
Customer value-chain involvement for co-creating customer delight

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Abstract

Traditional marketing strategies assume that customers involve (e.g. search, assess, purchase, use) with products or services mostly at the end of their value chain as finished market offerings. This article challenges managers to invite target customers to be involved at all stages of the value chain. The specific purpose of our new customer-value-chain involvement (CVCI) model is to enhance customer relationship management in conjunction with supply chain management, employee relationship management and retailer partners' relationship management. There are definite advantages to CVCI as it can provide continuous customer feedback and enable more objective quality assessment and judgment, but most importantly, it can elevate customer satisfaction to customer delight that spawns lifetime loyalty and positive referrals. The importance and managerial implications of CVCI are discussed.

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Introduction

Regardless of industry, almost all companies are operating on faster evolutionary tracks and at greater risks than at any previous time. Thus, a company's real core capability is its ability to continually redesign its value chain and to reshuffle its structural, technological, financial and human assets in order to achieve maximum competitive advantage. But competitive advantage is, at best, a fleeting commodity that must be won again and again. That is, all players in the value chain – producers, suppliers, employees, retail channels, and customers – are also seeking their own competitive advantage. This competitiveness makes every value-chain dynamic. Organizations today must continually disintegrate and reintegrate themselves in order to quickly and continually assess which parts of their value chain are vulnerable, which parts are defensible, which corporate alliances make the most strategic sense and which threats are deadly (Fine *et al.*, 2002). In this value-chain assessment process, the value of the customer must be recognized and reinforced throughout the chain (Prahalad and Ramaswamy, 2000, 2003).

In this context, meaningfully involving target customers at every touch-point of the value chain can bring renewed market freshness and competitive vigor to the suppliers, employees, designers and engineers, systems and subsystems, the processes and products, distributors and to the marketers that constitute the value chain. Every part or member of the value chain can be affected by (and in turn affect) the changing customer preferences. The greater the attention paid to and participation invited from the target customers at every step of the value chain, the greater will be customer satisfaction, retention and customer delight (Fournier and Mick, 1999; Keiningham *et al.*, 1999), and hence, the higher will be the market share, corporate and shareholder profitability (Prahalad and Ramaswamy, 2003). We introduce the concept, model and strategies of customer value-chain involvement (CVCI) as a new way of enhancing customer satisfaction and ensuring customer delight, and hence, higher levels of market share and corporate profitability. The CVCI strategy, if properly implemented, will construct successful products and services, and, more importantly, will build customers, ensure customer delight, form brand communities and generate lifelong customer loyalties and positive referrals.

What is a value chain?

Basically, any person, process, product or brand that adds value (tangible or intangible) to a



product or service constitutes a value chain. Typical persons that add value to a product-service, whether new or old, are corporate senior and junior executives, creditors and shareholders, engineers and employees, suppliers and consultants, customers, marketers and channel partners. Typical processes involved in the value chain are process- and product-based technological evolutions, insourcing and outsourcing, changing domestic and international trade policies and market forces including competition, government regulations and environmental imperatives. Typical products that add value are capital, material supplies, inventions, discoveries and innovations, technologies and licenses, the physical infrastructure, the communications architecture, the inbound and outbound logistics that define and control these products, and the persons and links in the value chain that generate knowledge and relationship assets for the firm. All processes and products should generate supply and technology assets for the firm. All the persons, processes, products and brands of a firm and the human relationships that bind them define both the resource assets of that firm as well as its value chain and which, in turn, define a firm's competitive advantage (Srivastava *et al.*, 1998).

What is customer value chain involvement?

Given this notion of the value chain, the concept of CVCi implies that the target customers of a firm should be exposed to the value chain of a firm, that is, exposed to its persons, processes, products and brands and to their networking relationships. This exposition is not passive like the spectator audience of a trade show but rather it is an active interaction and participation with all the players and elements of the value chain as long as this involvement adds value to its customers and to its producers. The added value to the customers is more than a new product that is useful, convenient and state-of-the-art. It is the competitive experience of co-creating the product with the company (Prahalad and Ramaswamy, 2003), the experience of co-producing and co-owning it (Lengnick-Hall, 1996), the responsibility of purchasing and repurchasing it and by supporting the firm with positive referrals of its products and services (Schneider and Bowden, 1999). The added value to the producers are the insights from customer interaction and participation, continuous feedback, co-creation and co-ownership of products, customer satisfaction, retention, customer delight, the loyalty that comes

from such interaction and the positive referrals that result from happy and delighted customers.

