



A Discussion on Value in Marketing

Zhuolun Liu^(✉)

St Andrews KY16 9AJ, UK
lil.zhuolun@gmail.com

Abstract. This article explores the concept of value in marketing and the distinction between customer value and customer lifetime value. The report introduces the historical debates on value between philosophers and economists and raises the question of how value should be defined and delineated. Subsequently, it points out that the importance of marketing has been overlooked in past market environments, leading to an insufficient understanding of the value of marketing. The article also examines the difference between customer value and customer lifetime value, highlighting that it entails a comprehensive assessment of the profits and costs generated by customers throughout their relationship with a company. Lastly, the article mentions the perspectives of economists Mariana Mazzucato and Mark Carney, who hold differing views on market value. Still, both emphasize the impact of the market on society and the importance of active engagement in public affairs. In conclusion, the article summarizes that the current core of marketing is to create value for customers.

Keywords: Value · Marketing · customer lifetime value · Mariana Mazzucato

1 Introduction

Value has been a matter of discussion among philosophers and economists since immemorial. The word value seems like everyday life's nouns, verbs and adjectives as if it is already well understood [1]. Hence no one will wonder what the value truly is, which raises the question of how the term value should be defined.

Throughout the 1990s, only 12 out of 100 chief executives had previous experience in a marketing position. Only 57% of the companies surveyed had a marketing director on the board (Peter Doyle, 2000); this demonstrates the need for more emphasis on marketing, which led to a lack of perception of value in marketing. Moreover, what is the value of marketing in the current marketplace? The importance of marketing value is well explained by J. Brock Smith and Mark Colgate (2007) in their article; customer value creation has long been recognized as a central concept in marketing (Woodruff, 1997) and the fundamental basis for all marketing activity (Holbrook, 1994). It has been suggested as the purpose of organizations (Slater, 1997), the primary key to success via differential positioning (Cooper, 2001). Consequently, another question enters the people's view, what is the difference between customer value and customer lifetime value? This paper will examine this issue in light of the doubts and conjunction with the views of economists Mariana Mazzucato and Mark Carney.

2 Value in Marketing

There is more to the value of a thing than simply the price. Marx proposed that value is subordinate to the commodity and that only when the product of labour is transformed into a commodity is human labour expressed as value (Marx, 1867). According to Adam Smith, all goods circulating in the marketplace have a value, a use value and an exchange value, and labour creates wealth and is the measure of the exchange of goods (Adam Smith, 1776). Regarding the composition of value, for Adam Smith, the value of commodities in the capital accumulation by the capitalist no longer depends on the labour consumed but rather on the labour purchased [2].

However, although philosophers have explained the concept of value, this only applies to some of the present-day marketing contexts. In recent years, with the rapid rise of the economy leading to increasingly fierce competition in the new situation, how to take place in the increasingly fierce market competition is current business leaders need to pay great attention to the issue [3]. Customers are an indispensable and essential element in the long-term development of a company, and customer value is the primary driver of economic benefits. In planning marketing programs, companies need to explore the potential value of their customers comprehensively and implement corresponding marketing programs for them according to their customer types on the premise of customer value theory.

Marketing has currently been in development for almost a hundred years. From the beginning of the industrial age, when consumers could buy what they wanted anywhere, it was a time when demand exceeded supply, and there was a vague notion of quality and liking [4]. Later on, consumers became increasingly sophisticated and began to know the value of production-oriented; consumers needed better quality products and focused on product quality and the product-oriented demand derived from it, forging the rise of several new brands. Until now, development is slowly marketing-oriented demand, and it is no longer the era of corporate domination but the era of the consumer that has come (Zhou, 2002). Constant changes are faced in the development of marketing. However, the essential core remains unchanged: to satisfy users more abundantly and provide them with more comfortable service and value. Through the continuous evolution of marketing into today's customer-oriented marketing, customer orientation requires understanding the situation of the target market and the competitors' situation; as long as the user needs are met more effectively than the competitors, you can do better.

3 Customer Value and Customer Lifetime Value

With quality, price, service and brand competition becoming increasingly fierce, it is difficult for companies to rely exclusively on one tool to gain a long-term competitive advantage [5]. As a result, the importance of customer value is being viewed by many companies, and its attention has increased significantly. Following nearly a century of development, the critical value of marketing today is to create value for customers, meet their needs and create profit for the business while creating value for the customer. In other words, marketing is about managing the value of user needs; it is about creating value for customers, managing valuable customer relationships and getting rewards

from customers; this is why customer value is now an essential and indispensable topic in marketing. A glance at the definitions given by some economists shows the diversity of definitions of customer value [6].

