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Value Research: Developing Value Propositions in Industrial Organizations

Master's Thesis

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Abstract

The creation of value propositions has been acknowledged as a key requirement in value based exchange, a paradigm shift from transactional exchange where the items of interest were technical quality and price. Modern business, with its complex interdependencies between actors, requires better tools for communicating value creation opportunities and this is the demand the value propositions seek to address.

Value based strategies have been adopted by industrial actors in developed countries in order to counteract the commoditization phenomenon and regain competitive advantage. Industrial (B2B) value propositions have been studied in the past and much theory has been generated on them. This thesis digs into the established theory, combining constructs to establish a framework for value proposition generation.

In order to substantiate the theory, a qualitative multiple-case study was conducted which included six companies all involved in B2B value sales. In addition, supporting material from 16 previously conducted interviews was utilized to provide further evidence of the challenges faced and methods used by industry actors in the creation of value propositions.

Based on the combination of existing literature and the case studies, a framework was created which can guide companies in the creation of successful value propositions. Theoretical contributions were gained from the case interviews by identifying the mechanism of iterative value proposition creation, a phenomenon previously unmentioned in literature.

With developed nations suffering from ever increased price competition from developing economies especially in the industrial sector, value based approaches could offer a real way of dealing with this situation. As an integral part of successful value based selling, the creation of value propositions is a key function where companies need to improve their competencies in order to remain competitive in future markets.

Keywords Value, Value Based Selling, Value Research, Value Proposition, Industry, B2B

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Tiivistelmä

Arvolupausten muodostaminen on havaittu yhdeksi avainvaatimukseksi arvopohjaisessa vaihdannassa, erona transaktionaaliseen vaihdantaan, jossa kiinnostuksen kohteina ovat tekninen laatu ja hinta. Modernit yritykset, monimutkaisine verkostoineen ja riippuvuussuhteineen, tarvitsevat parempia työkaluja arvonluontimahdollisuuksien kommunikoimiseen ja juuri tähän tarpeeseen arvolupaukset pyrkivät vastaamaan.

Kehittyneiden talouksien teollisuusyritykset ovat omaksuneet arvopohjaisia strategioita taistellakseen hyödykkeistymistä vastaan ja saadakseen takaisin menetettyä kilpailuetua. Teollisia (B2B) arvolupauksia on tutkittu ennestään ja niihin liittyen on kehitetty paljon teoriaa. Tämä diplomityö pureutuu olemassa olevaan teoriaan, yhdistellen eri rakenteita muodostaakseen rungon arvolupausten rakentamiseen.

Teorian vahvistamiseksi, työn ohessa suoritettiin kvalitatiivinen monitapaustutkimus, johon kuului kuusi yritystä, joista kaikki tekevät B2B arvolupauksia. Tämän lisäksi materiaalina käytettiin 16 aiemmin tehtyä haastattelua, joista saatiin lisää aineistoa teollisten toimijoiden arvolupauksia tehdessä kohtaamista haasteista ja käyttämistä menetelmistä.

Olemassa olevaa kirjallisuutta ja tapaustutkimuksia yhdistelemällä muodostettiin ohjerunko, joka mahdollistaa yrityksiä onnistuneiden arvolupausten tekemiseen. Teoreettisena saavutuksena tapaushaastatteluista havaittiin iteratiivinen prosessi arvolupausten muodostuksessa, jota ei aiemmin ollut kirjallisuudessa mainittu.

Kehittyneiden maiden kärsiessä entistä enemmän kehittyvien maiden hintakilpailusta, erityisesti teollisella sektorilla, arvopohjaiset lähestymistavat voivat tarjota hyvän tavan ongelman ratkaisemiseen. Olennaisena osana arvopohjaista myyntiä, arvolupausten muodostaminen on avaintehtävä, jossa yritysten tulisi parantaa osaamistaan varmistaakseen kilpailukykynsä tulevaisuudessa.

Avainsanat Arvo, Arvopohjainen myynti, Arvotutkimus, Arvolupaus, Teollisuus, B2B

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The journey that led me to the creation of this thesis was an excellent learning experience. I guess it is cliché, but if I knew when I started, what I know today, things would go a lot easier. That is another way of saying that I have learned a lot about what it takes to be an academic, how to do good research and what science is all about. In that sense, this thesis has been an excellent step forward in life and as a human being.

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Espoo, 2 November 2016
Lucas Nilsson-Ollandt

Contents

List of Abbreviations and Symbols

B2B	Business to Business
B2C	Business to Customer
CNV	Customer Net Value
COGS	Cost of Goods Sold
CRM	Customer Relationship Management
DIMECC	Digital Internet Materials & Engineering Co-Creation
EBIT	Earnings Before Interest and Tax
FutIS	Future Industrial Services
FVA	Field Value Assessment
G-D	Goods-Dominant (logic)
JIT	Just-In-Time
RFP	Request for Proposal
RFQ	Request for Quote
RM	Relationship Management
S-D	Service-Dominant (logic)
TCO	Total Cost of Ownership
TEKES	Finnish Funding Agency for Technology and Innovation
VBS	Value Based Strategy
VP	Value Proposition
VPC	Value Proposition Canvas

Glossary

Blue Ocean	New market area with little or no competition
Value Drain	Activity which reduces total value
Incentive to Change	Personal driver to induce change in people or organizations
Service-Dominant logic	Exchange logic that places service as the focus of exchange. Coined by Vargo & Lusch
Goods-Dominant logic	Traditional exchange. Exchange logic that places goods as the focus of exchange. Coined by Vargo & Lusch
Value Based Strategy	Business logic that considers delivering customer value the source of competitive advantage.

1. Introduction

The purpose of this chapter is to introduce the research topic and provide some outlines of the themes to be explored in this thesis. It also shows the motivation for the research as well as provides the explicit research questions to be answered by this thesis.

1.1 Motivation for the study

Value Based Strategy (VBS) is seen by several industrial actors as an answer to the growing commoditization of their traditional industrial offerings. These strategies attempt to circumvent the commoditization dilemma by offering outcomes more so than mere goods or services as a differentiation mechanism. The key concept in VBS is value and the delivery of value to the customer.

In order to deliver value to potential customers and receive a share of it in return, firms use Value Propositions (VPs) to initiate dialogue between actors. However, the creation and use of these value propositions is currently a major stumbling block for many firms wishing to take advantage of the value based strategies, since the process leading to VPs and the further application remains largely unestablished. In order to contribute to this field of research, this thesis seeks to streamline the value proposition creation process and enhance its communication to the customer. In order to do so, this thesis seeks to understand how successful value propositions are created.

1.1.1 Elements of the value process

According to literature (Storbacka & Pennanen, 2014; Töytäri & Rajala, 2015), value based strategy is formed of several elements which play a vital role in making such an information intensive approach possible. The very first step is customer selection which involves the holistic evaluation of a customer and the value that a relationship with them could offer the company. Although monetary value from sales is a major focus, other things such as reference value, image value, organizational learning, etc. should also be considered as they may end up being far more valuable than mere short-term economic gains.

The second step is value research, where the underlying value perception of the customer is uncovered. This is important, because without knowing what the customer deems valuable or of having any worth, pursuing a value based

strategy becomes a game of chance. Knowing what the customer truly values allows focusing the sales and value creation effort solely on these things and eliminates waste.

With a grasp on what the customer's value drivers are, a value proposition can be developed. The VP presents an opportunity for value (co-)creation to the customer, although it is less of an offer in the traditional sense than an invitation to dialogue. Value propositions are characterized by their focus on quantified outcomes for the supplier, customer and other potential stakeholders as opposed to a simple listing of goods and services being provided for a given cost.

In order to succeed in the dialogical value proposition process, a firm must employ Value Communication. This is a general term describing the tools and methods which can be used to best convey value and convince the customer of a VP's profitability. Examples of such tools would be the use of case references as examples of previous successes or Value Quantification tools which seek to state in plain monetary amounts the benefits of a given proposal.

Assuming the value communication was convincing and the customer accepted the offer, the firm must then engage in Value (Co-)Creation. This term describes the realization of the promised value which can happen either in the traditional transaction or in a more dynamic co-creation fashion. The co-creation process would include a dialogue between supplier and customer where the supplier's side actively strives to ensure maximum desired value creation for the customer by assisting and consulting during the creation process.

After value has been created, it must be verified. Value verification involves checking with the customer that the value which was promised in the value proposition has also been delivered and enjoyed by the customer. This is important, because through quantifying the realized value the supplier can display the benefits of doing business with them, gain important references for use in later sales cases and build their brand as a dependable actor. Furthermore, if the supplier's compensation model was based on the outcomes of value creation, then verifying the created value becomes even more paramount.