There are several examples of partial value-chain customer involvement. Instances of customer involvement at the tail-end of production include: self-service gas stations, do-it-yourself home finishing, assembling your own bicycle, direct phone dialing and self-direction of investment accounts (Song and Adams, 1993). Examples of customer involvement in the earlier stages of the production process include: auto shows that expose target customers with concept cars and seek their feedback, trade shows that involve the customers in the concept, prototype and design development of new products, and organizing auto assembly line tours that directly expose the customers to cars in process. Incidentally, Ford has currently reopened auto assembly line tours in its River Rouge plant, Dearborn, MI, as a way of marketing Ford by goodwill and public persuasion. Today, customers can configure and assemble their own computers for information gathering and processing (e.g. Dell); target buyers can even assemble their own product add-ons as Harley Davidson does; customer-service people in a warehouse can help customers load items (e.g. Sam's Club, Costco) and credit financing agencies can update customers on their payment patterns. General Mills is experimenting with customers who choose their own cereal ingredients prospectively to be mixed, boxed and delivered to their door (see www.mycereal.com).

Modeling customer value-chain involvement

Traditionally, value chain studies commenced with a review of assets and capabilities and ended with customer requirements. Given customer-value focus, target customers' wants, needs and desires should come first and the company should dovetail its assets and capabilities to customer requirements. The latter are set against corporate core competencies to provide the best value proposition to the customers. There are several models that can bring about this company-customer fit. We present a unique model inviting customer involvement in the value-chain process of a new product or service. The model can also be applied to the development and marketing of old products. Table I describes the model.

The first column of Table I lists the classic new product development stages from product ideation to national launch to customer service. Following Sawhney and Zabin (2002), we identify four areas of corporate involvement: customer relationship

Table I Customer value-chain involvement as customer relationships management

New product value-chain cycle	Supply chain management (SCM): involve target customers in	Employee relationships management (ERM): involve target customers in	Partner relationships management (PRM): involve target customers in
Ideation	Product ideation with key suppliers; discover new dependencies with suppliers	Product ideation with key new product engineers and designers (e.g. auto shows, trade shows focus on target customers)	Product ideation with key distributors or channel partners; discover new dependencies with channel members
Concept development	Concept development ideation with key suppliers; discuss form, technology and need with them	Concept development of form, technology and need with key new product engineers and designers	Concept development with key distributors or channel partners, especially in relation to form, technology and need
Prototype development	Prototype development with key suppliers	Prototype development with key new product engineers and designers	Prototype development with key distributors or channel partners
Design development	Design development with key suppliers	Design development with key new product engineers and designers	Design development with key distributors or channel partners
Prototype-design testing	Prototype testing with key materials and design-technology suppliers	Prototype testing with key new product engineers, designers and market researchers	Prototype testing with key distributors or channel partners
Packaging-label testing	Packaging-label testing with package materials suppliers	Packaging-label testing in relation to size, weight, volume, shape, form and other factors with key new product market researchers, engineers and designers	Packaging -label testing in relation to size, weight, volume, shape, etc., with key distributors, transporters, channel partners, and shippers
Manufacturing	Manufacturing of the new product/service with key materials and technology suppliers; discuss "utility levers" with suppliers	Manufacturing of the new product/service with key new product market researchers, engineers and designers	Manufacturing of the new product/service with key channel partners, especially in relation to "utility levers" of target customers
Ad testing	Ad-testing with key media suppliers	Ad-testing with key new product market researchers, engineers and designers	Ad-testing with key channel partners such as retailers and e-tailers
Product-bundling Testing	Product-bundling with other supplementary products with key materials and technology suppliers	Product-bundling with other supplementary products with key new product market researchers, engineers and designers	Product-bundling with other supplementary products with key distributors such as retailers and e-tailers
Product price-bundle mix test marketing	Pretest and test marketing of the product-price mix bundles with key materials, design-technology and customer-credit suppliers	Pretest and test marketing of the product-price mix bundles with key new product engineers, designers and market researchers	Pretest and test marketing of the product-price mix bundles with key channel partners such as retailers and e-tailers
Product financing bundle	Product-financing options of the new product/service with key customer-credit suppliers	Product-finance bundles of the new product/service with key new product market researchers and new product developers	Product-financing bundles of the new product/service with key channel partners
National rollout via product pre-announcements	Final national launch and press-release process of the new product/service with key media and customer-credit suppliers	Final national launch process of the new product/service with key new product market researchers and new product developers	Final national rollout and pre-announcement process with key channel partners such as retailers and e-tailers
Customer service and feedback	Customer service, feedback and complaints redress with key suppliers of parts and components	Customer service, feedback and complaints redress with key engineers and skilled employees	Customer service, feedback and complaints redress with key partners and retail distributors

management (CRM), supply-chain management (SCM), employee relationship management (ERM) and channel partners relationship management (PRM). As a model of customer value-chain involvement (CVCI) we emphasize CRM opportunities and activities in relation to SCM, ERM and PRM when each is applied to all the value-chain stages of the new product development process. Table I upholds the centrality of CRM in the entire product-development process. It assumes that CRM occurs at all stages of the value chain or the product development cycle, especially in relation to SCM, ERM and PRM.

