

Research Article

Brand Equity Management for Luxury Food Products based on the Customer Service Strategy

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Abstract: This study aims to analyze the brand equity management for luxury food products based on the customer service strategy. The literature review is delivered to launch the foundation of the service strategic analysis. The importance of the customer service strategy is enlightened to analyze the brand equity of luxury food products. The Kotler mode was adopted to establish the brand equity management system to investigate the customer service strategy. Then, the famous luxury food products brand, Chinese caterpillar fungus, was selected as the research object to analyze the problems in current relationship between the brand equity and the customer service. The analysis results show that the problems derive from the complicated external environment and mistakes in the internal management and the customer relationship management could improve the relationship between the customers and the corporations. Based on the model in this study, some suggestions are given to the problems in the customer service management

Keywords: Brand equity management, Chinese caterpillar fungus, luxury food products

INTRODUCTION

Service is among the important contents in consumer service theory. The opinion from marketing regards the service as typical merchandise rather than the activity. Several scholars tried to define the service from different perspectives. For example, Kotler (2001) pointed out that the service was an activity provided by the servants, which was shapeless and free of ownership issues. As a result, the unseen service is hard to research directly. However, for the luxury food products, the research on the service is necessary, because none of the luxury food products can satisfy all the consumers and not all the consumers can be informed of enough knowledge to use the products. The service, generally speaking, can provide the consumers with the guidelines about the brand inquiry, maintenance and technological support. By all the efforts of service, the true value of the luxury food products can be revealed to the consumers, which is undoubtedly advantageous to increase the strength of the company.

On the other hand, the consumer value has accepted much attention from many scholars. In 1988, Zaithaml (1988) pointed out that the consumer value is actually the consumer perceptions of value, which is determined by the consumers themselves. The buyers make judgments on the products after the merchandise, which is a comprehensive process with the perception and feelings from the consumption. His view concluded

that there were two kinds of contents: the one was that the perceptions were different from different consumers and the other was that the perception value referred to the balance between the cost and utility for the consumers. Monroe (1990) claimed that the value of customers referred to the exchange between the quality and interests he perceived of the goods and the costs he paid. More interesting, his study classified the management of consumer perception of value by four stages. First, perform quality. The first stage makes it important to reach the standards and provide the customers with the goods promised. Second, satisfy the customers. In the second stage, the company should provide the merchandise the customers need and react to the complaint from the buyers. Third, build faith of the customers. It is a must that the company keeps the customers and intrigues them to recommend the goods and service. Last, endow the buyers with the value of customers. In this stage, the company should be aware of the specific critical needs of individual customers. The company should create the unique value for the customers to conquer the competitors. Afterwards, further studies about the four stages are countless. Morris (1994) gave a relation, which was reflected by a function, between the value of customers and the products' price. In his study, the customer perceptions of value were separated from the customer value. Robert (1997) claimed that the value of customer should be viewed from the perspective of customers. Moreover, his paper confirmed the strategy of keeping

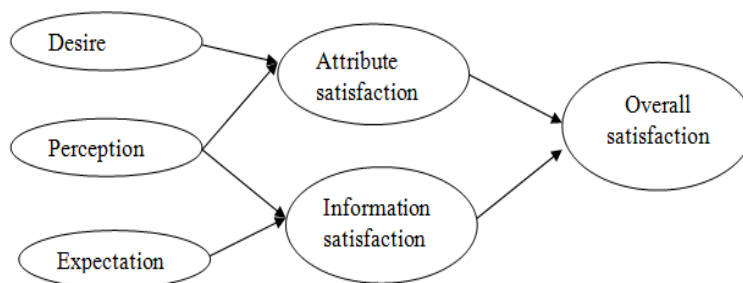


Fig. 1: The Kotler model for the customer satisfaction

the value of customer, which was continuing messenger and product improvement.