Finally, the value verification process also allows the supplier to further ties to the customer, learn more about them and their challenges and begin establishing a relationship with them. Value strategy places a high emphasis on trust, relationships and brand image, since these not only help in securing future sales, but also lower the associated costs.

1.1.2 Value research

In order to craft a meaningful value proposition, the supplier must be armed with sufficient knowledge about the customer's business. Relevant items include the goals of senior management, personal aspirations of key stakeholders and customer revenue logic, amongst other things. The means with which the supplier company acquires this relevant knowledge is called value research and is of vital importance in the creation of value propositions.

The reason why value research, or customer research as it is also known, is of such importance in this thesis is because it represents a major obstacle and challenge for companies in general, not only those employing VBS. By uncovering

means for effecting reliable and efficient value research, the thesis can contribute to the success of firms outside the VBS sphere.

1.1.3 Value Propositions as part of Value Based Strategy

Whereas the focus of traditional selling strategies has been on tangible items and the sales process being a combination of exalting the virtues of technical superiority combined with a low purchase price, the value based view assumes a more comprehensive idea of the customer's benefit. Where traditional offers operate mainly in the realm of the technical, the value based view seeks to understand the customer, their challenges, goals and revenue logic. Armed with this understanding, the value seller crafts a proposal which aims at delivering the most value, net benefit, to the customer and it is for this value that the supplier firm gets its compensation.

The tool for communicating the potential of joint value creation is called a Value Proposition (VP). The crafting and communicating of VPs is of central focus in this study as it represents the core of applied VBS.

1.1.4 Value communication

A third major topic deserving attention is value communication, which involves the means by which a supplier coveys their offer to a customer. Value communication if of such great interest because it has been identified as one of the steps where firms have the most capability gaps in (Kaario, Pennanen, & Storbacka, 2003; Storbacka, 2011). This means that although companies might be able to craft value propositions, they are still unable to convey their offer to the customer in ways which they would understand and accept. It is this lack of understanding and acceptance that the author finds to be a key obstacle in furthering value based strategies and by offering insight to how it can be approached, this thesis attempts to improve the capabilities of firms to proliferate the use of VBS.

1.2 Research question

This thesis has a single straightforward research question:

RQ1: How can companies create effective Value Propositions?

To support this question, a number of other supplementary questions were also asked. In order to fully grasp the nuance complexity of the issue at hand, it was pertinent to know:

SQ1.1: How do companies create value propositions in B2B contexts?

SQ1.2: What means do companies employ to learn the value perceptions of their customer in B2B contexts?

SQ1.3: What methods do companies employ to communicate value to their customer in B2B contexts?

SQ2: What are the greatest challenges faced by companies in effecting value based selling in B2B contexts?

1.3 Scope of the Study

This thesis is primarily concerned with the concept of Value Based Strategies and their application in performing Value Based Selling. However, the concept of value based selling was found to include and be used in other research areas as well, including such themes as Customer Relationship Management (CRM), Relationship Marketing (RM) and Personal Selling to name but a few. Material from these topics was included when deemed necessary, which helped form the current understanding of what is value based selling. The term, VBS, much like the terms Value Proposition and even (Customer) Value itself were found to be under debate and no precise definitions could be identified for them. Due to this, a broader and explorative approach was undertaken, exploring the concept of value based selling by essentially mapping its perimeter by skirting along neighbouring subjects.

The interconnected areas explored for the sake of establishing boundaries can be seen in Figure 1.

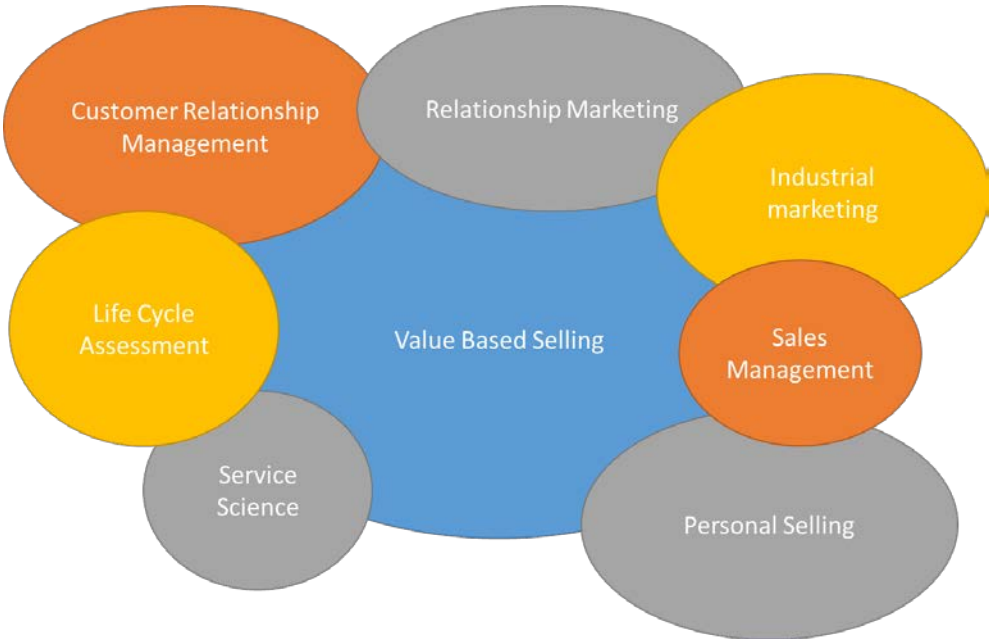

Figure 1 Value Based Selling and its bordering subjects

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1.4 Thesis Structure

This thesis is structured in the following manner. I begin delving into the fundamental question of what is value, the basis of value based selling, in Chapter 2. In Chapter 3 I present the basic overview of value based selling, its inception and characteristics. This is followed in Chapter 4 by an overview of the value

process; the steps undertaken by a company in creating a value proposition and effectively "doing" value based selling. In Chapter 5 I describe the research methodology, including justification for chosen means of study, analysis methods and criticism on the limitations of this study. Chapter 6 presents the results of the study, followed by a discussion and conclusions made from these findings in Chapter 7. Finally, the thesis ends with a conclusion of the most relevant items in Chapter 8 and a brief summary in Chapter 9. The structure of the thesis is shown in Figure 2.

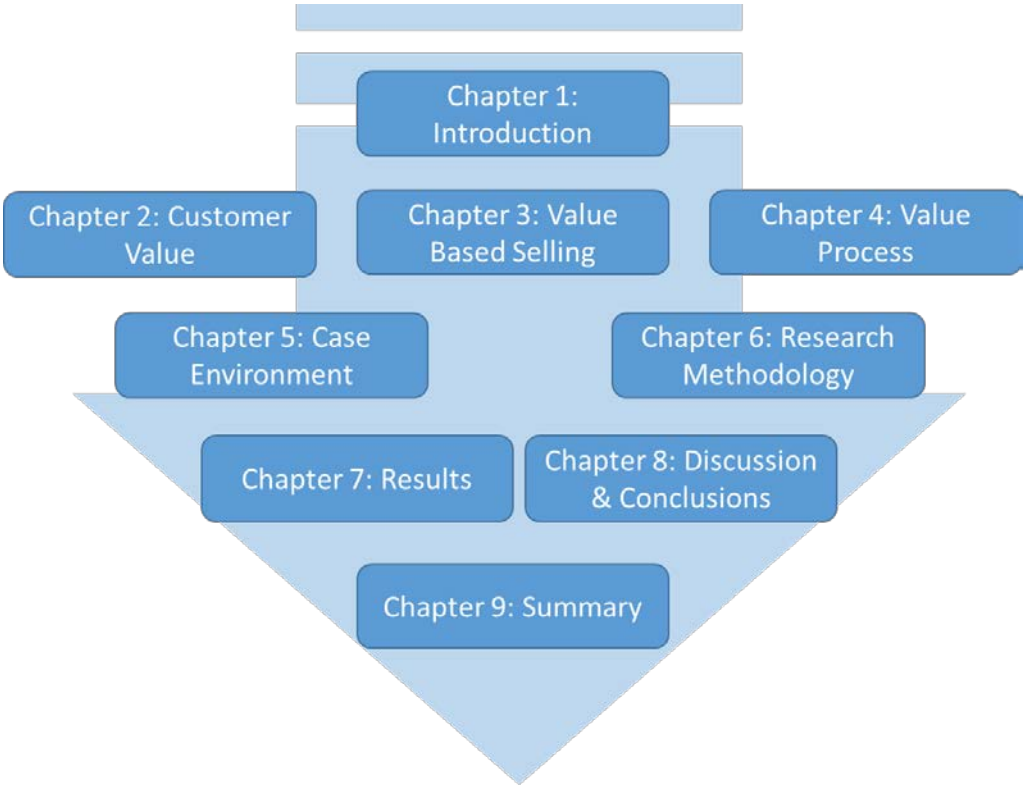

Figure 2. Thesis structure

2. Customer value

The basics of a market economy include the notion of economic surplus (Marshall, 1890). This refers to the difference between the price paid and the benefits gained from a transaction (Bowman & Ambrosini, 2000; Hinterhuber, 2004; Marshall, 1890). In a free market economy, the customer has the choice to select and purchase a product or service if they estimate the benefits to outweigh the costs and the seller is free to sell their offering if, from their perspective, the price is higher than the efforts to provide the offering. In such a situation, both the seller and the customer have gained more than what they perceive to have put in as either effort or money (or both).