Customer involvement in new product ideation and concept development

The company must engage target customers in the process of new product ideation and concept development in interaction with the suppliers (SCM), engineers and skilled employees (ERM) and with distributors and retailers (PRM).

A new product idea is any thought, opportunity, direction, plan or program that has potential for a new product or service. Certain patterns called templates can be identified, verified, learned and applied in ideating new products. Templates represent replicable patterns that are generalizable across variables and products (Goldenberg *et al.*,

1999). A common template is the dependency between two or more marketing variables. Creating a dependency between two previously unrelated marketing variables through a step function creates a new product. Example: Domino Pizza's promotion strategy offered a discount for any delivery exceeding a 30-minute time limit. The new product is created by the dependency that exists between two previously unrelated marketing variables such as price and delivery time. The price remains constant for the first 30 minutes and then it is discounted. Introducing a step function between price and delivery time creates the dependency. The same dependency template is used in other contexts: laundry services within 90 minutes or 20 percent discount; a 10 percent discount if waiting times at supermarket checking counters exceed ten minutes, and doctor-office visits where the co-pay is waived if patients wait over 15 minutes beyond their appointment time. At some 7-Eleven stores, customers receive a dollar if the cashier fails to produce a receipt. Currently, McDonald's is pre-testing another dependency that depends on the cashier smiling while the customer is being served. If the cashier fails to smile, the customer is entitled to a reward such as free French fries! All these cases involve CVCI, even though the involvement on the part of the customer is passive.

Discovering a dependency between two previously unrelated product attributes can actually create a new product. Example: Hungry Jack syrup bottles are designed for microwave oven use; the label is made heat sensitive and changes color on reaching a certain temperature, thereby, informing the user that the syrup is ready. Two unrelated variables (in this case, two product attributes, syrup temperature and label color) are now made dependent for the benefit of the customer. Till the syrup reaches a critical temperature, the label color is not activated; on reaching it, the color changes. The same dependency can be created in the pizza case that links price with temperature on delivery. This assumes that the pizza temperature on delivery is critical to the consumers. On April 1, 1995, as a part of a promotional campaign, Volkswagen announced a new car model, the "Polo Harlequin" that featured different colored parts. The new product announcement was only intended as an April Fools Day joke by VW. The overwhelmingly positive response by customers, however, convinced VW to go ahead and market the product. The car became quite popular in Europe. The dependency here is between color and the specific location of car parts (e.g. door, roof) as desired by target customers. Quite similar is the success story of Swatch. YMCA actively encourages members to make suggestions to improve its services and publicly displays customer

suggestions along with management responses. We contend that dependency ideation will be enriched if companies actively invite CVCI.

Target customers can be invited to discover new dependencies for new product ideation in conjunction with suppliers, engineers, employees and retail partners. Problem-based new product ideation involves many steps:

- (1) determine the product/brand category that you want to develop with new ideas;
- (2) gather problems from various sources: internal, external, suppliers, wholesalers, customers, technicians, heavy users, light users, nonusers, and new users;
- (3) identify problems: by benefits received, by benefits not received, by benefits desired and by benefits not desired;
- (4) analyze, sort and rank problems by the extent (seriousness) of the problem, the frequency of the problem and the "bothersome index" (a product of the previous two); and
- (5) resolve these problems.

Obviously, properly directed CVCI can provide sufficient information on all the five stages to suppliers, engineers and distributors and be the engine that provides problem solutions.

Customer involvement in new product concept, prototype, design and development

A product concept is different than a new product idea. Given a new idea, a concept is an approximate description of the technology, working principles, and the form the product takes. It is a concise description of how the product will satisfy customer needs. The concept generation process basically begins with a set of customer needs, target specifications and results in a set of product concepts from which a new product development team will make a final selection. CVCI will furnish sufficient information on customer needs and desires.

