark is especially intriguing when we think about creating value on international scale and try to answer the question if it is viable to match both effectively and efficiently company's policy strategy with diverse value perceptions and expectations of customers from different countries.

II. Creating Value-International Companies' Perspective

MNCs strategies and operations are peculiar balancing between an inclination to unify organizational practices on a world scale and, at the same time, a tendency to customize them to fit into local markets, which results in their structures, strategies and operations being hybrid in nature [9]-[11].

The pursuit of a standardized offer and customer approach on a world scale is driven by firms' desire to utilize competitive advantages acquired on a local market, a necessity to work out a homogenous corporate identity or – and often above all – savings in operating costs. A characteristic standardization pressure gains in intensity along with increasing spending on research and development of international companies, the capital-intensive nature of production and technological advance in industries. Standardization of offer and customer approach are additionally boosted by a growing homogeneity of customer tastes and a number of international companies acting as global customers.

Manuscript received December 2, 2012; revised January 3, 2013.
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On the other hand, however, a full standardization in international company's operations is hindered by various environmental factors. By developing a unique national management system[1] [12]-[13] each market wields influence on entities' operations. The impact of host market environments on international companies' operations, resulting in adaptation, might act twofold. A company might:

1) Act voluntarily despite the lack of pressure of formal or customary requirements on the market's or competition's side. In this case, it acts proactively; it adapts an offer to tailor it to the needs of local recipients, to increase own market share and thus to outdistance the rivalry,
2) Operate within legal and administrative constraints of the market and under pressure on the customers' and/or employees' part.

The latter type of adaptation is of a forced character; it is a response to predefined conditions of environment or intra-business, and it is either unrealizable or too costly to modify these factors that exert adaptation pressure when compared with taking adaptation measures[2]. Such formal barriers that enforce alterations to be made in a programme of creating value for a customer are, e.g.:

- Customs barriers, administrative bans and import restrictions,
- Regulations concerning the safety of product sale and use that condition marketing authorization on a given host market that demands certification, attestation or general product inspection for compliance with local requirements, etc. Yet, it should be emphasized here that these are requirements common for all economic entities prone to manufacture and/or trade in specific merchandise on both local and foreign markets,
- Regulations prohibiting the use of certain means of sale promotions with regard to selected products or a general legal ban on certain trade practices,
- Limited access to resources, e.g. distribution channels, media,
- Limited access to some groups of customers.

It should be stressed here that the institutional dissimilarities on both home and host markets also have an effect on how a trade partner is perceived. Additionally, they determine the scope of property protection or rights of trading parties. In order to explain better the relation between these factors and the nature of the concept of creating value for a customer, ideological determinants of markets and patterns of thoughts of entities deriving from these areas should be referred to.

The scope of possible standardization/adaptation of the concept of creating value for a customer is also dependent on the degree of this market openness and acceptance of different practices, products or services. It has been observed that such inclination towards adopting foreign methods of operation or operating procedures is greater when a host market is less developed economically and undergoes the phase of an intense growth combined with major instability and ineffectuality of an institutional order. Well-tried and effective solutions are being sought for on such a market on macro, industry and micro levels, so that they could be implemented and thus economic and social growth would be enhanced. International companies that are successful on a world scale provide specific benchmark here, i.e. a source of desired products, services and organizational solutions. On the markets that are characterized with a non-stabilized legal system, poor consumer rights protection and general ideologically-driven distrust of a partner of exchange, customer-relation management systems will be developed differently than it is in the case of highly-developed economies. Introducing truncated and reduced systems of relations with customers will in this instance be a result of economic calculation (since an economic objective can be accomplished at lower costs, it would be unreasonable to push them up above a necessary level).

An inclination to undergo standardization is also of cultural origin and is dependent on, among others, "security distance". It is a historically-shaped, defined system of behaviors that prevent wrecking or serious upsetting of own identity and culture. The greater the security distance, the greater the cultural identity and lower susceptibility to changes and a tendency to accept an offer that is standardized world-wide. W. Head claims that a large security distance is manifested through explicitly shaped society's morality parallel to condemnation of behaviors departing from these norms, high self-discipline, formalized class relations and social roles or high regard for institutions and law, to name a few [15]. Susceptibility of a given nation to accept foreign standards of behavior is besides usually inversely proportional to the level of ethnocentrism or prejudice and hostile stereotypes regarding individual elements of marketing mix or manufacturer's home country in general.

The factors listed above seriously hinder the initiation of a standardized programme of creating value for a customer worldwide, yet, this does not mean that the shape and nature of the concept itself need to change in all its constituents when impacted by local market pressure. Caution should be exercised to avoid "trade determinism". Even in the case of substantial modifications of product's/ service characteristics stemming from, e.g. administrative and legal restrictions, the idea of a customer approach might remain uniform across the world; an approach to cooperation with customer at the stage of product/service development or generating a message to customers about values the product represents.