The concept of value is analogous to the concept of consumer surplus. It measures the benefits gained opposed to the sacrifices sustained to result in net total value (Anderson, Jain, & Chintagunta, 1993a; Gale, 1994; Lindgreen, Hingley, Grant, & Morgan, 2012; Monroe, 1990; Zeithaml, 1988). It is then implied that customers choose offerings which present the greatest value to them.

Though a seemingly simple concept, value is nonetheless a very difficult thing to define accurately (Anderson, Kumar, & Narus, 2007). The common issues one will run into include the high subjectivity of value (what is valuable to one person might not be of any worth to another), the many intangible types of benefits (spiritual, social, emotional, ethical, etc.) and the fact that perception of value changes over time (a good deal today may not seem like such tomorrow) (Holbrook, 2005; Lindfelt & Törnroos, 2006).

It is important to note that when talking about value, we are discussing gains and benefits rather than the perhaps more often used term values, which refer to the beliefs and perceptions held by individuals and organizations (Agle & Caldwell, 1999). Though many companies nowadays have value statements in terms of what the company stands for (typically promptness, quality, teamwork and excellence), the value we discuss in this paper is related to outcomes rather than mere statements.

The term values as used to describe the perceptions and beliefs of individuals and organizations is, however, linked to the term value. Realization of goals that are in alignment with their values is what is perceived by customers to create value. That is to say, in order for someone to gain value, they must first have a set of values which determine what sort of outcomes they will find to be valuable or adding value.

An important part of considering value is that only a customer can evaluate it. A product or service is intrinsically worthless if it is not used and if there is no market for it. As such, the value of any offering is determined and (primarily) enjoyed by the customer (Vargo & Lusch, 2008, p. 7). The supplier has a choice to sell or not to sell their offering, but they cannot dictate its value to a customer, only at best try to influence the customer's perceptions of it.

To give an example, a warehouse full of smartphones is worthless if no-one wishes to buy them and represent only sunken costs. Similarly, if a customer is looking for a door stopper and finds said smartphones to be useful for that purpose, the customer can value the product at 5 $ and be ready to pay 3 $ for it. At that point the supplier can of course try to convince the customer that 3G connectivity and an HD display make the smartphone an amazing piece of technology, but these attributes probably do not change the customer's evaluation of the product as a door stopper.

Many scholars have tried to define value (Anderson, Jain, & Chintagunta, 1992; Grönroos, 2008; Holbrook, 2005; Woodruff, 1995; Zeithaml, 1998, etc.) and their definitions broadly fall into two categories. Ones where value is a simple quantification of all the benefits and the ones where value is the "surplus" or net benefits gained in comparison to the costs incurred, as per the concept of economic surplus. (Hinterhuber, 2004)

In the following parts, I will offer an overview of the various definitions for (customer) value divided into these two categories and finally offer my own justification as to why I find one superior to the other. It is worth noting at this point that for the purposes of this research, the term value is primarily viewed through a Business-to-Business context where applicable, since the way a company values offerings is distinctly different from an individual consumer (Bowman & Ambrosini, 2000).

To better understand how scholars have tried to define the concept of value in economic contexts, I shall present the two extremes of the value concept. This will hopefully let the reader better understand the depth and complexity of the discussion of value and provide a foundation for understanding Value Based Strategy.

2.1 Customer value as all benefits

The view that customer value is only to include the benefits as opposed to net benefits has a strong supporter base and also offers a simpler definition. The value of an offering is equal to the customer irrespective of its price, as the benefits themselves do not change even though the price does.

Some examples of definitions which fall into this category:

Customer value is "an interactive, relativistic (comparative, personal, situational), preference experience." (Holbrook, 2005)

"Customer value is a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising

from use that facilitate (or block) achieving the customer's goals and purposes in use situations." (Woodruff, 1995)

"Value is not what goes into products or services, it's what customers get out of them." (Vandermerwe, 1996)

"Value for customers means that after they have been assisted by a self-service process (cooking a meal or withdrawing cash from an ATM) or a full-service process (eating out at a restaurant or withdrawing cash over the counter in a bank) they are or feel better off than before." (Grönroos, 2008)

"By customer value, we mean the *emotional bond* established between a customer and a producer after the customer has used a salient product or service produced by that supplier and found the product to provide an added value." (Butz & Goodstein, 1996)

However, as others like Parasuraman (1997) note, the view of customer value in isolation of the costs (monetary and otherwise) may not provide the proper foundation for practical business analysis.

This definition is less popular than the alternative net benefits definition. This may be because the idea of the net benefits model is easy to understand and also offers an easier explanation of why certain high-value propositions or offerings are not chosen. The obvious rationale behind such a decision is that although the offered value is great, the costs and other sacrifices made in order to achieve the benefits are too high.

This sort of approach has obvious merit from a practical standpoint, but also imposes some severe limitations as it highlights the negative side of the trade (costs) and undermines thoughts on the positive side (benefits). Such thinking which sees higher costs as a great obstacle for a valuable product run the risk of getting mired in the old cost-based thinking model so prevalent in traditional selling strategies.

From the perspective of making a value proposition, companies should mainly adhere to the simpler definition of value as all benefits, but be mindful of the associated costs and their impact on customer decision making, mitigating them wherever possible and be prepared to dispel misconceptions about high costs where they might arise.

2.2 Customer value as net benefits

The generally used understanding of customer value, this view holds that customer value is the net benefits of a transaction. That is to say, the customer gains a measure of benefits from a purchase and then reflects those benefits on the cost (price, time, effort, etc.) to create an estimate of what the eventual value of the offering was/will be.

Some examples of definitions which fall into this category:

"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)

"Value in business markets is the perceived worth in monetary units of the set of economic, technical, service and social benefits received by a customer firm

in exchange for the price paid for a product, taking into consideration the available suppliers' offering and prices." (Anderson et al., 1993a)

"Value is the minimum monetary cost to purchase or manufacture a product to create appropriate use and esteem values." (Lindgreen et al., 2012)

"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, 1994)

When using the definition of net benefits, the most obvious difference is that the costs (price and acquisition/ownership costs) are included in the estimation of value. Such other costs beyond the price of the offering include time, effort, risk, social, political, switching and opportunity costs to name but a few.

Although it is possible for a company to make some assessments on the amounts of these costs, ultimately many of them are largely subjective and solely up to the customer to decide. For example, how much the customer company might value the loss of image as a sustainable and responsible actor if they switched manufacturing over to a cheaper country that faces child labour accusations is entirely up to the customer's senior management to decide. Its worth can be next to nothing (store brand) or it can be everything (Benetton).

Kotler (2000) notes that there are three cases where a customer would not choose the highest value offer:

1. The buyer is under orders to choose the lowest price offer
2. The buyer is maximizing personal short-term gain in lieu of long-term gains
3. The buyer is in a long-term relationship with a standing supplier and is unwilling to change

All of these appear at first to be valid individual reasons for ignoring the "higher-value" offerings, but upon closer study this is not the case. These are merely manifestations of the "other costs" in the value estimation that the customer makes and which push the "high value" propositions to a lower level of perceived value compared to alternatives.

For example, selecting a higher-value higher-price option might be profitable for the company in the long run, but the buyer would most likely be taking a huge risk in going against her orders and might (in the case where the company does not have the capital to pursue such an investment) lead to the customer going out of business.

Similarly, since the buying decision is still made by individuals within a company, the value perceptions of the individuals who make the decision matter a lot and if they value their own short-term gains higher than the company's long-term profits, then obviously the wining proposition will be chosen accordingly.

These are simple examples of how the theory holds true in all cases. The customer will always choose the highest value offering, however the value of an offering is always ultimately perceived by the customer and as such, the supplier cannot exhaustively know what the worth of their proposal is.

As such, this definition includes increased vagueness regarding the actual offered value and due to this vagueness, there is a temptation to avoid such cost considerations and they are thus forgotten. This leads to simply considering customer value as a function of benefits less price. That is to say, because companies cannot easily make statements of cost beyond price, they will only focus on that and thus make their offering be one dictated by price. The alternative is to focus only on benefits and discuss compensation with the customer later.