A new product design involves three components or phases (Bloch, 1995): form, technology and need. A product's form represents a number of elements chosen and blended into a whole by the design team to achieve a particular sensory effect. Technology is the knowledge, materials and machinery by which the form is attained. In the case of steel alloy, it is the science of metallurgy, smelting technologies, chemicals used for alloy, product forming and cutting or rolling machines. In the case of health insurance, the technology is the knowledge of actuary, insuror health risk, health care costs, the co-pay structure

and benefits. Need relates to customer requirements. The new product has value only if it serves customer needs, wants and desires, that is, if it provides benefits to the customer for the price charged. All three elements (form, technology and need) together can birth a new product concept-prototype-design that assures a definite and discoverable value per customer dollar. All three elements are needed. Any one of the three elements can dominate the other two in producing a new product or service.

Through CVCII customers can be closely involved in the choice of form, technology and benefits. For instance, Whirlpool's customers are closely involved with its employees and with its new design development. Dell's customers are actively involved in designing personalized computer configurations. Microsoft regularly tests its software with its target customers and incorporates their suggestions into its final versions. Harley-Davidson's top executives conduct an annual customer rally (e.g. in Sturgis, South Dakota) where current and potential customers discuss new designs that then become part of next year's models.

Designers choose several elements such as shape, scale, tempo, proportion, materials, appearance, aesthetics, décor, ambience, color, flavor, fabric, sheen, feel, fragrance, ornamentation, and texture to design or constitute the "form" of a product, decide how to mix these elements and determine the level of congruity that should exist among them (Bloch, 1995). The workmanship in the execution of a design also has an impact on the product form. The form often means the physical content and appearance in the case of a physical product (e.g. the actual passenger car in case of a new auto, the actual sequence of steps and procedures). In the case of a service the "form" includes negotiating, contracting, paying and the coverage of an insurance service, home mortgage and brokerage). The form of a Harley-Davidson Sportster includes the sparkle of its chrome, the raked angle of its front shocks, the prominent V-configuration of its engine, the teardrop shape of its gas tank, the visibility of its mechanical components and the way in which these elements blend together as a visual mosaic (Bloch, 1995). Most of these ideas came to Harleys from its target customers through some form of CVCII.

Customer involvement in manufacturing and customizing

Bring customization closer to the customer.
Involve target customers with production

decisions that link suppliers. For instance, Dell allows its customers to choose specific suppliers (e.g. Intel versus AMD, HP versus Nextel) for various component combinations (Holweg and Pil, 2001). Customizing late in the value-chain process lets companies respond faster to individual orders and to stabilize their production schedules. For instance, some textile manufacturers dye clothes at the last minute to satisfy most recent fads. When assembling printers Hewlett-Packard first builds a standard printer and postpones the addition of power leads and manuals depending upon customer-specifications (e.g. power wattage, language for manuals). This enables much product flexibility at very little extra cost (Feitzinger and Lee, 1997; Gilmore and Pine, 1997). An auto manufacturer may schedule at least 2,000 components per final product thus implying billions of combinations. But in reality, customers cite only body style, engine, exterior color and type of stereo as being most relevant to the car purchase decision so that auto companies do not have to spend a fortune offering hundreds of useless combinations. It is important to determine what variations truly enhance perceived customer value (Holweg and Pil, 2001).

It is necessary that employees and customers be involved in the quality assurance process. One way to do this is to make each employee responsible for ensuring that customers have an extraordinarily good experience with the organization. The assignment of this responsibility enhances the probability that the customers together with employees will be sources of quality improvement ideas. As employees become more and more aware of customer concerns and how to respond to them, employees will be better able to discover ways in which the organization can improve its customer relations and service (Sirdeshmukh *et al.*, 2002). For example, Whirlpool allows its customers to heavily influence the control of product design. As a result, Whirlpool manufactures some of the hottest-selling cooking ranges in the industry (Jones, 2000).

Kim and Mauborgne (2000) propose that manufacturers keep the "buyer's experience cycle" in mind in designing and fabricating new products. According to them, every customer has a unique "utility lever" that specifies how a given new product or service will affect the customer's life. The "utility lever" is when, where and how the product will affect the customer. Typical utility levers of a new product or service include: the perceived value per customer dollar; product simplicity; product convenience; economic use of money, time, energy and anxiety; environment friendliness and safety; the image of fun-and-excitement; and consumer risk reduction. Target

customers in a CVCI process can disclose and discuss their own specific utility levers that should help manufacturers in designing and fabricating uniquely customized products based on experience.

