

Conference Paper

The Development of Customer Value in the Small Medium Enterprises (SMEs)

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Abstract

Customer value is the evaluation done by customers to assess the usefulness gained from products or services for the necessary cost. This is the key to success because many companies can increase their sales with customer value and price. This research is related to customer value and small to medium enterprises or UKM in Surabaya with dimensions from consumer worth including extrinsic and intrinsic cues, visual appeal, excellence, efficiency, and price satisfaction. This sample uses 100 respondents for data analysis using a double regression method. The research results show that extrinsic and intrinsic cues, excellence, and price satisfaction significantly influence customer value, while the variables of visual appeal and efficiency do not significantly influence customer value.

Keywords: customer value, extrinsic and intrinsic cues, visual appeal, excellence, efficiency, price satisfaction

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1. Introduction

Customer value is crucial to firm achievement (Ulaga 2011; Lindgreen et al. 2012) so it is important to understand the effort needed in inventing ways to communicate with customers, and creating customer value by strategizing how to stand out from the competition, that is, fostering competitive added value (Woodruff 1997; Landroquez et al. 2011). With many companies, the sales increase by selling grounded on customer value (Terho et al. 2012) pricing grounded on value nilai (Liozu dan Hinterhuber 2013) and management value and customer value management (Anderson et al. 2006; Bowen et al. 2011). But success taking on from this strategy needs knowledge about customer value evaluation that counts the effect of suppliers' offers on the cost and customer return (Frow 2005; Anderson et al. 2006). Several other studies also show that flexibility of strategies adopted will influence the performance of organization (Ridwan, 2017; Ridwan and Marti (2012). However, a current study in domain B2B

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shows customer value evaluation as the serious task which is met by managers (ISBM 2012).

So, deeper knowledge is needed of customer value evaluation. Usually, various companies have evaluated customer value via means of evaluating superiority and functionality from merchandise offers, such as through a survey of customer satisfaction (Payne and Holt 2001) or altering value levels (Anderson et al. 1993, 2006). But, even this comparatively modest and easy to apply method has at least three main weaknesses: first, this method works best with physical products, but in this lies a difficulty in evaluating who the target customer is in complex and intensive offers, which leads to uncertainty in predicting value potential from supplier offers or after delivery (Anderson et al. 1993; Ulaga dan Chacour 2001).

Secondly, they frequently work simply in one dot when y the customers. Thirdly and finally, they be apt to have tactics naturally and frequently collapse to grasp the knowledge of worth in long-term usage for obtained by customers from suppliers' offers. With this method for customer value evaluation, it seems that it is not appropriate to guide managers. The effort in evaluating value potential and measuring value realization needs a holistic approach (Ostrořm dkk.2010; Macdonald et al. 2011; Lindgreen et al. 2012).

Customer value (Ciptono, 2011) is not just dealing with quality of the product or services but also price. Even if the product has a superior quality, a price that is too high will lower the value of the product. Products with high quality can not only last longer but fits in with customer needs, applicable to products that can be bought according to the customer's ability to pay. Munnukka J (2012) contended that consumer value is influenced by the intrinsic and extrinsic qualities, while the price is applies to mediation variables. The research will be done by using dimensions from customer value by adding price in the independent variables as a quality dimension of customer value, while the research from Munnuka J (2012) uses the price as a mediation variable. Customer value dimension deals with extrinsic and intrinsic cues, visual appeal, excellence, efficiency and price satisfaction.

2. Literature Review

Customer value deals with customer value evaluation for the usefulness, also all offering costs and other alternatives thought of (Ciptono, 2011). This opinion shows that customer value deals with usefulness and sacrificing, where the customer will compare the usefulness and sacrificing that is done. Usually the product has high art and has

something of unique value that can result in high value with a high price because karena mempunyai customer value yang tinggi. Customer value is not only determined by product quality but also from product price. A consumer is prepared to buy the product with a high price if the product has high a value according to the customer.

Holbrook (1996) outlines customer value as a cooperative relativistic inclination practice. The collaboration will occur involving a buyer and a product, and Holbrook's 'relativistic' indicates that buyer value is proportional, individual and situational. He has raised a kind of purchaser worth in which the worth create is split into extrinsic and intrinsic worth. An extrinsic (other oriented) worth mentions to a means-ends association, which could contain efficacy, superiority, position and honor. An intrinsic (or self-oriented) value contains show, aesthetics, morals and religiousness. In the Mathwick et al. (2001) ranked typical of practical value, extrinsic value contains customer return on investment (CROI) which involves lively value, the lively investment of commercial, behavior and emotional capitals that possibly generate a return, and responsive worth which represents service superiority.

Those scopes contribute increase to extrinsic advantages. Moreover, supposed expense (Teas and Agarwal, 2000) and price quality (superiority et al., 1998) have been proposed as precursors of extrinsic value. As said by Mathwick et al. (2001) intrinsic worth (subjective and individual) comprises aesthetics (visual attractiveness and enjoyment) and liveliness (distraction and pleasure).