It is not until 2001 that there had not explanation about the value of customer. Kotler (2001) took the study on the value of customer in two perspectives, the customer delivered value and the customer satisfaction. Besides, some scholars contributed to the measurement of the service quality. Service quality judgment system is developed by Parasuraman *et al.* (1991). They performed a survey on the banks, the stock markets and the maintenance providers. Their model classified the service quality in five aspects. Reliability is the first, to judge the corporate ability to provide accurate and trustworthy service. Tangibles are the second one to judge the qualified image of the corporation. Responsiveness is to judge the willingness of helping the consumers. Assurance is to judge the staff to be qualified in their knowledge and politeness. Empathy is to judge the care and characteristic attention from the company to the consumers. However, very limited work has been done to analyze the brand equity management for luxury food products based on the customer service strategy.

In order to investigate the brand equity management for luxury food products based on the customer service strategy, this paper has adopted the Kotler mode to establish the brand equity management system. The Chinese caterpillar fungus has been chosen as the case study. The external environment analysis has been carried out to figure out the relationship between the customers and the luxury food products corporations. Thus, useful improvements in customer service have been proposed for luxury food products market.

MATERIALS AND METHODS

Kotler (2001) defined the customer satisfaction in his book. He believed that the customer would create an expectation before purchasing the goods or services. And he would compare the expectation with the real quality of the goods or the treatment in the service. The ultimate feeling decided the satisfaction. As a result, the satisfaction is a perception rather than the single behavior. The mental sense is the outcome of the

comparison of perception and the expectation. If the expectation is consistent with the perception, it is called the information satisfaction. If the desire is consistent with the perception, it is called the attribute satisfaction. Besides, Kotler (2001) explored the function to reveal the expectation and perception, $\text{satisfaction} = \text{perception}/\text{expectation}$. It is clear in the equation that the satisfaction is positive with the perception and negative with the expectation. In another word, the higher service quality perceived by the customer is, the higher the satisfaction arrives. On the contrary, the higher the expectation gets, the lower satisfaction turns out to be. Figure 1 shows Kotler model for the customer satisfaction.

As a result, it is confirmed that in order to acquire the large increase of the satisfaction, the service is critically important. To be more specific, the quality of the product is necessary for keep the customer in average level of satisfaction. But it is the service quality that can improve the customer satisfaction dramatically. Even the best product quality can only attribute to none of unsatisfied result. But the satisfaction can be reach by improving the quality of the service.

RESULTS AND DISCUSSION

Results for the case study of Chinese caterpillar fungus: China has been the luxury market in recent years. Chinese caterpillar fungus is a luxury brand for the food product in China. Chinese caterpillar fungus targets the market in China by expanding the agents. By cooperation with the agents, Chinese caterpillar fungus spent several years nurturing the relationship with the agents, covering the Chinese market by more than 20 stores.

Facing the changeable market and fierce competition, Chinese caterpillar fungus has to try hard to keep its original reputation in the customers (Zeithaml, 1988). From 2008 to 2011, when the financial crisis spread in the western countries, especially the Europe, China still kept the increase of 8% in GDP. The economic environment has an inevitable effect on the luxury consuming market. In fact, China has gained the speed to become the new primary consumer these years so much that the Chinese