Customer-value-chain involvement in product bundling

Table I suggests that the customer value-chain involvement is a vital part of the product bundling process from the beginning to the end. Currently, there is a growing body of literature that involves the role of customers in the process of the product-bundling and product-price mix bundling stages of product development (Stremersch and Tellis, 2002). Bundling is the sale of two or more separate products or services in one package. In one form or another, this strategy is pervasive in today's markets, especially in the auto, computer, travel, insurance, and entertainment-electronics industries. The term "separate" implies that the product or services can be sold separately, have separate markets, and assumes that at least some buyers will want to buy them separately. For example, the bundling of banking and insurance is the bundling of two separate products as they can also be bought separately. Similarly, a travel package that bundles an airline ticket, car rental, hotel accommodations and dinner plans is the bundling of four separate products into one package.

Two bundling strategies are distinguished (Stremersch and Tellis, 2002): Price Bundling is defined as the sale of two or more separate products/services in one discount package. The products/services are not integrated. In this case, buyers must be motivated to buy the bundle by some discount or other incentive. Typical examples of price bundling are a six-pack of beer, a set of luggage items, a fast food combo meal, a season ticket for a sports team or for the opera, and a software suite. Product Bundling is defined as the sale of two or more products/services integrated into one and sold at one price. The product could be thought of as having an integrated structure. The bundle integrates the different functions of the bundled products into a single product bundle. For instance, the multimedia PC has an integral architecture that bundles connectivity via modem, data storage via disks and retrieval via CD-ROM. Obviously, the integration provides added value such as compactness (e.g. integrated stereo systems), interconnectivity (e.g. telecom systems), seamless interaction (PC systems), consolidation of Internet service (bundle of web access, web hosting, e-mail, personalized content, search

engines, search programs), non-duplicating coverage (e.g. one-stop insurance), reduced risk (e.g. mutual fund), integrated bill (e.g. telecom calling plans) and enhanced performance (e.g. personalized dieting and exercise program). Table I suggests that the product-price bundles are best positioned after CVCI; that is, after getting customers personally involved in their bundling process with suppliers, employees and channel partners.

Customer value-chain involvement in customer service and feedback

Take the case of Amazon.com. Each time a customer accesses the Amazon.com web site, the on-line bookseller provides recommendations based not only on the customer's previous purchases but also on the purchases and reviews of other people who have bought similar books or CDs. Amazon's continuous interaction with their customers whenever they visit the web site helps them express and further refine their tastes and preferences. All along Amazon.com either supplies books or CDs from its own sources or draws them from other partner suppliers to service its customers within two to three business days. Amazon.com is a good example of customer involvement with SCM, ERM and PRM for better customer service. eBay also is an excellent example of involving the customer in the customer-service value chain. Customer involvement is also getting to be commonplace in medicine.

Each employee is a potential customer service representative (Jones, 2000), and salespersons, in particular, are frontline company ambassadors (Sirdeshmukh *et al.*, 2002). Customers truly enjoy having a well-trained, knowledgeable and named person to deal with their concerns and orders. An organization needs to know how it impacts the customers who contact it. Much of its impression, image and impact depend upon how well the organization's employees interact with its customers. Value-chain involvement enables this impression, image and impact to transfer, transpire and be templated by the customer.

Discussion and managerial implications

Product-centric companies believe that they create value by product variety – this, in turn, leads to product-centric innovation. While creating product variety is easier today, competing effectively for value through product variety is not. Value will increasingly have to be co-opted and

co-created with customers, and innovation must be focused on their co-creation experiences (Pralhad and Ramaswamy, 2000). Our contention is that existing and prospective customers of an organization and their involvement in the value chain should be the primary force that defines and directs the firm's value chain and indeed the firm itself.

Internet-savvy customers currently are forming their own virtual communities using Internet chat rooms or posting notes on a firm's "bulletin boards". This form of CVCI significantly influences markets and customer service. Companies could construct suitable infrastructures for such chat rooms or bulletin boards. Such virtual communities often define the structure and infrastructure of companies. A typical offline example is Harley Davidson's brand communities (McAlexander *et al.*, 2002). Online virtual communities of Yahoo!, Amazon, eBay, Excite, Google, and E*Trade also exist. In each case, it was customers who forged and legitimized the evolving identities of those companies and gave them meaning as national and global brands in the Internet economy. But these smart and very savvy companies have also provided adequate IT infrastructure to mobilize their customer communities (Pralhad and Ramaswamy, 2000).

eBay: a good case of CVCI

Pierre Omidyar, the young engineer who founded eBay in his apartment in 1995 and built a \$4.6 billion fortune, worked on the premise that the Internet is the perfect device for the second most important form of human convergence, the meeting of buyers and sellers (Adler, 2002). In the eBay market, buyers and sellers are both customers. eBay has set a continuous feedback system whereby it encourages and collects buyer-seller opinions and suggestions and takes them seriously. eBay enables customer involvement with other customers, with suppliers, with distributors, with managers and marketers on a 24/7 basis. It has implemented an online sales and support capability that enables live 24/7 interaction to provide fast response to business customers' inquiries and technical problems. The new capability is based on a collaborative support application from TightLink Corp that lets support personnel, customers, and suppliers collaborate in real time over the web (Maselli, 2002). eBay added this new feature as a result of listening to customers via inter-departmental collaboration. Prior to the deployment, eBay support personnel relied on e-mail to communicate with business customers, a process that was ineffective and

inefficient. It was difficult to keep track of customer interactions with hundreds of separate e-mail files (Garvey, 2001).

