

# COMPETITIVE ADVANTAGE OF THE GOODS

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## **Introduction**

The growth of the commodity item in trade offer of modern retail companies that emerged in the last decade before the economic crisis period (2008-2012.) is accompanied by mild differences in their consumer properties (Kiselev, 2008). This has led to increased competition between manufacturers and suppliers of goods in the last link of the chain of goods movement - at the point of sale. Not having at their disposal an effective method to ensure competitive advantage for their products by non-price methods, producers and suppliers of goods seek to increase trade by price drop. The consequence of this widespread phenomenon (both in Russia and abroad) is the decline of the economic efficiency of the participants as the sphere of commodity circulation in general and retailers in particular.

Of course, this aggravate the effects of the economic crisis, and enters the retail industry in the cycle of systemic crisis. The escape of the current and future economic nightmare should be Shumpeterov's "storm of innovation" (Shumpeter, 1991), in production and in the distribution of goods.

Another consequence of the same phenomenon of the crisis is the decline of loyalty to the places of sales and brand image. The use of traditional commodity and technological tools to address these negative effects doesn't bring desired results to the participants of the sphere of commodity circulation.

These circumstances have led us to the necessity and feasibility of developing a conceptual approach that will effectively influence on the customers' attention to a specific product brand on the retailer's salesrooms, through effective visualization the point of sale.

In our study, we relied on known fundamental researches of DA Aaker, N.N. Borden, L. Bucklin, A.S.C. Ehrenberg, R.F. Lauterborn, A. Rives, Trout, E.H. Weber, etc.

In the series of commodity production, marketing paradigm emerged first as a distribution logistics (1902), combining efficient methods for goods in distant markets (Litman, 1902).

Much later, Professor Neil Borden (1964) developed this concept to understand that effective marketing activity producers needed though different, but the same tactical tools (Borden, 1964).

However, the economic markets, should increasingly based not on material flows and on the management of consumer perceptions of products. Thus, in the depths of the first marketing paradigm was born second paradigm. Prominent American professor Theodore Levit (1988) pointed out in this connection that the producer of commodities to increase sales efficiency should direct their efforts not to compel consumers to desire his goods, but forced himself to produce what consumers want (Levit, 1988).

In the context of this article, we note that the core of these efforts should be long-term and multifaceted relationship between the producers and the rest of the goods movement for providers, sellers, buyers, consumers, by means of which will be realized and attained mutually beneficial terms of trade. The most attractive conception for producers who want to start similar relationships, is the concept of «4C», proposed by Professor Robert F. Lauterborn (1990): Customer value, Customer cost, Convenience, Communication (Lauterborn, 1990). These four components producers should consider at the stage of design of the goods. Fundamental work Robert F. Lauterborn led to the formalization of the third, post-economic paradigm of marketing - relationship.

For a long time, this concept is not recognized as a new paradigm of marketing, but as one of its focus of the second paradigm. Professor Ian H. Gordon (1998) developed a second set of measures tactical marketing paradigm «4C» to «11C»: customer (buyer); categories (category); capabilities (features); cost, profitability and value (cost, profitability and value); control of the contact to cash process (monitoring of processes associated with the receipt of funds to the company from customers); collaboration and integration (cooperation and integration with customers); customization (the production of goods for individual orders); communications (communication with customers); interaction and positioning (interact with customers and positioning); customer measurement (buyers to assess the profitability of the company); customer care (customer care); chain of relationships (chain relationships) (Gordon, 1998). As follows from the essence of the above instrument list, it is increasingly the focus of attention is oriented producers to consumers.

Elliott Ettenberg (2001) in his "Neoeconomics" formulates the name of the third paradigm (posteconomic) cut a long list of instruments proposed by Professor Ian H. Gordon to brief mnemonic formula «4R»: relationship, relevancy, retrenchment and rewards (Ettenberg, 2001). The main elements of the tactical complex, he suggested the following: building relationships (with clients), the importance of customers to the company, reducing unprofitable for the company customers and encouraging beneficial.

Genesis of post-economic prerequisites of relationship marketing paradigm began to emerge in the late twentieth century in response to the emerging while the growth of commodity production and the crisis of goods movement.

Interaction between participants of sales channels is their competitive advantage. Professor Peter Drucker called this economic paradigm "network society" (1991), due to the rapid expansion of trade networks (Drucker, 1991). Networking paradigm is characterized by the formation of partnerships, industrial companies, strategic alliances, inter-firm networks.