III. Host Country Pressures on MNCs Value Creation

From the political perspective and the theory of resource dependence, the strength of impact of a given market will

[1] "Business systems are particular arrangements of hierarchy – market relations which become institutionalized and relatively successful in particular contexts" in [12, p. 6 and following]. Three model national business systems (NBSs) were described by R. Whitley: collaborative business environment (like in Germany or Japan) showing a substantial level of cooperation between enterprises, mature market institutions and substantial role of the state in regulating business environment; arms' length NBS (like in USA, Great Britain or in Canada) were market rules of the game are the most important ones and state does not interfere in business life; and particularistic NBSs - the weak new democracies trying to implement market rules into their economies.

[2] If the pressure is driven by either formal or informal institutions, such phenomena are referred to as isomorphic behaviors. For more see e.g [14]

depend on its qualities, available resources and recognition of these resources/qualities as attractive. We can speak about attractiveness of a market resulting from: its size, geographical location, resources available or formal institutions fostering economic entities.

The environment of host markets, different from the home market, is more difficult for a multinational entity than for the local enterprises because the latter, embedded in a given environment, perceive its character as given and obvious, frequently without realizing what kind of specific features it possesses. Entering a host market is linked with a necessity to incur additional costs of recognition and adaptation, including institutional and cultural diversities existing there.

Liability of foreignness (LOF) [16]-[18] as these are the costs in question, shows degree of institutional and cultural distance between the home market and the host market. It seems that this liability will decide about the possibilities of standardization of MNCs' value creation and communication activities (and not only those) on the host markets. When diversities between the markets as well as the LOF are negligible, transplantation of economic practices worked out elsewhere onto the host market will not encounter any significant institutional barriers and, therefore, economic practices typical of the host market will not easily be adopted by the MNC. This dependence is confirmed by results various empirical studies, see e.g. [19]-[23]. For example, institutional, ideological and cultural similarities between the markets increase effectiveness of transfer of various types of organizational practices between subsidiaries of transnational concerns and then agency costs connected with supervision and coordination of branches are reduced [24][3].

If a low LOF allows international transfer of economic practices, one should consider whether a reverse dependence can also occur: will a direct transplantation of organizational practices worked out in a given environment and transferred to a place with different economic, institutional and cultural conditions, encounter more difficulties when the LOF is bigger? Such a thesis does not seem to be viable for the institutional environment of all markets. It can be undermined, e.g., by a successful expansion of transnational corporations (with their already worked out, clear and tested routines derived from an institutionally mature home market of arms length or collaborative environment characteristics) onto institutionally weak, unstable markets with certain features of particularism (e.g. Polish, Czech, Hungarian market, etc. [10], [12]. Particularistic markets, or those whose features approach this model, seem to be willing to adopt the solutions worked out on a multinational company's home market, particularly when this market is perceived as a kind of economic benchmark. Therefore, when defining model conditions under which standardization and transplantation of practices are most probable, one should point out the situations in which the markets are institutionally, economically and culturally similar, or when the host market is unstable and permissive at the same time, and MNC as well as the market it comes from are perceived positively as a model to be followed [25]-[26] In other cases the probability of transplantation seems to be lower. Taking into account above relations it can be stated that despite a popular opinion about the growing convergence in corporate strategies and a widespread phenomenon of openness of economies (making them similar, which means that the mutual effects of the markets are less visible in corporate strategies and structures), the functioning of multinational companies is rather linked with a necessity to adjust its practices to the local environment than with a possibility to standardize its activities on the global scale.

Summarizing the considerations on the effect of host markets on the activity of multinational companies, it should be noted that:

3) The force of impact of the host market on the activity of a multinational company is a function of the LOF between the home market (as well as those already occupied by the multinational company) and the host market,
4) Institutionally and culturally "foreign" host market's effect on the activity of a multinational company is the stronger , the higher the assessment of its attractiveness,
5) Particularistic markets seem to be permissive and willing to adapt practices of MNCs coming from different institutional settings in spite of the fact that LOF is substantial.

IV. MNCs' Value Creation and Communication-Customers Views versus MNCs Position

Below are presented some findings and conclusions of the research project "Creating value for a customer in international companies – Polish host market perspective". A general objective of the project was to examine the approach of international companies operating in Poland to shaping value for a customer and building up mutual relations on the Polish market.

The research was carried out in three stages:

1) A questionnaire that regarded Polish customers' perception of value and the asssessment of scope and character of cooperation with local and international entities in the field of creating value and satisfying customers' needs (the survey included 550 respondents from Poland, of different age. A prevailing group of subjects were university-educated, young people living in cities with a population exceeding 50 thousand inhabitants),
2) An interview with the representatives of marketing departments in the Polish branches of international companies regarding their activity of creating and communicating value for customers in Poland when juxtaposed with analogous concerns' operations on other host markets and on the home market (35 interviews)
3) An internet questionnaire directed to 5000 of both Polish and foreign companies operating in Poland [4] - the

[3] This, however, does not mean that the host market with the low LOF does not exert any impact on the activity of a multinational company, but measuring this impact is difficult due to the fact that those areas are similar; the impact becomes more visible when exerted by a different phenomenon from the previously known.