More recently, eBay has birthed thousands of small businesses within its auspices. Entrepreneurs try to buy low and sell high after incubating their purchases for a while. Last year, over 150,000 entrepreneurs used eBay as their trade base. This year that number has almost tripled to 430,000 (Wendland, 2004). There are more than a million products auctioned on the eBay market of more than twenty million customers from all over the world. Over 250 millions customers have traded on the eBay auction since it started in 1995. Thousands of companies now routinely offload their aging or overstocked inventories via clearance sale auctions on eBay. Customer involvement as buyers and sellers occurs at all of the various touch points in the value chain. Indeed, eBay is a marvelous example of excellent CVCI. eBay's customers – the buyers and sellers known as the community – dictate much of eBay's IT strategy. eBay's attitude toward the community borders on reverence and this is what has propelled eBay to build an IT infrastructure that was stable, always available and flexible. The company has a rigorous development and design process to support the community. Ideas for new features on the eBay web site often come from individual buyers and sellers, as well as customer groups who regularly interact with senior eBay executives in charge of product management and design (Maselli, 2002).

Large corporations like Motorola, Sears and IBM now sell directly through their own "stores" on eBay's site. eBay disclaims any ambition to dominate the vast middle ground of everyday retailing. Instead, it concentrates on the two tails of the retail bell curve: unique or hard-to-find items, such as new computer games that can be sold at a premium, and used or outdated or overstocked merchandise that can be discounted. In the \$3.78 trillion retail economy of the USA even these two tails of extreme behavior can cover a lot of territory. Moreover, since everything that transpires on eBay is recorded, and most of it is public, the site constitutes a gold mine of data on American tastes and preoccupations.

Customer value-chain involvement enabled by the internet

Thus far, CRM investments have done only one thing, they have pulled everything together into one database and served every customer from that database. This hardly gives one a competitive advantage since everyone could be compiling and operating from the same database. Hence,

Amazon.com serves every customer specifically and uniquely from his/her database that the company creates. This is also what TiVo does with its intelligent digital video recorder. This is what Apple does with its new iMusic (a vast improvement over iPod) and this is what Microsoft and Sony do with their X-box and PlayStations, respectively. These firms create unique databases for unique customers that are event, context, time and location dependent, and then they serve their customers from these unique and continuously updated databases. This is where consumers can build relationship with and co-create their unique experiences with these enlightened companies (Pralhalad and Ramaswamy, 2003).

The current problem with CRM is that it assumes that a company knows how to create value for customers. This old world top down approach does not work anymore. Customers do not always identify with the experiences that are fabricated by companies. They want to shape those experiences themselves, both individually or with other customers from brand communities (Pralhalad and Ramaswamy, 2000). They want experiences that build upon their wired, networked, informed and active lives (Pralhalad and Ramaswamy, 2003). You have to engage customers as co-equal problem solvers, so that they can create value that is unique to them. A CVCi driven CRM does not view customers as targets to be had, but as single persons to be treated with personalized, unique and need-satisfying experiences. Customers do not want to merely be satisfied but want responsive organizations that consider their business important, essential and vital to their operation (Jones, 2000). The product is no longer the basis of value, but the experience is. This is what CRM should manifest (Pralhalad and Ramaswamy, 2003). The companies that cooperate with customers to deliver CVCi-based unique experience products and services will enjoy a sustainable competitive advantage. It is in the context of delivering producer-customer co-created satisfaction experiences that we propose the CVCi model. The greater the customer involvement (in as many components of the value chain as is possible), the greater is the potential for co-creating lasting satisfying experiences for the customer.