Formation of post-economic paradigm is accompanied by significant sales growth in the number of studies in the field of relationship management, which come to the fore, such non-economic categories such as trust, commitment to the relationship, communication, value. This created a new understanding of competitive advantages of trade offers - through the formation of intangible assets such as brands (value of trade marks in the minds of consumers), positioning (brand a special place in the minds of the target consumer audience), the creation of value (not good) to consumers, etc.

Advocate for the formation of these intangible assets was made Jack Trout, co-developed with colleagues Al Ries and Steve Rivkin concept of product positioning in the minds of consumers. According to this concept, the commercial offer should be accepted by consumers, so that it seemed to them a unique. In addition, consumers should differentiate trade offer from the other by themselves (Ries & Rivkin, 1985). Jack Trout etc. formulated the first principle of commodity production, "... It's better to be the first in the buyer's mind than on the market! ...".

It is fair to note that the concept of positioning, executed as an imperative of the new economy, was first proposed by advertising coryphaeus Rosser Reeves (1960) as the concept of «USP» (Unique Selling Proposition / Point), aimed at maximum consideration of the psychology of perception trade offer the target audience of consumers (Reeves, 1960).

Heuristic paradigm of relationships is an ongoing process of identifying and creating new values, together with our customers, and then co-production and distribution of the benefits of this activity between suppliers interaction. It involves understanding, focus management attention and ongoing joint activities suppliers and selected customers for mutual development and use of values through interdependence and adaptation of organizations.

To a great extent on the formation of the third paradigm of marketing are inspired by resource dependence theory (vertical integration of supply chains), developed by Professor Louis P. Bucklin (Bucklin, 1966), and network theory (penetrating cooperation as the primary way of organizing relations between the participants of networks), described by Professor Jagdish N. Sheth (Sheth, 1988).

A third paradigm of marketing involves direct participation customer in the value chain. It erases the boundaries between buyers and producers / suppliers. It will organize a new company, changes the system of staff incentives and seeks to transform all aspects of the Company's activities to more closely link its business processes with customers. Professor Paul Temporal (2001), published their joint work on the subject vividly outlined a paradigm of marketing "novel with the buyer," and valued the relationship between suppliers, vendors, customers and consumers - the world famous phrase «Je t'aime! (Fr.) " (Temporal, 2001).

Paradigm of the relationship can be defined as the process of identifying and satisfying customer needs better than the competition in order to achieve organization's goals. Producers create new value for customers and recognizes the key role of consumers in determining the value that they want.

Thus, the value is created with the consumers, and not for them. It was assumed that the definition of self determination and providence of this value because they are considered "goods" Producers, in line with its business strategy, and focusing on customers, build and coordinate their business processes, communication, technology and training to provide the value that consumers are willing to receive. They seek to build a chain of relationships between the company and its partners in the supply chain, including suppliers, intermediaries in the distribution channel.

The paradigm of the relationship found acceptance among scholars and practitioners in many countries and continents, including North America, Europe, Australia and Asia. Its scope is wide, includes a wide range of related industries sales, including distribution channels, marketing research, etc.

Based on the foregoing, we conclude that to date has all the objective conditions for a trade channels to really scale to apply the methods and principles of partnership between sellers and buyers / consumers.

Development of network theory of trade channels and customer relationships has led to the fact that their length was significantly increased, spreading to the entire global market. Product offering increases exponentially, reaching into one shopping complex of hundreds of thousands of commodity items.

At the end of XX century, there was a tendency of less effective marketing communications. It reflects changes in society: the growing role of information, the massive impact on society of the media, the increase in the consumption of consumer experience they purchase goods, the rising cost of communications.

Began to appear throughout the new modern format retail (shopping centers), which received marketing communications opportunities through specific determinants of the physical environment of the goods. Honored American professor Kotler, Philip (1973), one of the first identified one of the

attributes of goods atmosphere of the place of sale (Kotler, 1973). Later, Philip Kotler brilliantly predict - in communications with customers at point of sale should focus on customer experience by selling proposition (Kotler, 1984).

So formulated, new (the fourth) paradigm marketing, called The Experience Economy. Name of the new marketing paradigm later gave American consultants Pine II, B. Joseph & Gilmore, James H. (Pine & Gilmore, 1999). They predicted the evolutionary growth of the economic proposals from the physical attributes - to impressions: "... when a person is buying experience, it pays for the unforgettable moments of his life, prepared by the company, ie for their own feelings and emotions ... ". The market value of trading offer increases several times.