Also on a perhaps semantic perspective, defining "value" as the difference between what is gained and what is given is in no way different from the already established term "consumer surplus". The term "value" may be more convenient to use in everyday situations, but from a definition standpoint it is not in any significant way different to "consumer surplus". The only thing that "value" adds is the specification of benefits and losses other than obvious monetary and performance ones, in addition to highlighting the subjective and time-dependent nature of the estimation of both benefits and sacrifices.

2.3 Common features of value definitions

Common features between most of the definitions were combined by Woodruff (1997) and included three aspects; value arises in the customer's use experience, value is perceived only by the customer and value is some form of trade-off between gains and sacrifices.

To further extrapolate on the notion that customer value is perceived by the customer and the customer only, value to the customer is not only highly subjective, but also time-dependent. This means that past research on customer preferences must be constantly updated in order to keep it applicable to business needs (Parasuraman, 1997). As a simple example, if the customer strategy shifts from consolidating their market position and enhancing their processes to aggressive market share grabbing, then a supplier that offers process enhancement services will likely not do as well as before unless they can change their sales approach.

Furthermore, value perceptions being individual, not every customer will appreciate the same things in an offering and may evaluate the same value proposition differently as a result. This highlights the fact that customer knowledge is an extremely valuable resource in VBS.

Although not an entirely shared point in all definitions of value, a worthwhile consideration is that value must be perceived by someone and does not exist in isolation. Value assessments are done by people and justifying any purchase through value will involve people. Thus people will always be the centre of focus in value based selling.

This further highlights the importance of customer knowledge and market research. It also draws attention to the customer who should be aware of the needs and demands of its own organization. Purchasing functions which operate on highly bureaucratic Goods-Dominant logic principles will most likely struggle to provide the best options for the rest of the organization.

Though not all definitions include a trade-off, it is clear that in common purchase choice situations, costs have a major impact. Choices are made based on the theory of economic surplus and as such, Customer Net Value (CNV) depicts reality very well.

However, CNV must be evaluated individually for each stakeholder. A hip replacement may hold massive value to the patient, but the risks may be too great for the surgeon to attempt the operation. The perceived risks to the patient are not that high and the thought of a new hip and restored mobility promise great value. While to the surgeon there is little reward beyond doing a good job with the potential cost of losing a patient and blemishing their record. This will lead to a conflict of interest not unlike that found in modern companies.

Furthermore, Facebook, Google and YouTube all provide service to customers without obvious trade-offs, at least not ones measured in price. Yet these services provide value to millions globally and if they came with monthly subscriptions, people would most likely still use them.

That is to say, value exists irrespective of price and the amount of that value is not significantly diminished by price. However, in a choice situation where an individual with limited resources must decide between competing options, they will favour those options which provide the best net value to the customer, i.e. most value less price or greatest consumer surplus.

2.4 Definition of Value

After close consideration of both definitions, it is clear to see that a middle ground of some sorts must be a superior solution to either extreme. The definition which only focuses on all benefits leaves out the crucial evaluation part which happens automatically in humans and which takes into account the sacrifices incurred to obtain the benefits. The second, which focuses on net benefits, is taking things too far, because price itself is not inherently a part of the value concept as it is not an intrinsic part of the offering, but either negotiable or open to competition. This definition, in my view, should be regarded as something even more restrictive than value. For the purposes of this thesis, I will call it Customer Net Value (CNV).

The reason why defining value is of such importance is that without a definition, the creation of a solid Value Proposition will be impossible and it is by determining what the customer values that will be the key to creating a good proposition. If you do not know what value is, how can you make a proposal for suppling it?

CNV, on the other hand, is the actual deal that is realized. When talking about creating lasting or superior customer value, scholars mean CNV. Not simply that the value is greater than of the competition, but that marginally, dollar for dollar, the customers are better off with one company rather than a competitor. However, CNV relates to the final outcome of a business deal and crucially, due to the nature of VBS, the manner of value sharing can impact the perceived CNV drastically. That is to say, the price (in both quantity and quality) is negotiable and will impact the final decision without impacting the actual value which is on offer.

I define value as the subjectively evaluated benefits gained by the customer less the subjectively evaluated sacrifices incurred. From this benefits less sacrifices analysis stems value which is then appropriated between supplier and customer by price and other mechanisms. See Figure 3.

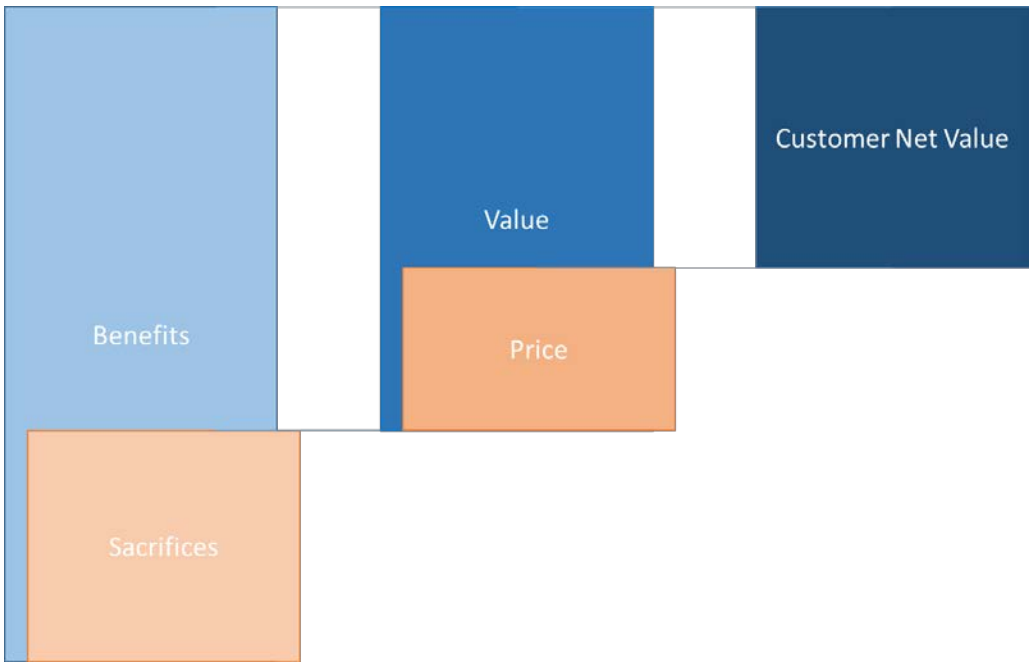

Figure 3: The composition of value and customer net value

The subjective nature of value does pose a difficult challenge for the value proposition creator. CNV on which the ultimate decision is based on, cannot be established by the supplier in the value proposition, because the benefits and sacrifices incurred will be subjectively evaluated by the supplier. As such, the supplier can at best try to draw the customer's attention to certain aspects of the offering and make the customer see the added value in them while trying to mitigate sacrifices. This will create the highest value (being benefits less sacrifices) for which the supplier can then get a higher price (or other compensation).

Why I feel this distinction is important is that it separates the price and the cost from the concept of value and allows the company to consider value separate from price. Why this is so important is that the focus on price is a very G-D logic mentality and by adopting a VBS strategy, the companies are trying to move away from this way of thought.

Furthermore, due to the more varied compensation models available in VBS beyond mere lump-sum purchasing prices so common in traditional trade, it is justifiably important to draw the customer's attention away from the bottom-line cost and instead focus on explaining and communicating the offered value.

That is not to say that VBS is about misdirection and that the deal will be worse for the customer. But rather that the customer's thinking should be taken away from staring at the single-dimensional bottom line and instead provoke them to consider what they are actually getting in return for their investment. Thus, by adopting a more multi-dimensional view to the benefits on offer, a company may improve its purchasing and not pass up on the really good deals just because cutting costs to a minimum became a goal onto itself.

2.5 Value model

With an understanding of what value is, the next step is to understand the mechanism by which a stakeholder perceives the value. If this is not understood, the means to influence and use it remain extremely limited. In a model presented by Rajala, Töytäri & Hervonen (2015) a stakeholder's value appreciation happens on three levels (Figure 4).