The same reasoning applies to both SCM and ERM. Employees and suppliers must not assume that they know what the consumers want and produce them accordingly. This unilateral imposition is shortsighted and contrary even to the most basic understanding of the marketing concept. Instead, we involve most customers to help them determine their space, their value, their experience, and then co-create a product or service

that will foster and forge that unique experience for the customer. This is not product innovation, nor company-centric innovation, rather it is experience innovation that is customer-centric. Sony, Microsoft, TiVo, Apple, Dell, eBay and Disney have been successful precisely because they use CVCi that is customer-centric. This is what GM's OnStar is trying to do and accordingly promises to have a successful future. The new competitive space for innovations affords new opportunities for profitable growth and value creation. Companies can differentiate themselves far beyond the quality and cost of their products and services if they co-create unique experience environments with their customers (Pralhalad and Ramaswamy, 2003).

CVCi: beyond customer satisfaction to customer delight

Customer satisfaction is an elusive concept. Over decades, several definitions have been proposed. By and large, satisfaction is defined as "the consumer's response to the evaluation of the perceived discrepancy between prior expectations [or some other norm of performance] and the actual performance of the product after its consumption" (Tse and Wilton, 1988, p. 204). This overarching comparison standards (CS) paradigm of consumer satisfaction is currently being challenged (e.g. Fournier and Mick, 1999; Jones and Sasser, 1995; Lemon *et al.*, 2002; Spreng *et al.*, 1996; Schneider and Bowden, 1999). For instance, if consumers initially have low expectations, then they can easily be satisfied by a mediocre if not a poor performance. That is, this theory predicts that a consumer who expects and receives poor performance will be satisfied.

Also, the CS paradigm assumes that consumers compare their past (product or service) cost and benefit experiences to their current expectations to form satisfaction judgments (which are a function of the differences between their past and the present experiences and expectations) (Tse and Wilton, 1988). Besides being tautological, these statements may not significantly explain customer behavior and satisfaction. Research conducted at service firms (e.g. insurance, beauty parlors, and car repair shops) reveals that meeting customer expectations on the basis of performance reliability does not improve loyalty behaviors beyond a certain point – that is, loyalty quickly reaches an asymptote without increasing thereafter (Schneider and Bowden, 1999). Satisfied customers can still and do defect (Jones and Sasser, 1995).

Hence, the CS paradigm has recently been expanded to include consumer desires for specific

product benefits, feelings of information satisfaction during the purchase search process and feelings of satisfaction when consumers compare their perception of the performance of a product or service to both their desires and expectations (Spreng *et al.*, 1996). Fournier and Mick (1999) focus on the longitudinal, experiential, and family-related sociological process of consumer satisfaction. Lemon *et al.* (2002) contend that customer satisfaction can be influenced not only by one's past expectations and experiences, but also by one's future expectations of benefits and anticipated regret. CVCi when well managed can respond to customer desires, family needs and present and future needs in the short run and on a longitudinal basis.

Today's informed and much sophisticated customers look beyond the mere satisfaction of their expectations. They seek fulfillment of their desires (Spreng *et al.*, 1996). They seek unique experiences from their buyer-seller interactions (Vandenbosch and Dawar, 2002). They also look for the unique experiences of co-creating the product with producer-consumer engagement (Pralhad and Ramaswamy, 2003). In short, consumers, today, seek much more than a product or service, or even a brand or its company to satisfy them, they want an engagement, an experience, an excitement and in sum, they want consumer delight (Keiningham *et al.*, 1999; Keiningham and Vavra, 2002; Schneider and Bowden, 1999). Consumer delight is the reaction of customers when they receive a service or product that provides unexpected value or unanticipated satisfaction (Chandler, 1989). Customer delight is a strong, positive and emotional reaction to a product or service (Schlossberg, 1990). It is the key to the more evasive goals of loyalty, positive referrals, and loyalty-driven profit (Oliver *et al.*, 1997). We contend that the CVCi process is directly calculated to generate customer experiences that are engaging, committing and delighting the customer to lifelong loyalties.

We have outlined the structure of customer satisfaction in the socially embedded context of one's past, present and future desires, feelings, expectations and experiences, excitement and delight – all these in relation to self, family and one's social environment. All these considerations are the content of CVCi. Figure 1 models this process.

The first three blocks to the left of Figure 1 depict the older model of customer satisfaction, which assumes that a customer's involvement is only with a firm's finished products or services. The remaining six blocks of Figure 1 graphically portray our CVCi model. We invite the customers and their families to be involved not only in a given