market has been called the engine of luxury consumption. The result can attribute to the increasing richness in China. According to the Chinese Forbs in 2007, there were 400 rich people in China, who own more than 280 billion dollars. The wealth increased 164 billion dollars than the last year. Besides, the threshold for the board almost doubled in 2007 than that in 2006. And the average age of these rich men was 46, who were younger than the peers in America, who was 64. According to these data, Chinese rich is younger and more interested in conserve the wealth in a proper way, unlike the older generation depositing all their money in the banks. In another word, the new generation of the rich in China prefers to contribute their money for the luxury and exquisite life style. For example, they purchase the luxury food products not for the purpose of practical use, but as the bonus for the work or show their accomplishment. The rich in Shanghai and Beijing are keen to learn the top life trend in the world for the best or the newest experience. In consequence, the luxury food products sales rocket in these years. Until 2011, the consumption of the luxury goods has arrived at 10.7 billion dollars, who is the second place in the whole world. Among the luxury goods lists, the luxury consumption of food products accounts for one billion dollars, who takes the top five place in the luxury consumption (Mullen, 1984). But when 2012 arrives, Chinese economy takes slow like the other countries. During the second season in 2012, GDP increase in China get down in 7.6%, which is below 8% in the first time in the last twelve seasons. The negative environment blows down the expectation of the rich, who begin to take a careful attitude to the consumption for the luxury. The sales of the luxury food products start to suffer the slow speed in the increase. In consequence, many luxury brands take a strategic transfer from expanding the new stores to focusing on the performance of each store. Improving the service quality and bringing up the loyalty of the customer begin to be the most important necessity in their work.

The competition market for Chinese caterpillar fungus is fierce in China. Chinese caterpillar fungus's competitors can be revealed in two groups, the traditional peers and the newly brands developed by the luxury goods company. The traditional peers enjoy the long history as the king in their market. The second kind of competitor is the new brand derived from the top luxury companies. The luxury companies prefer to diversify their careers in the near industry to take advantage of the reputations (Huge, 1999). Chinese caterpillar fungus, as a prime accessory, can be the best target in the eyes of the luxury companies. They mostly depend on merger and acquisition with the factories, creating their caterpillar fungus brands to attract the buyers of their own. For example, Tongrentang, an empire of the medicines in China, owns the caterpillar fungus as well. As a consequence, Chinese caterpillar

fungus has two weaknesses in the competition. Comparing to the famous caterpillar fungus brands who have won the loyalty in Chinese market, Chinese caterpillar fungus's reputation is slightly weaker. Every brand in this market is trying to broadcast the image to the customers. In another word, for the luxury goods, no reputation means no business. Second, as a member of the group company, Chinese caterpillar fungus should follow the group decision, which may limit the development of the company for its own good.

The opportunity and threat of Chinese caterpillar fungus in China can be explained in the following. On the one hand, the opportunities can be two points. First, there still are rooms for further development in China (Zeithaml, 1988). Even though the luxury food product market in the major cities is saturated, a large amount of medium and small cities are still below opened up. Huge opportunity leaves for the further development of Chinese caterpillar fungus. Second, Internet is a new media for spreading the information of the merchandises. Chinese caterpillar fungus is well informed of how to raise the reputation of the company to attract the customers. More rich men in China get used to surfing on the Internet and purchase what they need. And it is no doubt that the Internet marketing is a cheap but highly effective way of media, which contributes a lot to the sales of Chinese caterpillar fungus. On the other hand, the threat for the company is the slowdown of the economic increase in China. The ill-favored economic environment gives a punch on the luxury food market. The rich will always to cut down the luxury consumption in rationality (Robert, 1997). The enthusiasm can be turned off if the budget is getting tight. Especially, for Chinese luxury food market, gift shopping accounts for the most important part in the sales. It is clear that the disadvantage external environment has a disturbing impact on the gift shopping in China.

As a result, the external environment is hard to change, but the necessity is to adjust self to the condition. Chinese caterpillar fungus should gain its own strength to fit in the environment.

Improvements in customer service: The luxury brand is related to the life style by many people. Most importantly, the service to the luxury food product cannot be ignored. Chinese caterpillar fungus connects with several famous food manufacturers and retailers. As a result, the customer service can be centralized in the service department in the group. The head of the group insists on keeping the customer service centre rather than third party maintenance service. The reason of the refusal to outsource the customer service can be explained as several points. Firstly, the third party would be hardly connected with the brands companies. The group customer service centre can stick to a unified standard to perform the orders accurately and timely.