[4] By foreign companies we mean those with more than 50% of foreign capital

questions were analogical to the content of questionnaire directed to customers (we received more than 700 replies, but as basis for further analysis we took only 432 completed) .

The general results and conclusions of this survey are:

1) Polish respondents have major difficulties in understanding the concept of value (what is not country specific but seems to be a general problem, see e.g. [27],)
2) Polish respondents do not feel as partners for MNCs in creating and developing value for them,
3) Concept of CRM and creating value for the customer implemented by MNCs in such a host market like Poland, (which still does possess particularistic features), is limited and narrowed, partly due to the result of economic calculation, since the planned revenues or market share can be simply accomplished at lower costs,
4) In majority of companies examined Customer Satisfaction Measurement (CSM) does not work properly mainly due to inefficient methods (in terms of frequency, content, methodology etc.) of measuring customer satisfaction and their perception of value, and these findings are in line with those expressed in [28]-[30].

The results presented below are not representative of a total population of Polish consumers and companies, yet the size of the sample welcomes a cautious search for certain regularities.

Overall, the research shows that it is a product/service price and a product brand/image that the Poles consider to be the vital medium of conveying information on an offer's value. It is worth emphasizing that a greater number of respondents think that a low price equals low product's value (86% of the subjects) than it is observed in the case of high price and high value (72%). It should be stressed that only 62,5% of respondents believe that a product's value should be evaluated in terms of relation between the price and a broad offer's value. The word "only" has been used here intentionally, as when collated with other data it indicates, in the author's view, still visible market immaturity and low consumer awareness in Poland. The data below seem to corroborate this working hypothesis:

1) Considerably more respondents pointed to the price rather than product's quality as a determinant of product's/service's value; 72% of respondents associate value with high price, while only 45 % with quality of the product,
2) Poles decidedly trust brand power, i.e. over 70% of the respondents equate value with the marketing conception of a product/service, which is further confirmed by the following results; 60% of the respondents think that marketing operations increase a product's value,
3) 72% of the respondents believe that nowadays companies are becoming more often interested in cooperation with customers and increasing products' value, yet this interest clearly seems uncommon or the quality of this cooperation is far from expected. The "more often" statement should thus be interpreted with utmost care, what is discussed below,
4) Over 60% of the Poles under the study express the view that companies make customers believe that the value offered is becoming higher, whereas an underlying and genuine desire is to make money, and not to promote cooperation with recipients.

Data collected from consumers' questionnaire also show that respondents (66% of indications) are unable to look after their interests and are unaware of their consumer rights. International companies identify this weakness perfectly, which, in the respondents' view, is reflected in the Polish market being treated as immature parallel to worse customer care and poorer care for satisfying their needs when compared with, e.g. a German or French client. The Poles under the study feel as lower-category clients and additionally express it in various answers. For instance, only 23% of respondents believe that Polish consumers are offered the value equal to that proposed to customers in other countries.

However, the most alarming is the fact that as many as 40% of respondents claim that the influence on what and how they buy is getting out of their control.

By comparison, the results of interviews conducted in Polish subsidiaries of MNCs operating in Poland together with results of internet survey (done among both Polish and foreign companies) show quite a different – much nicer picture, being rather compatible with those normative arguments about CRM and creating value concept than with results outlined above. From the gathered data we can see that:

1) Vast majority of interviewers and electronically questioned companies claim that main sources of value for their customers are good quality products/ services to (86%) and serving customers better than competition (63%); only 4% of respondents tend to claim that the source of value lies in good promotion,
2) About 80% of questioned companies think that Polish customers look after their interests very well and can execute them efficiently,
3) In general, respondents can clearly characterize their customers needs and sources of their satisfaction but at the same time more than 30 % of surveyed companies do not examine those needs at all or do it very sporadically; 36 % do it once a year and 22% do it several times a year,
4) 35 % of respondents claim that they try to modify their products according to the customers comments gathered by cyclical CSM, but when asked what kind of information they acguire, only 17% gather information about customers needs and opinions about products,
5) Although respondents claim that their marketing competitive advantage derives from superior quality and competence in serving the customer they still see much space for improvement not only in the area of quality of the products, but in almost every aspect of marketing activities including those connected with communication and building stronger relationship with them,
6) 48 % of respondents claim that they treat customers equally, regardless of the country they offer their products, 10% sell their products for the higher price abroad, while the other 10% care about their foreign customers more than for Polish ones, offering them e.g. better quality.

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