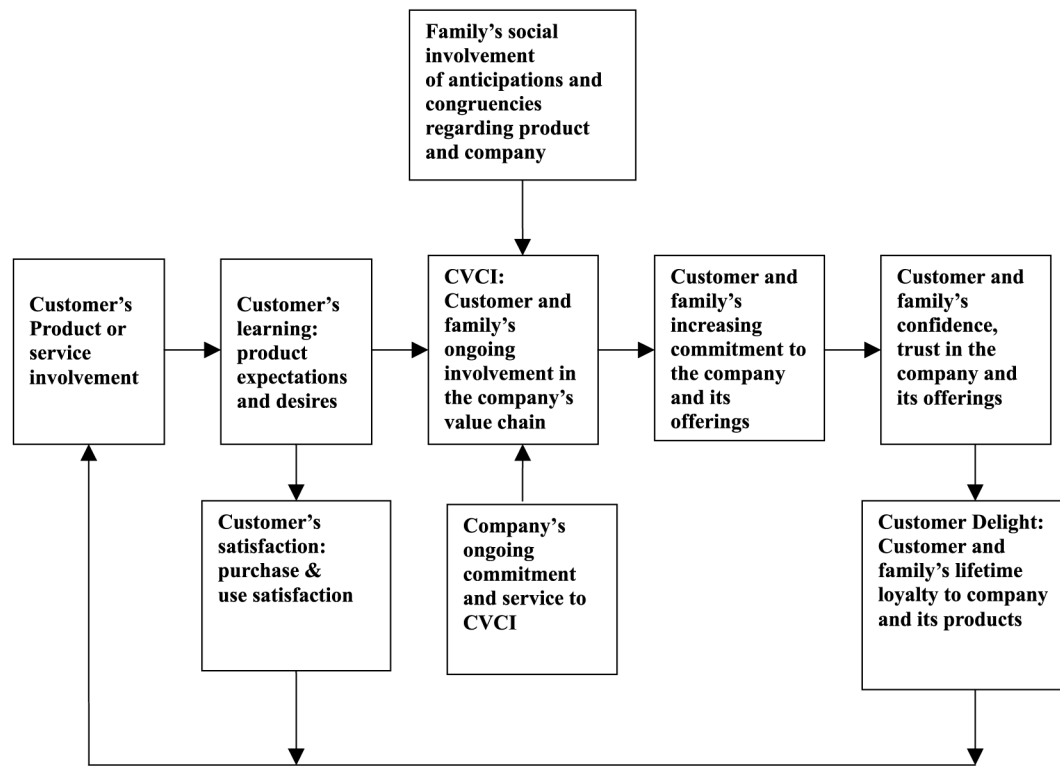
product's value chain but also in the value chain of the entire company and its market offerings. We propose a CVCi that is focused on the entire company with all of its product lines and divisions including SCM, ERM and PRM. We hypothesize that CVCi with just a product-service value chain will generate the first step of customer satisfaction as it relates to product/service information (Spreng *et al.*, 1996) or its attributes (Oliver, 1997), and hence, purchase intention. When CVCi deepens to include: the social involvement of the customer-family in relation to anticipations and congruencies (Lemon *et al.*, 2002); the company and all its product lines and activities; and assuming this involvement is reciprocated by the company's strong commitment to the customer and the family, then we predict that the customer and his/her family's commitment will also proportionately increase to generate confidence, trust and customer delight (Keiningham *et al.*, 1999; Keiningham and Vavra, 2002). Customer delight, in turn, will make customers and their families, lifetime loyal to the company and all its market offerings (Oliver, 1999; Oliver *et al.*, 1997) and generate a stream of positive product referrals.

Concluding remarks

CVCi is relevant in our world of highly informed, savvy, perceptive, demanding but cooperative customers. CVCi works as we have seen from the several company examples we have presented. There is decided added value in CVCi that manufacturers, engineers, marketers and distributors could seriously consider and evaluate. They are the opportunities, strategies and benefits of CVCi. CVCi provides product-service differentiation by participation, enhancement, customization and cost-reduction (Song and Adams, 1993). We have illustrated the value of CVCi in the case of a new product development. The same reasoning can easily be extended to upgrading old products, the retro branding of new products and/or for differentiating and repositioning a firm's entire product line.

Successful new products or services do not just happen – they must be managed. The creation of a customer-centered organization requires that the management process bring about extraordinary customer involvement (Jones, 2000). Progressively involving target customers in the entire value chain will make customers feel and believe a new reality, that they are the central and primary concern of an organization. The old marketing concept captured the essence of this feeling but miserably failed in the behavioral facts of its implementation. It was a lot of form without much substance. The tools and

Figure 1 Customer value-chain involvement for satisfaction and delight



strategies of CVCI are neither empty slogans nor amorphous feel-good advertisements; they are rooted in the human behavior of involvement, commitment, satisfaction and delight. The CVCI model we have presented here provides a comprehensive and challenging approach to centering the organization on creating and maintaining customers – hence, creating a sustained and real competitive advantage.

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