Secondly, the customer service staff in the department should be highly qualified, especially for the luxury goods service, which the third party cannot guarantee, because it is clearly hard to train for a third party to be informed of the specific requirement. Thirdly, the third party is always unable to handle the customer complaints and transfer them to the company soon. At last, there is a high risk of controlling the parts of the goods for the maintenance, if the third party is in charge of the maintenance. As a result, Chinese caterpillar fungus built its own Chinese maintenance department when it first took step on China. However, there is only one customer service department and the staff is only one, who is a service charge. He has two reporting line: one is to the general manager as the political line and the other is reporting to the Customer Service Manager as the technological line. When the department was first built, the only customer service charge should take a responsibility to: receive the consultation and repairmen from the telephone and help them by answering technical questions about the caterpillar fungus; provide the maintenance service for the caterpillar fungus, which may come from the post office or the storage of the retailers; providing the technical information for both the sales and marketing department and the customers; communicate with the customers about the problems during the maintenance schedule and communicate with the Customer Service Manager about the parts orders, technical problems and information updating. Besides, the service charge was occupied with the orders to parts. Even though the business got started in China at that time, the charge was still exhausted by all the complicated duties.

As a result, the problems appear with the complaints increase. First, the maintenance schedule is so long that the customers begin to complain, which ruins the image of the company. It is reported that the consumer should wait for 3 to 6 month to get their repaired caterpillar fungus. Sometimes, the information about the schedule is never delivered to the consumer, which gains the anger of some buyers. The reason to the problem can be the lack of labor. Nowadays, the luxury food products sales increase in China. More importantly, some Chinese purchase the caterpillar fungus in the foreign countries. The pressure is on the shoulder of domestic customer service department. Besides, the repairmen of caterpillar fungus in China are still countable. And the young generation of repairmen is less. The customers tend to lose trust and faith in the brand. Second, the communication is not enough. The customer service centre hardly communicates with sales department. As a result, the sales department will never know what happened and can never deliver the message for the customer. The Chinese department can hardly be updated by the newest information from the head quarter. For instance, Chinese customer service department come up with an

idea to treat the VIP customers by holding some activity. But the request experiences a long time before finally accepted by the head quarter. The communication takes time and cultural difference causes troubles and explanations. The reason to this problem is the chaos in management. When the service department was firstly built, there are seldom systems and regulations for the service process. No law initiates misunderstanding and disorders. Besides, every item should be delivered to the head quarter because there is no regulation in the Chinese service department, which causes more troubles and useless efforts. Third, the salesmen are not as professional as necessary. Some salesmen for Chinese caterpillar fungus are not qualified as proficient in the products. Some fundamental knowledge is missing for the salesmen, who cannot provide necessary information for the customers. The reason can be two. On the one hand, Chinese caterpillar fungus has no completed training system to qualify its sales people for the job. On the other hand, the staff turn off rate is large, which increases the hardness of the train system.

As a luxury brand, Chinese caterpillar fungus is expected to give more to the customers. The expectation is more in the luxury goods than the ordinary ones, so the consumers expect more. For example, some characters which is not required in the common merchandises, but the same service is regarded normal for the luxury payment. In this sense, the customer put more attention on the service back in the products, including before and after the sales. More importantly, the rich people in China are younger generation who care about the characteristic and thoughtful service. According to the sales increase in China these years, the customer service should be growing. The service problem can grow in the same time.

The perception defines the image of the brand in the customers' mind. The perception decides the expectation and ultimately decides the satisfaction. In order to take roots in the Chinese market and improve the strengths, Chinese caterpillar fungus must take control of enough customer resources. For the current Chinese market, the buyers would not explode dramatically. Instead, remaining the old customers and cultivating their loyalty are critical for the development of the company. According to the Kotler model, which is $\text{customer satisfaction} = \text{perception} / \text{expectation}$, there are two ways to improve the satisfaction: first, improve the perception quality; second, lower the expectation. All they need to do is to depend on cultivating the perception. As a result, the service strategy of Chinese caterpillar fungus is to build the customer-oriented service system based on the customer perception. Typically, the before sales service is the important part in the customer service strategy. The before sales service is performed to stimulate the customer to buy

the products before contacting with the customers. The sales and marketing department is in charge of this job. All the service department need to do is to actively support the work and improve the before sales services. For Chinese caterpillar fungus, the service department can provide the marketing department with technical information. Besides, the service department can provide train about technical skills for the salesmen, to help the salesmen increase the knowledge about the products.