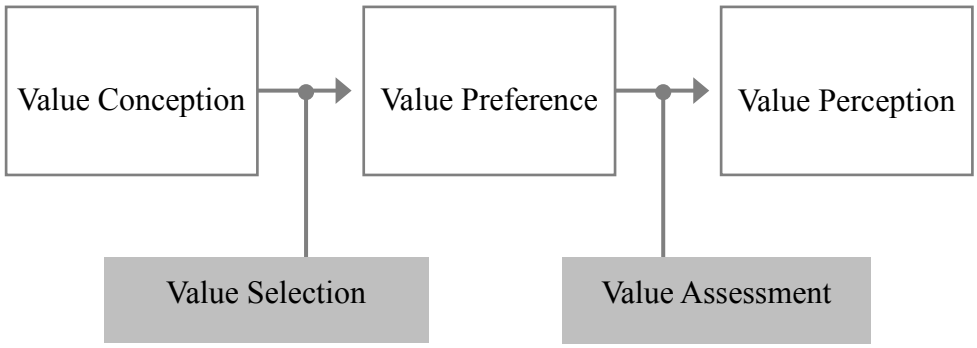

Figure 4 The relationships between customer's value conception, value preference and value perception. Based on: (Rajala, Töytäri, & Hervonen, 2015)

The outermost level defines which items the stakeholder conceives as being of any benefit or hindrance, creating the sphere of possible dimensions which can be used to influence them. Such items might be things like Fairness, Beauty, Domestic production, Clean environment, etc. As a subset of this *Value Conception* is *Value Preference*, which encompasses those dimensions of the Value Conception which are deemed relevant for the evaluation of a particular value proposition. This is called *Value Selection*. For example, when purchasing an industrial machine, beauty may not be a part of the purchaser's Value Preference, even if they normally did appreciate beauty.

Finally, *Value Perception* is the weighted preference of the dimensions of Value Preference. That is, even though in all purchase situations one might consider Price as an aspect of Value Preference, when purchasing an item worth 100 € as opposed to 100 000 € the weight placed on Price may change radically. The means by which a stakeholder judges the relative weights of the various dimensions in their Value Preference is called *Value Assessment*.

This model can be used to develop tactics and strategies on how to modify a stakeholder's views on value to a more desirable state. The goal being to change their value perception to prefer a particular value proposition over competitors. This can be achieved by altering the value assessment of value dimensions so that such dimensions the stakeholder might not consider worth much become more appreciated or alternatively by drawing or introducing new dimensions from the customer's value conception into their value preference. This sort of approach calls for the stakeholder to consider additional dimensions by which to evaluate the value of a given proposition.

It is the role of value research to uncover the stakeholder's value conception and prevailing value preference while value communication is tasked with influencing the value selection and value assessment processes in order to guide the stakeholder to appreciate the most generated value.

2.6 Value co-creation

Value co-creation refers to the interactions that suppliers and customers have, differentiating itself from both exchange value (strictly in the supplier's sphere) and customer value or value-in-use (strictly in the customer's sphere) (Grönroos & Voima, 2013). This type of value creation is in stark contrast to what has been previously thought about economic exchanges, where traditionally the only point of value creation and surplus assessment happened during the exchange (Bowman & Ambrosini, 2000).

Value co-creation differs meaningfully from this in that it more readily recognizes the existence of the time-dependent nature of value and reminds suppliers that the point of exchange is not the end of a transaction. Instead, it allows suppliers to augment and improve the customer's value experience by various means and in so doing, allow customers to create additional value.

The distinction of value co-creation is important in that it gives the supplier agency over the customer's perceived value experience (value-in-use). Whereas normally a supplier would only make promises on what benefits their offering could provide, by embracing value co-creation, the supplier can move into the customer's sphere and ensure that that value is actually experienced by the customer and perhaps even enhanced. (Grönroos & Voima, 2013)

In industrial applications value co-creation would include means by which the supplier makes the customer aware of created value (which the customer had previously not been aware of) and by assisting them in benefiting the most out of the supplier's offering. In a traditional dyad, the supplier would provide a package of goods and services to the customer for a lump sum and after the services had been performed the customer would be left to fend for themselves and try to realize the expected value from the goods and knowledge they now possessed.

However, in value co-creation, the supplier is encouraged to ensure the customer actually realizes the promised value by, for example, visiting the customer's premises to discuss how the implementation has worked out and if they have reached their goals and if not, what sort of issues they are struggling with. If the supplier can remedy these problems or provide some new "tips and tricks" to the customer on how to get the most out of their purchased solution, then more value will be created to the customer.

As an example, a house dinner party serves the function of a social event and the goal for the hosts is to enjoy themselves by providing a good meal and a sociable atmosphere for their guests, perhaps even with the secondary goal of raising their profile in the local community. As part of this goal is the process of making the actual dinner as well as serving it. Perhaps as part of the goal is to make the hosts appear to be competent chefs and as such everything ought to look home-made. However, a supplier (in this case a chef-for-hire) may be able to influence the customer's (hosts') process if they cook the meals for them or simply coach them during the cooking, provide help with difficult procedures or offer tips on how to make the meal appear 'rustic' with a few simple garnishes.

This assistance helps to ensure that the hosts can provide the sort of experience to their guests that will make for a pleasant evening and raise the standing of the hosts in the local social circles. Thus the supplier can influence the customer's value creation process and provide extra value.

Since creating customer value is the essential requirement for a business to function long-term (Töytäri & Rajala, 2016), value co-creation should be embraced as a vital method to ensure this is achieved.

2.7 Value sharing

Value being created by the customer or co-created in the customer-supplier relationship, for both parties to get a share of the created value and see the relationship as beneficial mechanics of value sharing must be employed. In practical terms value sharing (or value appropriation, value capture, etc.) is a supplier issue since the customer will gain value in an exchange either way. However, a customer cannot assume to take all the value and give nothing in return to the supplier, at least not over a long(er) term, and expect the supplier to remain in business. The same goes for the supplier as well. As such, it is not a sustainable business practice to try and appropriate all the created value, but rather the ratios and amounts come into question.

2.7.1 Exchange value and Price

Both definitions of value discussed so far have been of so-called value-in-use or use value. That is to say, the sort of value which the customer/user perceives when they actually use the offering. However, there is another type of value as well, which is related to value-in-use, but is mainly viewed from the perspective of the supplier; exchange value.

Exchange value is "the price paid for the user value created, which is realized when the sale takes place" (Bowman & Ambrosini, 2000). According to Vargo,

Maglio & Akaka (2008), exchange value is required when value production demands the use of resources which cannot be naturally attained. For example, breathing air versus needing an oxygen tank. According to their view, value co-creation is driven by value-in-use, but mediated by exchange value (Vargo, Maglio, & Akaka, 2008).

Exchange value is typically the only value realized to a supplier in a traditional relationship where the supplier merely produces and sells physical goods or services. Exchange value is the most common dimension of value capture; the mechanism by which firms appropriate a portion of the created value for themselves.

Profit relates to exchange value through production costs so that when the costs of creating the sold offering are lower than the exchange value gained, profit is generated. However, the exact magnitude of exchange value is determined by the bargaining relationships between buyer and seller with each trying to appropriate the greatest possible value. (Bowman & Ambrosini, 2000)

However, in the value based paradigm, the supplier has a chance of tapping into the use value created by the customer by co-creating value with them. By assisting the customer in getting the most out of their offering, the supplier can then gain a share of the benefits and thus gain not only exchange value, but also a portion of the value-in-use. (Grönroos & Voima, 2013)

It is also worth noting that exchange value is linked to value-in-use. Although the correlation between value-in-use and exchange value is not strictly linear, as a general rule customers are not willing to pay for offerings which do not deliver (in their minds) superior value and will either demand discounts in price or stop buying entirely (Grönroos, 2011). Although on the other hand, "the things which have the greatest value in use have frequently little or no value in exchange; and on the contrary, those which have the greatest value in exchange have frequently little or no value in use" (Smith, 1776). This point holds truer for exceptionally rare offerings like paintings or gold rather than common items of exchange.

From a supplier's point of view this becomes a rather simple equation where in order to maximize the exchange value, the supplier ought to increase use value or minimize costs. The cost minimizing means, though by no means inconsequential, can still be copied relatively easily by competitors in a commoditized market. However, value increases can provide companies with a competitive advantage that is more difficult to copy due to the often intangible nature of the increased value.

Value increases can be achieved by making changes to the offering itself or by presenting it to the customer in a new way, making them more keenly aware of the benefits the offering provides and drawing their attention to elements of value they might not have been aware of before.

Optionally, depending on the supplier's negotiation position (such as in a monopoly situation) the supplier may be able to demand a greater fraction of the

created value in exchange value. This is of course a desired situation for the supplier, but not grounds for a long-term relationship based on trust and co-operation.

