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A QUANTUM VIEW OF MARKETING STRATEGIES

Kaan Tuğrul ÖZKAN
Yildiz Technical University, Turkey

Halit KESKİN
Yıldız Technical University, Turkey

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Abstract:
Businesses try to create competitive advantage by utilizing their knowledge that has been developing for years. When firms do business with their traditional logic, they try to compete to increase their profit margins. However, competitive businesses work on what opportunities they can create in the industry, how they can keep buyers close to them in the long run, and what strategies they can develop to dominate the market. In the literature, suggestions are given to companies on how they can move away from stereotyped strategies that can stimulate one another and provide them with high-profit margins, how to create new market spaces and create leaps in the value which is perceived by the customer. After in-depth reading about these concepts in the literature, it is perceived that value innovation creates new market space and customer value and quantum marketing strategies come into consideration relevantly. This study represents particular importance to cover the shortcomings in the literature in this field.

Keywords:
Value Innovation, Customer Value, Creating New Market Space, and Quantum Marketing

1. Introduction

Kim and Mauborgne (1997) describe how new market space could be created through value innovation. It is to create new markets by making a quantum leap in buyer value leading to a new and superior customer value irrelevant to competition in the existing markets. Through differentiation from the dominant industry; enterprises can avoid being one of the common conventional companies in the industry. Value innovation allows to get rid of established and accepted or commonly shared assumptions which are intra-organizational and inter-organizational functional styles on industries. (Spender, 1989 quoted by Berghman et al., 2006) By implementing value innovation, firms can become unique in the industry. Creating a new marketplace is another strategic way of thinking. It can be described as systematically looking for outside the accepted boundaries of the market, rather than looking for within them. By achieving this, businesses can obtain free space to provide a significant breakthrough in the value they create. (Kim & Mauborgne, 1999) Kim and Mauborgne describe ways to create new market space by evaluating the substitution market, strategic groups, buyers, complementary products and services, and time. Creating a new marketplace is not only critical for new beginnings, but also for the welfare and survival of the world's recognizable companies.
Creating customer value ensures that businesses are directing and understanding the market correctly. Therefore, it enables enterprises to make a difference and succeed in the challenging competitive market environment in the long-term. According to Day (1994, 2002, 2003), being close to the market requires two fundamental skills. The capabilities for market perception and customer connection reduce the likelihood of companies' staying away from the market. A company which is devoid of these capabilities may be unaware of changes in the market and customer requirements and may become unable to respond to changes. The quantum strategy aims to compete on the basis of pricing strategies, to create new market spaces by creating value or making strategic innovations and to reduce the threat of substitution industry. Quantum strategies provide superior profits with enterprises adopting these strategies by positioning their prices above the market average.

2. Literature Review

2.1. Creating Customer Value

Businesses should develop the competencies of their suppliers to create new customer value. These competencies are marketing practices, general organizational competencies, and supply chain or network competencies for the absorption of external information. If an improvement is observed in all of these, an increase in the ability to create customer value will also prevail. (Berghman, Matthyssens, & Vandenbempt, 2006, p. 961-962)

Woodruff's (1997) customer value theory emphasizes the importance of understanding customer perceptions and building a hierarchy model for customer value. Suppliers need to discover and create customer value, and improve the delivery processes. Suppliers can compete in the market by creating customer value. "The capacity to create new value depends on the capacity of the following dimensions. 1) Creating a business model that includes a fundamentally different and/or new market approach. 2) Changing roles and power relationships in the industry or in the supply chain. " (Berghman, Matthyssens, & Vandenbempt, 2006, p. 962)

Slater (1997) states that creating value as well as continuous learning about customers constantly improves innovation. Slater emphasizes that businesses should implement an organizational structure in the form of creating process-oriented customer value. Woodruff (1997) and Slater (1997) suggests attitudes that support the creation of new customer value. The lack of capability of market perception and customer connection will cause enterprises to lose their capacity to anticipate market changes. Due to making mistaken assumptions and acting with inaccurate information, they will react in a weak or irrelevant manner to market changes. Before creating customer value in the market, businesses should deliver recent information in the market to their organization quickly and establish customer value accordingly.

2.2. Value Innovation

In the literature, value innovation or strategic innovation has been proposed by academics in management and organization studies as a key variable supporting competitive advantage and creating superior customer value (Baden-Fuller, Charles, & Pitt, 1996). According to Hamel (1996-1998), innovation strategies represent the way to create new values for customers through the recapitalization capacity of the existing industry model and to create value richness for all stakeholders. Similar to Hamel, Tucker (2001) says that innovation strategies explore new business models and find ways to create new customer value. From this point of view, innovation strategies can be defined as a way to play shocking games in existing industries.

Conventional strategic intelligence and value innovation differentiate into five main dimensions of strategy. These differences require business managers to inquire about what opportunities they perceive and which opportunities they follow and how they comprehend the risk. Industry assumptions show that most businesses adopt the conditions of the industry as so and establish their strategies accordingly. However, value-innovating enterprises do not adopt industry assumptions as so, and they don't establish their strategies accordingly. It doesn't matter to them how the rest of the industry handles things. They seek ideas that attract great attention and achieve outstanding success. Moreover, they try to create a quantum leap in their value (Kim & Mauborgne, 1997). Value innovation is associated with the reconceptualization of mature industry models in the literature. Value innovation involves the redefinition of roles undertaken by various businesses and relationships between firms (Berghman, Matthyssens, & Vandenbempt, 2006, p. 751).

If value innovation firms represent a significant increase in their values, they think customers will leave their differences aside. Even if these businesses lose some of their customers, they set their goals at the core of the market. In value innovation, firms can consider to start again the same business but in another way. They ask themselves what would happen in this case. Firms that innovate the value evaluate business opportunities without any biases and limitations regarding their past market position. Value innovating businesses consider the total solution that buyers seek and attempt to break the rules that the industry obligates the businesses to employ their customers (Kim & Mauborgne, 1997).