Value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given. (Zeithaml, 1988).

Buyers' perceptions of value represent a trade-off between the quality or benefits they perceive in the product relative to the sacrifice they perceive by paying the price. (Monroe, 1990).

Customer value is market-perceived quality adjusted for the relative price of your product. (Gale, 1997).

From this, customer value is providing customers with satisfactory products and services from the customer's point of view while safeguarding the company's interests to create value that exceeds customer expectations [7]. At the same time, the concept of customer value can be seen as a strategic dimension, a strategic direction of execution that must focus on the customer's needs because changing customer needs is the pattern of the market. At this stage, competition based on customer value represents the next major shift in management practice and surpasses the focus on quality management of the last two decades.

Which customer relationships are worth maintaining and allocating marketing resources to and which are not is a challenge for most companies [8]. In response, many companies not only consider the profits customers have generated for the business in the past and present but also seek to predict the value they will bring and allocate marketing resources based on customer life-cycle profits and lifetime value [9]. In such an environment, marketing maximizes customer lifetime value and equity, which is the sum of the life-cycle value of a company's customers (Gupta et al., 2006).

The founder of Amazon, Bezos, is a capitalist who places extreme importance on the long-term value of his customers. Amazon is losing \$500 million a year on Kindle, but in eBooks, music, movies, Etc., Amazon makes \$2 billion a year and captures 83% of the nation's eBook market. Bezos' subsidy for e-books has two benefits: Firstly, Amazon has had a monopoly in the e-book market for a long time. Secondly, although the Kindle is at a loss, Amazon can earn money from subsequent user spending [10]. In this way, Amazon not only safeguards the interests of its customers but also assures the long-term mission of the business.

We can conclude by comparing the definitions of customer value and lifetime value. Firstly, the definition of the two concepts is different. In a broad sense, customer value includes the sum of the profit contribution made by the customer to the business and the profit made by the business for the customer [11]. In contrast, in a narrow sense, it only includes the value brought by the customer to the business. Customer lifetime value emphasizes the profit a customer brings to the company and the cost to the company throughout maintaining the relationship [12]. It is the sum of the potential future benefits to the business for each purchaser on average. To better maintain the lifetime value of customers, companies should divide their customers into the most valuable customers, potentially valuable customers and non-valuable customers according to their contribution to the company's profits and then develop corresponding customer strategies for the value of different customers.

4 A Meeting of Minds Among Economists

In 2018, economist Mariana Mazzucato published a new book, *The Value of Everything: Making and Taking in the Global Economy* (Mariana, 2019). One of the points of this book, which is the same as the earlier point in this paper, is that the early economists were focused on the production of value from land, labour and capital but that this view is no longer appropriate for today's markets [13]. What fits in the current market in Mariana M.'s theory? Price. Price determines value because price determines the interaction of supply and demand in the market, and only goods that can be sold for a reasonable price have value [14]. This view is correct from a capitalist's point of view, for whom a commodity's value is undoubtedly the price. However, prices are not only influenced by value; the influence of supply and demand also regulates them.

Theoretically, the exchange of goods is to be done based on the value in an exchange of equivalents, but since human nature is selfish, equivalence is only ideal. Value is only an ideal yardstick. Combined with the paradox of 'diamonds and water', water is far more critical to humanity than diamonds, but diamonds are more expensive than water. We can then say that diamonds are worth more than water. Not. However, two types of markets fit this value: the secondary market and the art market [15]. The secondary market is full of vanity and hype, making people who unthinkingly follow the trend lose their most accurate judgment of the value of commodities, and price supremacy is the core concept of the secondary market. Art is priceless, but art needs to be circulated, and the only value criterion for treating art is price. So, in both markets, price is the determining factor of value.

Mark Carney also has an extensive book of vision, *Value(s): Building a Better World for All*. The book's core subject—the tension between market-determined values and human-led social values—provides a foundation for what Carney calls "mission-oriented capitalism." (Jakob, 2020). In the book, he explores the relationship between market values and values, highlights the conditions necessary for social conventions to underpin markets, and explains how markets can be used to achieve social goals (YouTube, 2021). His ideas align with the prevailing market trends, and his vision is excellent; this is out to improve people's lives and solve society's problems, big and small. At the same time, Mark Carney is not a market absolutist; he is convinced of the limitations of the market as an organizing principle for a prosperous society and advocates action to close the gap between social values and market-priced values (Dennis, 2022).