Price, being the only way that value can be captured in the exchange, is thus only a mechanism by which the created value is appropriated between customer and supplier. The created value, being defined by the customer, denotes the maximum price that the supplier can hope to get in exchange for its offering. (Anderson et al., 2007)

Price also does not change the value on offer, since value is defined as benefits less sacrifices. Price does, however, determine the customer's incentive to purchase, which is the amount of value they will receive in exchange for the price paid. The higher the price, the less enticing the value will appear and vice versa. (Anderson et al., 2007)

The reason for this mechanic is that there are other options on the market that can satisfy the customer's requirements. These alternatives may not always be direct competitors, like BMW is to Ford, but rather companies operating in other industries that satisfy the same basic need, like a bike or public transport compared to a car.

If the supplier raises the price too high, the net value for the customer is not as enticing as some other alternative. The customer always has options, of which one is to just not buy anything at all. (Anderson et al., 2007) To that end, the only situation where the supplier can raise the price up to the maximum willingness to pay and still keep its market share is in a state of effective blackmail.

2.8 Summary

In conclusion, value should be understood as the perceived benefits that a customer receives from a supplier's offering. Things to note are that only the perceived benefits count towards value, because things which are left unknown to the customer generate no value to them as they cannot be appreciated as such. Also, only actually received benefits create value for the exact same reasons as with perception.

What the customer perceives to be valuable will wary from customer to customer and finding this out is a key part of value base selling. Furthermore, communicating to the customer what is valuable in an offering and how value has been created in practice are another cornerstone of applied VBS.

3. Value Based Strategy

Value-based selling has been promoted by the academic community as an answer to many of the economic problems faced by companies struggling to survive and grow in a highly commodized world where suppliers fight for market share with ever smaller and smaller unit margins (Butz & Goodstein, 1996; Liozu & Hinterhuber, 2013; Slater, 1997; Woodruff, 1995). The basic idea of selling value instead of products is a relatively simple one, namely that the customer ultimately always buys value or utility and not products and focusing on selling to the customer what they actually need is more beneficial both for the customer as well as the supplier (Fawcett & Fawcett, 1995; Hinterhuber, 2004; Lusch & Vargo, 2006).

Furthermore, by actively trying to co-create more value for the customer company, the supplier can partake to more value in return as the "pie" to be shared grows even if the supplier's proportional slice were to remain the same. (Töytäri & Rajala, 2015) As part of this value co-creation process, the supplier must learn to know their customer and the customer's value creation processes. Such knowledge can then be used to create desirable value propositions for the customer that will help them create more value of which the supplier can then partake (Töytäri, Alejandro, Parvinen, Ollila, & Rosendahl, 2011).

Additionally, value based approaches can also lead to higher priced offerings being sold, allowing the supplier to sell more in addition to benefiting the customer. (Hinterhuber, 2004) However, since the nature of such offerings is often intangible, requiring successful implementation to realize the promised value, convincing the customer with solid evidence and fair pricing policy becomes a key feature of Value Based Strategy (VBS).

The implementation of value-based strategies and tactics has been lacking as the novelty of this change in sales approach has left both suppliers and customers trying to figure out how to reach good deals when working with relatively ambiguous sales propositions. According to a recent study, less than 10 percent of companies successfully use and communicate value propositions despite the term being commonly used by companies at large (Frow & Payne, 2011).

Since the sales effort in getting a new customer is already greater than the continued sales to an existing one (Jain & Singh, 2002; Khalifa, 2004; Storbacka, Polsa, & Sääksjärvi, 2011), doing so with a value-based concept

which requires even more elaborate convincing due to the often immaterial nature of the supplier's offerings, it is crucial that some form of practical framework be established in order to guide companies to the creation of meaningful value propositions. However, once established, a key part of a successful value based relationship includes the active maintaining of that relationship due to the costs associated with acquiring new customers. By fostering relationships as part of the process, those initial investments can prove to be more efficient than price-based transactional relationships (Weitz & Bradford, 1999).

The key point where value-based approaches tend to struggle is in communicating real value to the customer in a way they can understand and believe in. The selling approach in VBS places a far greater emphasis on convincing the customer about the supplier's offering, because the offering is often far more difficult to fully appreciate compared to traditional goods-based offerings. Failure to convince the customer of the added value, no matter how good the deal would objectively be for the customer, will result in no sale. (Woodall, 2003)

A key part which is often forgotten in the value proposition creation part of value based selling is the fact that value propositions can be co-created with the customer. Traditionally, in a Goods Dominant (G-D) logic the company would create a unidirectional proposal for the customer which they would then either accept or reject. Service Dominant (S-D) logic implies that the supplier can discuss and negotiate with the customer during value proposition creation in order to co-create the best possible offer for a deal which would be of value to the customer and supplier. (Ballantyne, Frow, Varey, & Payne, 2011; Vargo & Lusch, 2004)

One aspect of the convincing process is dealing with value ambiguity. Anderson and Wynstra (2010) define value ambiguity as the uncertainty and doubt that customers experience regarding their own ability to actually capture and benefit from all the value promised to them by the suppliers. Dealing with value ambiguity is the next step in convincing the customer of an offering's value after the customer has been made aware of the benefits in question.

It is not enough to simply offer a list of benefits and associated calculations on how much a customer can benefit from a deal, but the supplier must make efforts to make the customer feel assured that these claimed benefits will actually be realized. This can be best achieved by providing a simple-to-understand and -verify proposition which resonates with the core challenges faced by the customer company and serves the goals of the key stakeholders. In order to provide an easily understandable yet convincing value proposition, the supplier needs to know and understand the customer's value creation process and know the way the customer evaluates successful value creation. (Woodall, 2003) Only by having intricate knowledge of a customer can a supplier hope to offer a convincing value proposition that creates real and appreciated value to the customer (Butz & Goodstein, 1996).

This part of the process, the gathering and application of customer knowledge, is under particular scrutiny in this thesis as it poses one of the greatest challenges in selling value. According to a recent study on customer reception of value propositions, supplier value guarantees offered only limited persuasive power in a value proposition and other non-monetary means of reducing value ambiguity were called for (Anderson & Wynstra, 2010). However, this result has not been unanimous (Töytäri et al., 2011) and may have been the result of individual purchasing managers simply not understanding the offered value. This, in itself, highlights the fundamental nature of the problem. If the customer does not understand what you are proposing to them and what benefit your offering will have to them, then it is impossible for them to judge your offering favourably.

As an answer to this proposed problem, the author attempts to uncover means by which supplier companies could improve their abilities to craft meaningful value propositions to their customers. In addition, the findings of the research will be used to create an outline for a Value Proposition Canvas that would guide suppliers (and purchasers) in creating superior value propositions for both parties.

4. Sales as a process of value creation

The modern B2B sales process is a more involved and complicated affair than it used to be. When customers sent RFQ/RFPs (Request for Quote / Request for Proposal) or the suppliers merely displayed the attributes of their products coupled with a price tag, there was not a significant call for customer understanding. However, with the changing times comes a need to really know your customer and dig deeper into why they buy from a certain company rather than another.

The subjective nature of value poses a difficult challenge for the value proposition creator. Customer Net Value (CNV), on which the ultimate decision is based on, cannot be established by the supplier in the value proposition, because the benefits and sacrifices incurred will be subjectively evaluated by the customer. As such, the supplier can at best try to draw the customer's attention to certain aspects of the offering and make the customer see the added value in them while trying to mitigate sacrifices. This will create the highest value (being benefits less sacrifices) for which the supplier can then get a higher price.

This necessitates understanding the customer and their value drivers which in turn determine how a customer will react to certain statements of value. Once this information has been uncovered, it can be used to both display the company's offering in a new and more appealing way as well as guide the development of new offerings that the customers might find appealing.

To aid in the creation and communication of value propositions, a value process has been developed which lays down the steps which a firm should take in order to successfully conduct value based selling. For an overview of this process flow, see Figure 5.

Figure 5 Value Process overview

I shall now go over the basic process of creating value propositions as presented in the literature.

4.1 Value-based customer selection

Selecting the right customer is a vital step of value based selling (Töytäri et al., 2011). Trying to sell an offering that will realize its value in use and over time when the customer is only interested in quarterly results is going to be either an impossible or extremely tough sell. In addition, most of the benefits of a value-based approach are realized over a relationship life-cycle as opposed to a singular transaction or especially the initial one (Eggert, Ulaga, & Schultz, 2006; Lindgreen et al., 2012). As such, it is worth selecting potential customers with care before committing to a more in-depth sales attempt.

Identified attributes of suitable customers include a high level of relationship value and the customer's willingness to commit (Kaario et al., 2003), but also the quality of the offering may play a vital role. Similar notions (Derrick Philippe & Guy André, 2006) have been made in other fields as well, further highlighting the need for finding customers who are ready to commit to a strategic partnership.

Value based approaches work better with novel solutions where the actual worth is either underappreciated or entirely unknown (Töytäri et al., 2011). This is because the potential worth of such an offering often arises over time and thus a transactional approach may not be applicable or desirable due to the high levels of uncertainty. In such situations, using value selling with outcome-based compensation contracts could reduce the real risk to the customer and result in a sale.