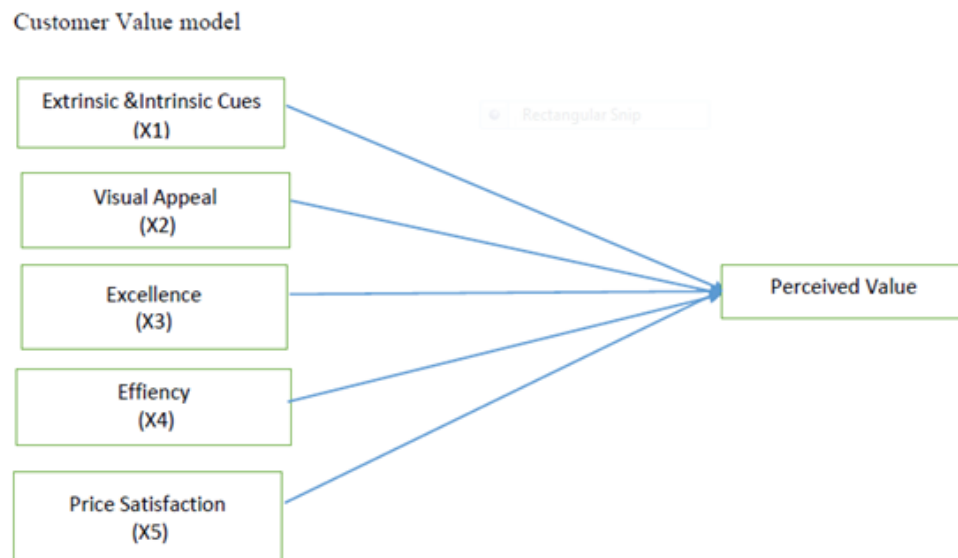
In the environment of valuing investigation, Monroe (e.g., 2005) has discovered that the supposed worth of an invention is absolutely influenced by intrinsic and extrinsic signs of invention superiority. Consumers are discovered to depend on those signs when assessing product superiority and therefore, the worth of the product. Consumers that are conversant with the product are too discovered to depend more on intrinsic signs – that is, the tangible characteristics of a product–rather than price or other extrinsic signs (Akshay and Monroe, 1988; Monroe, 2005). As the current review connects to extraordinary technology products, a zone comparatively novel to wholly customers, intrinsic signs of product superiority are supposed to influence supposed value more than extrinsic signs (Mathwick et al., 2001).

Juha Munnukka (2012) points out that Customer Value has five aspects;

1. Extrinsic/intrinsic cues;
2. Visual appeal;
3. Excellence
4. Efficiency; and

5. Price Satisfaction

2.1. Customer value model



2.2. Previous research

1. Joonas Keränen and Anne Jalkala's (2014) describe that three strategies for purchaser worth evaluation in commercial markets use a qualitative method by interviewing 35 managers of 10 companies. The research result identifies three strategies in customer value evaluation accepted by companies: developing worth transactions strategy; life-cycle worth management strategy; and devoted worth professional strategy. This strategy sees the ways to manage and coordinate an organization unit in the different phases in the process of customer value evaluation.
2. Juha Munnukka and Pentti Järvi (2012) uses a quantitative method with 453 respondents that are analyzed with the double regression method. The results showed that customers value high tech products which are built with 5 dimensions of quality: escapism/intrinsic enjoyment, visual appeal, excellence, efficiency, and price satisfaction.
3. The work of Juha Munnukka, Pentti Järvi, Uusitalo (2013) on Impact of service quality Dimensions on the formation of customer value in B to B service show that purchaser value B to B services which consist of attributes such as reliability, responsiveness, and assurance, which are consequence level customer values.

Customer value level is influenced by empathy, responsiveness and assurance, which are dimensions of service quality. So by focusing on the most effective service superiority dimensions, this may enhance the customer value.

4. Toulou Perrea, Athanasios Krystallis, Charlotte Engelgreen, and Polymeros Chrysoschou's (2017) 'Much too new to eat it? Customer value and its impact on customer-product relationships in the context of novel food products'. Results show that even the doubt about search (information) and trust (safety) and also experiences (taste) attribute perceptions of likeability toward product quality and ethical image mainly about customer value shows that new product potential is positively evaluated by customers.
5. The work of Jasmina Ilicic and Cynthia M. Webster (2015) on Customer values of corporate and celebrity brand associations showing that brand concept map peta and hierarchy map value shows accessibility of customer value in customer services in financial brands. The expert of customer value in celebrity brand and appreciate both in these two brands. The main finding is the originality of the brand which forms safety and increases trust to develop the customer brand development in relation to celebrities.

3. Hypothesis

- H1: Extrinsic and intrinsic cues is positively related to the customer value of small medium enterprises.
- H2: Visual appeal is positively related to the customer value of small medium enterprises.
- H3: Excellence is positively related to the customer value of small medium enterprises.
- H4: Efficiency is positively related to the customer value of small medium enterprises.
- H5: Price satisfaction is positively related to the customer value of small medium enterprises.