Thus, producers, suppliers and retailers need to focus on the experience that accompanies using of their products. The focus of empirical economics has become not only consumers, but also the behavior and emotional state at the time of using of the goods. That's what today should be concerned about the producers, whose products are currently in demand, or do not find it decidedly lost.

The last ten years the Russian economy as a whole has evolved rapidly. Grew up living standards. During this period, the real income of the population increased by half, one-third decrease in the number of people with incomes below the subsistence minimum. Achieved macroeconomic stability characterized by a decrease in the rate of inflation, stability of the national currency, the federal budget surplus and income growth of the budget system of the Russian Federation. Russia has, according to international experts, one out of four of the world's most dynamic economies (BRIC). In terms of GDP, calculated at purchasing power parity, ahead of Russia, countries, "eight", as Italy and France, and among the seven largest economies in the world. The accumulated foreign investment in Russia over the past ten years has grown to more than 7 times. Improving living standards, promote the development of "human capital", stated by the Russian Government as a priority, which gives a high and sustainable economic growth of the state.

Overcoming the economic crisis well for the Russian consumer market also implies a qualitative transformation of the market potential of the country, the foundation of which will be the introduction and dissemination of scientific and technological achievements. With a favorable course of innovation processes can form a new (innovative) model of economic development areas of the consumer market, which is a consequence of the transition to the dominance of items such as: information and communication technologies, the development of high-tech industries, the emergence of market innovation and intellectual property, the growing role of the human factor - as in respect of trade supply and consumption.

Innovations that provide competitive advantages of macro-and microeconomics, have a strong impact on the functioning of trade, lead to its greater transparency, the establishment of the integration process, control over the consumer market, to uniformity of norms and rules of supply and standardization requirements of the structure, the growth of foreign investment . Innovations "pumped up" a new energy trading sphere of subjects, form a competitive innovative unique selling proposition, a mutually beneficial relationship based on technological innovation.

Currently, there is a steady increase in the competitiveness of the economy of the home countries of multinational corporations (MNCs) - Leaders of innovative technologies in their industries and sectors. The consequence of this phenomenon is the decline in the economic performance of the participants as the sphere of commodity circulation in general, and the retail trade, in particular in those countries, including Russia, where innovation is not developed or nonexistent. This is especially tragic given the high importance at the present time the retail industry to the GDP of Russia (~19%)

Another consequence of the same phenomenon is the decline of loyalty to the places of sale and trade-marks, which show no innovation. The use of traditional marketing tools to eliminate these negative effects not bring participants sphere of commodity circulation desired result. Researchers explain the decline in performance, such as advertising, in particular: the growing number of advertising messages that emerged in the last five years, the lack of a mechanism for managing advertising of products in targeted market segments, both in quantitative and qualitative terms, reduced the credibility of Russian buyers to funds direct marketing, the rising cost of production and distribution of traditional channels of advertising messages, while their significant glut.

These circumstances have led us to the necessity and feasibility study on the nature of changes in consumer behavior and the development of a set of innovative communication tools that can effectively influence the behavior at points of sale. To do this, examine the reasons for the loss of efficiency of the existing marketing tools and allocate it the elements of strengthening the emotional perception of the goods sent on the salesrooms as a new value.

Russian consumer market during the crisis in 2009 with the significant drop in the level of consumer activity and turnover (-5.5% in the mass of commodities) and the slow progress of these factors in the current 2010 (forecast +4%). To rise to the former high level Russia need not only Shumpeterov's "storm of innovation" and innovative tsunami in trade, not only (and not so much) commercial type, and how much of the process of organizational types.

On the phases of the economic crisis and depression are prerequisites for the transition to the new technological principles of the development of innovation. This, in turn, requires large investments in not only update the fleet of existing facilities, but also the formation of new markets, such as markets for innovation. Protracted global economic recovery, which lasted until the beginning of the new millennium, has confirmed the fact that the potential for economic development of the fifth technological system has run its course. It is time the sixth technological structure, while innovative breakthrough and application of advanced technologies, the emerging new Kondratiev's cycle. It's necessary to invest russian foreign exchange reserves in the new basic innovations, of the present sixth technological order, in the knowledge economy of the future, in its infrastructure and social programs.