2.3. Creating New Market Space

In recent years, businesses that have created new and superior value have been creating new markets and transforming or reshaping existing markets to increase their competitive advantage. Firms typically set their goals as opposing and defeating competitors. As a result, the strategies of enterprises unite in the main competitive dimensions. Such enterprises possess a number of implicit beliefs about how they compete in their strategic groups or sectors. They acquire traditional wisdom about whom their customers are and what they value. They share wisdom about the scope of products and services that the industry has to offer. Competitive compromise occurs when firms share information about how they compete with one another. As competitors try to outmaneuver against each other, they benefit from competition that will result in increased improvements in cost or quality, or both. (Kim & Mauborgne, 1999)

From a broad perspective, businesses don't only compete with firms in their respective sectors. They equally compete with companies that produce substitute products or services. While making decisions, buyers unconsciously consider the substitutions for the product or service they intend to purchase. They evaluate these substitutions and then make a purchase decision. For some reason, sellers sometimes differ in the intuitive way of thinking, which is to look at the substitute industries. They rarely consciously think about how their customers purchase in substitute industries. A change in the pricing of businesses in a particular industry, a change in the business model, and even incoming advertising campaigns are more noticeable than the actions of businesses in substitute industries. The gaps between substitution industries frequently provide opportunities for value innovation. (Kim & Mauborgne, 1999)

The main strategic differences between industry players are recognized by a limited number of strategic groups in most industries. Strategic groups principally consist of two dimensions based on price and performance. These groups can be sorted in a rough hierarchical order. Each leap in price level brings the leap that corresponds to the performance dimensions. Most companies focus on improving their position within the strategic group. The way to create new market space within existing strategic groups is to recognize the factors that determine buyers' business decisions and make differences from one group to another. (Kim & Mauborgne, 1999)

In many industries, competitors identify their common target customers as well as existing ones. There is a customer chain involved directly or indirectly in the purchase decision. Customers who buy products or services may differ from their actual users. In some cases, some important factors guide these buyers. Here, influencers, real users and buyers often overlap, but they often differ. When these purchasers differentiate, they embrace various definitions of value. An enterprise procurement officer may think far from ease of use as compared to an enterprise user or maybe more cost-oriented. Likewise, a retailer can be cost-effective, focusing on a manufacturer's timely replenishment and financing. However, consuming buyers are substantially influenced by the industry but do not value these things. (Kim & Mauborgne, 1999)

The value that is unused in products and services is often reserved for complementary products and services. Buyers expect that when they choose a product or service, the total solution is provided by the seller. The way to meet this expectation is the seller's thinking about what may happen before, during and after the use of the product. Some industries base their competitiveness on the price and function, based primarily on benefit calculations, and their attractiveness is rational. Other industries largely compete against emotions, and their appeal is emotional. The appeal of most products or services is rarely emotional or rational in nature. This phenomenon is the result of companies competing in the past about their expectations for unconsciously trained consumers. (Kim & Mauborgne, 1999)

The expectations of the enterprises constantly affect and reinforce the expectations of the customers. Over time, the functional-oriented industries become more functional-oriented and the emotional-oriented industries become more emotional-oriented. Furthermore, market research rarely reveals new information about customers' new expectations. When businesses conduct surveys on their customers, returns are either more than business expectations or similar to them. All industries depend on external trends that influence their business over time. When we consider the upward trend of the Internet or the global movement to protect the environment from the true perspective, it can lead to the emergence of innovation that creates new market space. (Kim & Mauborgne, 1999)

2.4. Quantum Marketing Strategies

Apple has achieved outstanding performance by effectively implementing non-traditional strategies. These strategies are implementing differentiation through innovation (sequential, strategic, residual innovation across various dimensions) and simultaneously achieving low costs in peer groups at the intense productivity level. According to Porter, those who implement such a strategy can only do so temporarily. Moreover, when competitors are stuck in the middle on their own, they cannot achieve differentiation or cost leadership advantages. If the cost is affected by market share and inter-company relations, and it leads to great technological leadership or process innovation, and all this happens, the company can implement unconventional strategies. These advantages can be directly copied by competitors. Therefore, firms should make a certain choice and decide which general strategy to adopt and how (Heracleous, 2013, p. 94-95).

Apple can achieve premium pricing and redefine markets through product balancing efficiency, outstanding sequential innovation, and addictive product design strategies, which represent the key aspects of Apple's strategies. According to traditional wisdom, if the competitive advantage is based on intense efficiency and value, there is no need to invest outside the field of design, innovation, and excellence of service. Simultaneously, companies that compete in traditional wisdom innovation, extraordinary design and service excellence cannot achieve intense efficiency levels. Traditional wisdom adds it would be more costly to maintain and develop these capabilities of businesses. According to the idea of the quantum level of reality, the same electron can be in two different places at the same time or two different electrons can occupy the same physical space. Inspired by this idea, Heracleous states that the understanding of quantum strategy helps break the traditionally accepted trade-off that limits strategic choices and locks firms into a single generic strategy (Heracleous, 2013, p. 92).

3. Conclusion

Businesses can create new market space through value innovation. By creating customer value, businesses can drive the market and move beyond traditional strategies to lift the boundaries of strategic choices. From this point of view, it is possible to say that creating value for customers together with quantum marketing strategies play a significant role in the relationship between making value innovation and creating a new market space. It is evident that businesses will gain competitive advantage by making high profits in the long run through the implementation of all these strategies. We believe this study will raise awareness for this issue to gain a momentum as a research topic in academy and will shed light on implementing business strategies as a practical contribution.

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