4. Methods

This research is quantitative by surveying 100 customers UKM (SMEs) with the age on average of 20-40 years. The measurement uses the Likert scale 1-5, 1 being fully agree

and 5 representing fully disagree This study uses multiple regression. Customer value is measured with 5 qualities, including:

1. EXTRINSIC CUES OF QUALITY AND INTRINSIC CUES OF QUALITY (X₁)

The product quality of SMEs from extrinsic and intrinsic side is shown through a distinctive product, events surrounding its release, and so forth.

2. VISUAL APPEAL (X₂)

Attractive product design of SMEs

3. EXCELLENCE (X₃)

The high quality of products of SMEs

4. EFFICIENCY(X₄)

Efficient in using the product of SMEs due to the simplicity of SMEs products

5. PRICE SATISFACTION(X₅)

The price and quality of SMEs products meet the hopes of the customers.

6. PERCEIVED VALUE (Y)

The price and quality of SMEs products meet the perception of the customers.

Data was collected by surveys to the owners of small medium enterprises in Surabaya city from January to February 2018. The survey was emailed to the customers of SMEs with a cover letter, respondents were asked to complete the questionnaire within a four-week timeframe. It is expected that it will take no longer than twenty minutes to complete the instrument. The survey contains the scale measures of extrinsic and intrinsic cues, visual appeal, excellence, efficiency, price satisfaction, and perceived value. One hundred customers as a sample of this research were chosen by random sampling. The criteria of the sample is based on the customer who ever bought the products of the small medium enterprises.

5. Results and Discussion

The Validity test of Extrinsic and Intrinsic cues of quality (X₁) is valid, Visual Appeal (X₂) is valid, Excellence (X₃) is valid, Efficiency (X₄) is valid and Price Satisfaction is valid, because $r_{test} > r_{table}$. The Reliability test of all Variables is reliable because Cronbach's Alpha value > 0.6 .

Validitas			
Variable	r test	r table	Validity
X1	0.333	0.1638	Valid
X2	0.412	0.1638	Valid
X3	0.384	0.1638	Valid
X4	0.225	0.1638	Valid
X5	0.577	0.1638	Valid

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.860	0.862	36

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.730 ^a	0.533	0.480	1.415

ANOVA ^a					
Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	100.729	5	20.146	10.056	0.000 ^b
Residual	88.151	44	2.003		
Total	188.880	49			

Coefficients ^a					
Model	Unstandardized	Coefficients	Standardized	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-8.987	4.244		-2.117	0.040
X1	0.395	0.188	0.225	2.102	0.041
X2	0.197	0.122	0.184	1.616	0.113
X3	0.326	0.133	0.263	2.453	0.018
X4	0.183	0.237	0.086	0.773	0.444
X5	0.534	0.133	0.454	4.025	0.000

The reliability result can be seen from Cronbach's Alpha value being 0.860 so the model is reliable because the Cronbach's Alpha value > 0.6

R value is 0.730 meaning that in this model, Perceived Value is influenced by independent variables such as Extrinsic & Intrinsic cues (X1), Visual Appeal (X2), Excellence (X3), efficiency (X4) and Price Satisfaction (X5) coming to 73% while the rest is 27%; Perceived Value is influenced by other variables outside the model. The result of Regression variables that influenced significantly are variables of Extrinsic & Intrinsic cues (X1), Excellence (X3) and Price Satisfaction (X5). This shows that customers like

the SMEs (UKM) product because it is more unique, high in quality, practical for wearing, and the price is reasonable.

The variables Visual Appeal (X_2) and Efficiency (X_3) do not significantly influence perceived value. It shows that even though the SMEs (UKM) product is interesting and easy to wear, this does not influence customer value. The interviews are done to customers of SMEs (UKM) Surabaya, on purchased products including woven bag, rattan woven bag, painting shoes, t-shirt, flower accessories, brooch, batik clothes, bracelet, veil, necklace, wallet purse, and a key holder. The customer is satisfied with the products bought. They think that Extrinsic & Intrinsic cues including Excellence and Price Satisfaction can increase the customer value. The customers think the usefulness of the product and it is worth.

6. Conclusion

1. The purpose of this research was to investigate the effect purchaser value has on SMEs in Surabaya.
2. This research is done to know the 5 dimensions of customer value SMEs (UKM) in Surabaya including Extrinsic & Intrinsic cues, Visual Appeal, Excellence, Efficiency dan Price Satisfaction.
3. The result of Hypothesis H1 Extrinsic & Intrinsic cues has a positive influence on the customer value, H2 Visual appeal did not support customer value, H3 Excellence has positive effect on customer value. H4 Efficiency did not influence customer value, H5 Price satisfaction has positive influence on customer value. H1, H3 and H5 positively influenced customer value, and thus H2 and H4 were rejected.

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