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Can a Customer Value Proposition be a Double-edged Sword?

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Abstract

Diverse customer value propositions (CVPs) are witnessed in different industries. Going by the global business history of several yester-decades, by and large, these CVPs have been characterized by disruption either mainly on the utility front or on the price front but not on both the fronts. The existing literature also predominantly highlights these possibilities. As a matter of fact, the literature is practically silent on the prospects of dual disruption. However, of late, there have been cases like Dell, Skype and PillCam that could achieve what is considered otherwise impossible. They were able to shake the respective markets by virtue of their dual disruptions. This paper aims to plug the research gaps in this regard. It takes the shape of a comparative and contrasting analysis of several related case studies and thereby endeavours to distil managerial and organizational wisdom behind these real-time cases. Thus, this study strives to provide the business firms with appropriate managerial and strategic takeaways towards exploring the exploiting the prospects of dual disruption by duly emulating these success stories. Limitations of the study along with pointers to future research are indicated.

Keywords: Customer Value Proposition, Buyer Utility, Barriers to Consumption

1. Introduction

Customer value propositions (CVPs) in various markets or industries have been characterized by disruption exclusively on either the utility front or on the price front, but not on both the fronts (Anderson, Narus and van Rossum, 2006). In other words, in one case customers might be happy with the extra utility in an offering of the focal firm compared to that of the competing CVP offerings of other firms. Nevertheless, on the other front, price is either proportionately higher or just the same. In yet another case, customers might be delighted with the lower price in the offering of the focal firm in comparison to that of the competing CVPs of the rival firms. Nonetheless, on the other front, utility is either proportionately lower or just the same. In either of these cases, customers can at best be happy mainly on one front and much less on the other front. In light of both of these possibilities, the popular perception is that there cannot be any CVP that concomitantly offers the best of both of these viz., a higher utility coupled with a lower price while being profitable to the firms offering such a CVP that is disruptive on both the fronts. Otherwise, firms cannot sustain to offer such CVPs *sans* profits.

2. Literature Review

In light of the predominance of customer value propositions characterized by one-sided disruptions either on the utility front or on the price front but not both, in many cases, customers' delight or pleasant surprise is often restricted either to the higher utility in exclusion or the lower price in exclusion but not both (Barnes, Blake and Pinder, 2009). This has been so because a higher utility is often seen as a result of a correspondingly higher price. Or else, a plausibly logical argument could be that a lower price would be possible only when there is a corresponding drop in utility. Contrary to such a prevailing perception, there have been cases of few firms which could accomplish the best of both the worlds of utility and price in a single go viz., in the case of a single product or offering of the focal firm. Though customers may long for such a paradoxical possibility, it is seen as a practically impossible task to achieve the best of both of these worlds. However, one can find such real-time business examples wherein the seemingly impossible CVP

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could be successfully accomplished by few firms while making profits nonetheless. Notwithstanding such commercially miraculous feats by some firms, there has been a conspicuous paucity of studies exploring such seemingly impossible CVPs, no matter howsoever less frequent their incidence is. This study is an attempt to plug this gap and address the prospects of such CVPs characterized by a double boon viz., higher utility at a lower price to customers.

3. Research Methodology

The paper takes the shape of a comparative and contrasting theoretical analysis of select case studies that simultaneously demonstrate innovation that comprises of dual disruption (Anthony, Johnson, Sinfield and Altman, 2008). Conceptual underpinnings of all these case studies are duly synthesized and streamlined into a coherent body of business wisdom. The cases of Jaipur Foot, Narayana Hrudayalaya, Southwest Airlines, NetJets, Dell, Skype and PillCam demonstrate the CVPs that are disruptive on the twin fronts of utility and price. When out-of-the-box approaches are embraced, such double disruptions could be accomplished. The initial improvements often come from the inside-the-box approaches though. However, there is a limit to process or efficiency improvements in the form of better, cheaper and faster *modus operandi* resulting in incrementally or nominally better outcomes within the same old paradigm of operations. However, when an unconventional out-of-the-box approach is adopted, there can be a paradigmatic shift in the form of phenomenal outcomes that are characterized by disruption on the dual fronts of utility and price concomitantly. For example, Southwest Airlines could come up with its compellingly enticing CVP viz., “speed of a plane at the price of a car whenever you need it”. So also, NetJets could create jitters and flutters in the respective market with its electrifying CVP viz., “convenience of a private jet at the price of a commercial airline ticket”. Blue ocean strategies of such firms often stand for dual disruptions that this paper talks about (Kim and Mauborgne, 2005).

4. Conclusion

This study endeavours to compare and contrast the dually disruptive CVPs of the several real-time cases on the twin fronts of utility and price. In so doing, this study makes an earnest attempt to distil pertinent managerial and organizational takeaways that could guide various firms in different industries in exploring and exploiting the prospects of dually disruptive value innovations that fetch their own avenues of revenue characterized by profitable growth opportunities that the firms can leverage. Few caveats from these comparative studies warrant our attention. The legacy business models and their corresponding CVPs would not get relegated to the background just because dual disruptions take place. Different CVPs resonate with different market segments. So, multiple parallel business models can co-exist because each CVP is appealing to a different market segment and not all market segments are equally attracted to different CVPs. Even when there is a possibility of cannibalization of business models, we all know that internal cannibalization would be preferable to external cannibalization. The study also links the managerial and organizational takeaways to various barriers of consumption. Besides all this, the success of a customer value proposition lies in the delivery of the value promised. Thus, this study adopts a multi-pronged approach towards bringing out appropriate managerial and organizational lessons both from the perspectives of academicians and practitioners by duly synthesizing and streamlining various snippets of wisdom from the multitude of case studies after due substantiation and comparative elaboration. The dual disruptions in any CVP calls for unique ambidextrous organizational skills that concomitantly augment the utility and decrease the price. Though such examples are few and far in between, once distilled wisdom is consolidated into a body of knowledge, one can expect many more such dual disruptions in future for the overall well-being and welfare of the business world and the consumer fraternity in both developed and developing markets. These can result in enhanced resource conservation and resource leverage for a better society on planet earth with finite resources in the face of explosive growth in global population. This study, thus confirms the possibility of a seemingly impossible customer value proposition being a double-edged sword on the twin fronts of utility and price. Though utility is seen predominantly on some important aspects only, there can be many more aspects that go into the buyer utility and unconventional firms can always creatively add new dimensions and this can alter the market dynamics. Future studies can incorporate such dimensions towards arriving at an expansive and much larger framework to handle CVPs much more dextrously.

5. References

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