The customer service department of Chinese caterpillar fungus should have three characters. First, provide maintenance service. The duty involves regular maintenance and parts purchase. Second, provide technical skills. The service department should provide information on the technical skills for the internal sections in the company. Besides, the department should also be able to answer the question from the external customers and stores. Third, the department should be good at communication. Service department will always communicate with the customer and stores. In the communication, the department gathers the information to improve the service quality and deliver the message from the head quarter to the customers. The service department should communicate with the head office. Service department acquires the parts purchase, technical problems and the newest technical materials. It also delivers the products quality problems back to the head office, in order to improve the manufacturing process.

To be more specific, all the three characters are critical. First, the maintenance service in Chinese caterpillar fungus has a lot of flaws. There is only one member in the service department. All the service process must be done by one person under no supervision. The single service department causes inconvenient for the customers. The management control is ignored, which raises concerns from the customers. The improvements should be instantly made. Cancel the process of direct acceptance in the service department to the maintenance schedules from the customers. The store should take charge of acceptance and delivery of the complaint schedules. The customers can get the nearest store to ask for the maintenance schedules, which is convenient for the customers without doubt. Unify the maintenance process and standardize it. The management should take control on every chain of the process. It is suggested to redesign the maintenance schedules in three papers. One is for the customer; one is for the maintenance department; and one is for the store to keep track of it. Unify the service process. All the schedules should be transferred to the maintenance schedules to keep track of the repairing process. And the information should be delivered to the store as soon as possible. The customers can keep in touch with their caterpillar fungus as long as they want. The human

resources in Chinese caterpillar fungus reveal the problem of lacking professionals. It is comparably easy for the improvement because Chinese caterpillar fungus is a member of a large group company, who can provide cash and interests to attract the intellectuals to join in the company. Create enough development for the future, the better working environment and reasonable salary are options to attract the talented and elites. Second, solve communication problems. The service department should communicate with the other departments in the same company. The internal communication plays an important role in the company. Timely communication can improve the efficiency of the business and create the harmonious environment in working. The most frequent communication is with the sales department. The Sales Department knows well about the customers and does better in communicating with the customers. The service department can understand their consumers and inform the sales section of the technical skills about the caterpillar fungus. Sales department faces the customers and tries to find the way to satisfy them. That is the reason salesmen need the help of service department. Besides, the service department should communicate with the head office. The biggest trouble is the cultural difference. Different cultural backgrounds create gap between the two departments. Third, give the technical support. The service department in Chinese caterpillar fungus can communicate with the store about any technical problems now and then. The customer can consult the service department anytime to acquire the accurate, timely and professional answer. Regular training is necessary. The training can be held by the service department, because it is the most familiar with both the customers and the technical skills.

CONCLUSION

The customer service in Chinese caterpillar fungus tries to provide excellent quality for the consumers and create perfect experience for the luxury food products buyers, but the improvements are still much to do. The current economic environment is undesirable for the development of Chinese caterpillar fungus and the industry of luxury food products is experiencing fiercer competition than ever before. Because there are difficulties in the external environment and flaws in the service management, Chinese caterpillar fungus faces numerous challenges in the Chinese market. But the improvements can be made to bring up the strengths and opportunities for the company. As a long historic and famous company in luxury food manufacturer, Chinese caterpillar fungus enjoys a high reputation among the customers. Many luxury food lovers are familiar with the brand and become fans of its product, which means the company has a good foundation in the customers' mind. The luxury industry in China has

rooms to develop and once Chinese caterpillar fungus takes the chances, it will perform better in the future.

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