Selling value instead of products and services necessitates a different sort of customer approach both in terms of finding good potential customers (the net benefits from the sales will be greater than the sales effort expended). As the value analysis is based on a cost-to-benefit model, it is easy to see that a good customer for a value-based company will either offer low customer acquisition costs or great relationship benefits.

Customers which offer neither should either be ignored if possible or handled with minimum viable effort. However, customers which offer low value for low acquisition costs ("traditional" customers) should still be catered to, but using traditional transactional sales approaches. (Autry, Williams, & Moncrief, 2013) Although such segmentation of customers has raised concerns regarding the potential backlash of the "low-tier" customers feeling ignored, research (Homburg, Droll, & Totzek, 2008) has shown that these concerns are largely unnecessary. As such, companies should use both strategies as required.

Typically, value sales tend to be longer spanning efforts than the traditional goods-based sales most companies are familiar with (Kowalkowski, 2016). However, there is also a substantial increase in the value created for both parties as a result of a successful sale (Kaario et al., 2003). Low acquisition costs imply that this normally lengthier and more involved sales process (compared to traditional goods-based selling) is either shortened or otherwise requires less effort than would normally be the case, so even if the eventual benefits of the sale are only average, the ease with which the sale was made makes up for it.

This may at first sound like a minor detail, but with value-based selling requiring often rather extensive sales periods with a great deal of ground work, background research of the client company and a lot of original thinking, reducing the sales effort is a genuine way of reaping greater benefits from the relationship. Companies which actively wish to base their purchasing on the highest value propositions will most likely also offer the best support for any potential suppliers and this will decrease the sales effort required as the sales team can access information regarding the potential client more easily. In stark contrast, traditional companies that value the information asymmetry so prevalent in goods-based sales will actively prevent the supplier from learning too much about themselves in order to leverage for a lower price. As such, the customer company's market orientation (risk management vs profit impact) will determine how successful these strategies will be, although Autry et al (2013) point out that in either case value-based (in their text, relational selling) approaches offer at worst equal performance to transactional ones.

It is still very important for value-based companies to exercise careful customer selection and choose the correct sales approach for the specific customer (Autry et al., 2013). Not all customers can be handled the same way and due to the prevalence of the transactional sales culture, it would be severely handicapping to ignore such customers altogether.

On the other hand, even extensive sales efforts can be justified if they result in higher sales prices or other vital benefits to the company. A big sale or one which can provide a long term revenue stream can easily be worth the extra costs of acquisition if it also ensures the company's future. However, there are other benefits to a business transaction than just revenue. Supplier companies new to Value Based Strategy may not always recognize the importance of a strong portfolio of references and pilot customers. Even if a sales effort is greater than normal and the revenues from the sale are less than stellar, the net benefits of the sale may be well worth the effort if they secure an important reference customer that attracts further interest in the company and assist in future sales.

Value based sales is reliant on convincing the customer of the value proposition offered and one very important part of it is a strong base of past successes with client companies similar to the prospective one. As such, companies should not shy away from expending extra effort in order to secure the reference customers they need to obtain further sales in the future. VBS assumes a more long-term view on business and as such, initial investments which pay dividends over time are necessary to ensure proper performance.

The overall goal of customer selection can thus be summed up as an effort to find the customers which will benefit the firm's strategic goals and which might benefit the most of the firm's offerings. It is not always wise to sell everything to everyone with a focus on simply turning a profit. Rather, a more holistic and strategic view should be adopted where the long-term benefits of created relationships and the added value they provide are appreciated.

4.1.1 Value of customer

Not all customers are equally valuable to companies. Some generate far more profit than others and some may even be net losses for the company to serve (Storbacka & Lehtinen, 2001). According to research, the generally held belief that 20 % of customers bring in 80 % of profits (Arantola & Simonen, 2009) might be an understatement and the actual values might be as high as 180 % of profits (Storbacka & Lehtinen, 2001).

It is thus a vital part of value based customer selection to consider the business potential of customers to the company both in the present and in the future. It is unlikely that every customer that the company can get should be served and even less likely that they will all be profitable. Companies need to consider the strategies with which to cater to different customers (Payne & Frow, 2005) as well as whom to cater to in the first place and which customers should not be served due to the high likelihood of net losses from the transaction (over the customer lifetime) (Jain & Singh, 2002).

Tools like CRM (Customer Relationship Management) are means to maximize the lifetime value of a customer (Ha, 2007). Such systems give the company tools to manage the various customers and customer groups they serve in order to optimize the service experience for each customer.

Case examples of such optimization include Air Liquide that used to send gas-consumption reports to its customers, but upon closer inspection into the various customers realized that a certain number of them had no use of the report and the company was wasting money on this service that provided no value. Terminating such a service to these customers had no negative impact on the customer experience, but reduced costs for Air Liquide for a pure-win outcome. (Reinartz & Ulaga, 2008)

4.2 Value research

One of the greatest differences between traditional goods-based selling and value-based selling lies in the amount of customer knowledge that is required in order to conduct it. Whereas goods-based selling focuses on the product offering and its attributes, selling to customer segments as though they were homogenous, value-based selling takes on the perspective of the customer and tries to understand why they would want to purchase the company's offering. It has been shown that by providing superior value to the customers, the company will reap greater profits thanks to lower churn rate, higher revenue and lower overhead costs (DeSarbo, Jedidi, & Indrajit, 2001; Reichheld, 1996).

At its core, value research means stepping into the customer's shoes and understanding their processes and operation at such a level that the supplier can identify what sort of offerings would provide the greatest value to them. In addition to understanding who the main stakeholders in the particular purchasing process are and what their goals are, the supplier must also understand the customer's business (or use) process. This will typically necessitate contacts with senior management. (Kaario et al., 2003)

If the supplier does not know what the customer needs or would benefit from, it cannot focus the sales efforts properly and can, in many cases, end up getting a worse deal than otherwise would have been the case. If a supplier focuses on attributes which hold little to no value to the customer, they can either lose the deal or get a lower price when the customer can show only little interest to the officially promoted attributes.

In contrast, if a supplier knows exactly what the customer values (or should value), then a better proposal can be made that not only secures the best deal for the supplier, but also for the customer (Adamson, Dixon, & Toman, 2012). As such, value research is an area where customer assistance is invaluable and also potentially very beneficial for the customer, since they will end up getting better value propositions that focus on the truly important parts of their business and allow them to improve the most.

In order to find the customer's relevant value drivers, the supplier must analyse the customer's business process. An open discussion about the challenges, bottlenecks and opportunities with the customer is essential for the process to be successful. Proposed improvements can range from lowering operating expenses or increasing customer's revenue potential. In short, the supplier should try to "grow the size of the customer's wallet" or "increase the pie". (Balboni & Terho, 2015; Kaario et al., 2003; Terho, Haas, Eggert, & Ulaga, 2012; Vandermerwe, 1996; Weitz & Bradford, 1999)

Involving customers in value research is of utmost importance, since an intricate knowledge of their business is required to offer real and worthwhile value propositions. Furthermore, having this co-operation and understanding breeds trust in the customer towards the supplier's calculations and offering (Töytäri et al., 2011).

Tools used in customer value research include field value assessment (also known as value-in-use or cost-in-use studies), direct and indirect surveys, conjoint analysis and focus groups (Anderson & Narus, 1998; Ulaga, 2001). Out of these, the field value assessment has been stated as a superior or preferred method by some scholars (e.g. Anderson & Narus, 1998).

A number of different value research tools found in literature will be detailed below, ranging from more precise and defined methods to more general thinking aids.

4.2.1 Field Value Assessment

Field Value Assessment (FVA) begins by combining people with product, field engineering and marketing experience with two to three forward-thinking salespeople. The salespeople provide knowledge on the customer and how the offering is used, as well as vital connections with customers who might be willing to help in value research. They also act as envoys to the rest of the marketing team to get them behind the results of the FVA's results. (Anderson & Narus, 1998) The use of a co-operating team from several business functions has also been advocated by other scholars such as Kaario et al. (2003)

The next step, once the team has been created, is to select a market segment. The supplier will likely need to analyse anywhere between two to a dozen customers to build an initial value model, so selecting segments where the supplier has a strong presence or a simple enough offering are good tactics. (Anderson & Narus, 1998)

The team should consider incentives for the customer(s) in order to get them excited to participate in the study. Such incentives may often consist of free access to the study results as this allows the participating companies to benchmark their standing against their competitors; a valuable offering. (ibid.)