In order to identify hundreds of such products, manufacturers and retailers need to create an image based on a unique set of emotions and experiences, through which goods reach the consumer. The economic crisis calls for sales of goods not in material form, and brought their emotions that bring pleasure to the consumers, the legend.

To do this is not enough traditional channels of marketing communications, of which the main source of information (90%) are visual images. Another 8% of all information necessary for an audio channel. The remaining three human senses: touch, smell, and taste account for only 2% of all the information received. In the efficiency of the 2% of the data is forecasted success full interaction with consumers at point of sale.

Innovative task of promoting sales of goods can be sent to the desired effect on the emergence of human emotions through effects on the organs of taste sensation?

Our study aims to examine the impact of the taste channel information on the trade offer to the point of sale to generate buyers emotional feelings. This is part of the scientific school "multisensory marketing communications at point of sale." Previously, it was found possible to influence human behavior through the influence of his senses by olfactory marketing communications (Kiselev, 2008).

## **Material and methods**

In this study, the hypothesis was put on the possibility of adjusting the consumer a sense of value through the use of trade offer as a channel marketing communications taste buds man.

To achieve this goal the method Hall-Test. In this case, the discussion of perceived value to consumer snacks with different tastes: sweet, bitter, sour and salty. It was assumed that when exposed to different types of participants

in the discussion of taste, their emotional mood will change, which will lead to change and consumer behavior.

## **Results and discussion**

Realizing the impact of such tools in the future will affect sellers of consumer solutions for the benefit of both sides of the buy / sell. The result will be an increase in the degree of involvement of the consumer in the process of purchase, as well as increase customer value and the perceived value of the product.

In discussing the value of trade in groups offers sweet candys, sour - jelly with a sharp sour taste, salty taste - roasted peanuts with salt, bitter - bitter almonds. In addition to the four groups were treated to snacks taste of this, another group of consumers has been allocated as a control. Members of this group discussed the value of the trade offer in a neutral setting without any taste influences.

Each group also offered to discuss trade offers different purposes. During the discussion, participants were treated to refreshments offered. To determine the type of emotional states parties were fixed in their questionnaires discussed their sense of value of trade offers. These feelings were both quantitative and qualitative. Quantitative assessment of the participants exhibited in a suitable price range for them, perceived at the time of refreshments snacks and quality - by describing arise when serving, snack options discussed emotional selling proposition.

The data obtained in this experiment were subjected to statistical analysis and correlation analysis.

Summarizing the data on the effect of taste to create emotional states of consumers, we can conclude about the correctness of such theories.

Thus, under the influence of a sweet taste in the discussion of the value of trade offer for 51% of the respondents have formed positive emotions, in this case - 13% of this kind of emotion manifested in the extreme, 23% of apparent negative emotions, in 26% of the emotional state has changed. Quantitative assessment of the value of the respondents trade offer such taste test was +50% ÷ +75% compared to the control group.

Sour taste less actively excites extreme positive emotions - 7% of the study population, 14% of respondents appeared negative emotions, the rest remained neutral emotional states. Quantitative assessment of the value of the respondents trade offer such taste test was +20% ÷ +600% compared to the control group.

Bitter taste caused 34% of the positive emotions, 16% - the negative, the others brought a taste neutral, calm emotional state. Quantitative assessment

of the value of the respondents trade offer such taste test was  $-28\% \div +570\%$  compared to the control group.

Salty taste is 48% of the panelists positive emotions, and the very positive development of interest in 9% of respondents, negative emotions have formed 19% of the participants, including 3% of respondents, felt the extreme negative emotional state, and the remaining respondents maintained a neutral emotional state. Quantitative assessment of the value of the respondents trade offer such taste test was  $-3\% \div +90\%$  compared to the control group.

## **Conclusions**

Our studies suggest that the hypothesis of the possible use as a channel marketing communications human taste buds. With their help it is possible to adjust the emotional mood of the consumer, and the consumer a sense of value selling proposition.

For us, it seems obvious the fact that the taste and flavor of association handling emotions is little unexplored phenomenon, and still are numerous studies and experiments for the development of a complete, working methods, which would allow companies to more effectively identify and position themselves in the market.

However, as is evident by the fact that the sellers of products that succeed in establishing innovative methods of communication with customers at point of sale by the taste of messages will have a strong competitive advantage and thus greatly increase the loyalty of their customers.

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