The ideas of these two economists are opposite. While Mariana Mazzucato's central claim to value is that price determines value, Mark Carney opposes this view and believes that supply and demand determine value [16]. If there is any similarity between the two men's views, they affirm that the labour-oriented market drives society and that both are actively involved in public affairs.

5 Conclusion

On this basis, the core value of marketing today is to create value for customers and to meet their needs, customer-oriented marketing. Customer value in marketing and lifetime value are not the same in either concept or content. The value of the first sale and the

customer's lifetime value is much different because trust is built gradually. The finding of this study can be understood as if customer value is from zero to one, then customer lifetime value is from one to positive infinity [17]. Future research should consider the potential effects of Mariana M.'s assertion that price determines value. This theory may not be readily accepted nowadays, but the argument's validity is undeniable. However, for now, Mark Carney's theory of market-determined value may be more appropriate for the current marketing market.

References

1. Adam Smith (1776). *The Wealth of Nations*. Translated by Gao H. Version 1. (2018) Beijing: China Overseas Chinese Publishing House
2. Cooper, R. G. (2001). *Winning at New Products*, 3d ed., New York: Perseus. Gale Brad (1997) Satisfaction is not enough, *Marketing News*, 31 (22) (1997), p. 18.
3. Graf, A., Maas, P. (2008). Customer value from a customer perspective: a comprehensive review. *Journal für Betriebswirtschaft* 58, 1–20 (2008). <https://doi.org/10.1007/s11301-008-0032-8>
4. Gupta, S., Hanssens, D., Hardie, B., Kahn, W., Kumar, V., Lin, N., Ravishanker, N., & Sriram, S. (2006). Modelling customer lifetime value. *Journal of Service Research*, 9(2), 139– 155. <https://doi.org/https://doi.org/10.1177/1094670506293810>
5. Harvey T. (2014). *Who Stole My Customer? Winning Strategies for Creating and Sustaining Customer Loyalty*. First Printing. America: Person Education, Inc.
6. Holbrook, M. B. (1994). "The Nature of Customer Value: An Axiology of Services in the Consumption Experience," in *Service Quality: New Directions in Theory and Practice*, R.T. Rust and R.L. Oliver, eds., Thousand Oaks, CA: Sage, 21–71. -- (1999), *Consumer Value: A Framework for Analysis and Research*, London: Routledge. --(2005), "Customer Value and Autoethnography: Subjective Personal Introspection and the Meanings of a Photograph Collection," *Journal of Business Research*, 58 (1), 45–61.
7. J. Brock Smith, Ph.D. & Mark Colgate PhD (2007) Customer Value Creation: A Practical Framework, *Journal of Marketing Theory and Practice*, 15:1, 7-23, DOI: 10.2753/MTP1069-6679150101
8. Jakob von B. (2020). Mark Carney on a values-led economy. The former governor of the Bank of England argues for a significant overhaul of the financial system to confront global challenges: *Thought Leaders*, Issue 100.
9. Karl Marx (1867). *Das Kapital*, Vol. 1. Translated by Guo D., Wang Y., 1st edition (2009), Shanghai: Shanghai Sanlian Bookstore.
10. Lockhart, D. Mark (2022). Carney: Value(s)--Building a Better World for All Public Affairs, Hatchett Book Group, 2021. *Bus Econ* (2022). <https://doi.org/10.1057/s11369-022-00271-6>
11. Mariana M. (2019). *The Value of Everything: Making and Taking in the Global Economy*, 1st New Economic Thinking, 2021. *Values: Building a Better World For All*. [video online]
12. Available at: <<http://www.youtube.com/watch?v=YrBjBR67yTI>> [Accessed 15 June 2021].
13. Peter Doyle (2000). Value-based Marketing, *Journal of Strategic Marketing*, 8:4, 299-311, DOI: <https://doi.org/10.1080/096525400446203>
14. Slater, Stanley (1997), "Developing a Customer Value-Based Theory of the Firm," *Journal of the Academy of Marketing Science*, 25 (2), 162–167.
15. Woodruff, Robert (1997), "Customer Value: The Next Source for Competitive Advantage," *Journal of the Academy of Marketing Science*, 25 (2), 139–153.
16. Zeithaml V.A. (1988) 'Consumer Perceptions of Price, Quality and Value: A Means-End Model and Synthesis of Evidence', *Journal of Marketing* 52(3): 2–22.

17. Zhou J. (2002) A century of development and innovation in marketing theory. *South China Financial Studies*, 2002(1):75-77.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