To actually conduct the study, the team should isolate and list value elements that affect the cost and benefits of an offering within the customer's business. Such elements can be technical, economic, service or social in nature and can be tangible or intangible. When considering such value elements, the entire life cycle of the offering should be evaluated. The goal is to capture all the potential effects on a customer's business that co-operation with a supplier might have without leaving out any vital aspects, especially those where the company may struggle providing parity with competitors. (Anderson, Jain, & Chintagunta, 1993b; Anderson & Narus, 1998)

Identifying as many elements as possible leads to a more accurate estimation of the customer market and allows the company to talk with terms that even the client may not be aware exist or are important to its operation. For example, maintenance downtime due to a container failure is not only downtime (lost potential), but also increased janitorial, replacement, disposal and scrap costs. (Anderson & Narus, 1998)

With a list of elements compiled, the next step is to assign values to those elements. This can be accomplished by embedding an observer from the supplier's organization into the customer's for a week or so in order to gain insight to the customer's daily operation. Having such insight into how things are done and especially how things can go wrong will be essential in developing superior solutions for the future. Embedding into the customer's process can also allow the supplier to get access to data the customer did not even realize it had available as process personnel may be more knowledgeable about such things than the purchasing managers. (ibid.)

Although not all elements can be monetarily quantified, such as social elements, they are still important to consider as not only do they show a deeper understanding of the customer's market and needs, but can eventually be valued on a case-by-case basis. Furthermore, when measuring the value of an element becomes either too difficult or expensive, it is best to simply state an estimate for its worth. However, when doing so, the supplier needs to be explicit about working off assumptions and allow the customer to offer their own interpretation of what the value of those elements are. Stating values without justification will erode the supplier's credibility. (ibid.)

Once an initial estimation has been created, it should be validated via other customers to see if they find the value estimations to hold true. The process should work off comparisons (less than, more than) as opposed to asking for exact values. By using several customers to validate the model, the supplier can

be relatively sure that the results will be applicable to the market as a whole. (ibid.)

As an additional benefit to the improved model, the supplier can gain valuable information about the different customers' individual value perceptions. By cataloguing these into a database, the supplier can then easily calculate which customers would receive the greatest benefit from using their offering. (ibid.)

By combining the value element data with activity-based-costing, the supplier can also identify value drains. Value drains are activities which cost the supplier more to create than they add value to the customer. As such, they should be eliminated when possible and can provide great savings to both parties. (Anderson & Narus, 1998)

4.2.2 Customer Understanding

According to Butz and Goodstein (1996), customer understanding can be gathered by answering (for example) the following set of questions (Table 1). (Butz & Goodstein, 1996)

Understanding the customer/product interaction
• Why does this customer use our product?
• How does this customer use our product?
• What problem does our product solve?
• What additional or new problems does our product create?
• How could our product be easier to use?
• How could we expand our service(s) to reduce this customer's problems?
Understanding customer values
• How does this customer define success?
• What does this customer see as *its* distinctive competence?
• What are this customer's problems?
• How can we make this customer more successful?
• What does this customer value?
• What change does this customer see coming in their environment?
Understanding the customer bond
• How does this customer make their selection decisions?
• How much of the total budget does this customer spend with us?
• What would we have to do to increase our percentage of the customer's budget?
• How do we compare to our competition?
• What does this customer see as *our* distinctive competence?
• Under what circumstances might we lose the customer?

Table 1 Lifted from Butz & Goodstein, 1996. Underlined emphasis mine.

Going through what is considered as the most valuable points in this list for this thesis, we see that the first section of the questions specifies the customer's use of the supplier's offering (product or service) and tries to achieve a deeper understanding of the benefits that the customer is trying to get out of it. The reason

this is important is that once the supplier understands what the customer truly wishes to achieve, it is possible to create an improved offering which tries to maximize the customer's goal achievement.

In the second section this is further expanded upon by asking questions about success and value. Although the question "what does this customer value" is an extremely big and potentially vague one, it is still important to consider because this can definitely vary from customer to customer. However, the most important points to note are that the customer has some predefined notion of what constitutes success and the supplier's goal should be to ensure that this notion is satisfied.

In a more traditional thinking the supplier's role would simply be to ensure that the customer's terms of success are met, but in a more proactive value based dialogue the supplier may have the ability to alter or change the customer's definition of success and only then proceed to deliver results.

As an example, the customer's definition of success may be to reduce procurement costs, operating on the very basic ideas of "buy cheap, sell high". The supplier of either parts or manufacturing equipment may struggle to compete in this sort of environment if it cannot make the lowest bids of unit price, but if it can convince the customer that instead of looking at procurement cost, they should instead be focused on total cost of ownership (TCO), their profits would improve. Then the supplier with a more advanced offering which is not geared towards low cost, but low TCO will become the preferred option and the supplier will not only get the sale, but the customer will also be satisfied as their terms of success will have been met.

The third part of questions underline the practical approach to achieving this goal. Again, knowing the customer is key to success, with the most important knowledge relating to the customer's perception of the supplier and their own selection process.

The selection process influences how the customer (being composed of typically more than one person in B2B contexts) evaluates the supplier, since each involved employee can have differing desires for the outcome of the supplier's offering. Furthermore, this will also influence the way the customer (as a collection of individuals) views the supplier and how they evaluate that supplier's distinctive competence.

Key to note here is that the supplier's "actual" competence is not the same as the distinctive competence that the customer perceives. It may be that the supplier believes their distinctive competence to lie in a superior technical solution while the customer actually sees the greatest differentiation in the extra service and support that the supplier can offer to their product.

This goes to highlight the fact that knowing your customer and their evaluations is of vital importance, but of equal importance is the shaping and adjusting of those perceptions. The end goal in the information gathering (and influencing) process is to achieve "the same wavelength" as the customer so that both parties (supplier and customer) can focus on the things which bring the customer the most appreciated value.

In order to get the best replies to these questions, Butz & Goodstein (1996) make some clear suggestions on methodology. Senior level people should be used, preferably with a consultant already knowledgeable about the customer. The data gathering should strive to answer a pre-selected number of questions, but the answering itself should come from less formal questions than simply conducting a survey on-site. The preferred method is to arrange a tour at the customer's premises and learn about the way the customer uses the supplier's offerings in practice Another source of information highly regarded by Butz & Goodstein are the competitors' customers, since they can tell the supplier where their offering falls short in their eyes. (Butz & Goodstein, 1996)

4.2.3 Customer's customer

In order to sell more to their own customer, a supplier ought to increase the size of their customer's wallet (Kaario et al., 2003). If a customer is growing, they are able to buy more and justify new expenditures. It is also easier to appropriate a greater portion of the profits when one is sharing from abundance rather than scarcity.

According to the organizational food chain theory (Page, 2002, p. 60), the needs of the higher hierarchical level become the goals of the lower one. For example, if the CEO of a company needs to improve the efficiency of the company, then that will become the goal of his managers.

Similarly, if the customer's customer has a need (or a new need can be created), then that need will translate to a goal for the customer that the supplier can then help to achieve. Knowing the customer's customer(s) is of vital importance to a company, because it allows insight to the demands placed on their customer and increases the opportunities for the supplier to create value. (Töytäri et al., 2011; Vandermerwe, 1996)

Furthermore, traditionally customer interactions have been seen as a situation where the supplier and its network is trying to elaborate a solution to a unique, singular customer. This view totally omits the fact that the customer in many cases is also part of a network of actors and these actors should also be taken into account when creating an offering. (Cova & Salle, 2008)

For example, if the supplier can offer a traceability service for its steel bars, but the direct customer (a stamping press) is not interested in such a service, then the supplier can try to convince the customer's customer (car manufacturer) to start demanding such a service from their supplier (the stamping press). In so doing, the supplier can sell their offering and the added value to a customer who values it, rather than trying to convince the middleman of its usefulness when it adds no value to them directly.

The goal of a value seller is to understand their customer and the customer's earning logic, customer base, processes and capital usage in such detail that they can offer solutions to assist in obtaining the customer's business goals (Terho et al., 2012). However, due to the scarcity of tools for undertaking such an extensive research project, success will require a systematic approach to managing

various sources of information and complementary information components. (Kaario et al., 2003)

Recognized means of obtaining such information include direct contact with the customers, market studies and business intelligence, information systems and databases and the supplier's own personnel (Kaario et al., 2003). This information should also be placed in an IT-system where it can benefit the company at large. Such information is not only important for marketing, but also R&D and senior management as the data can be used to analyse the company's customer segments to decide on strategy as well as develop new offerings. The collecting of information should also be a routine part of operations and not "reporting". The system should provide value to the users to motivate its use (Kaario et al., 2003).

4.2.4 Customer-Value Research

According to Storbacka and Pennanen (2014), customer-value research revolves around analysing the customer's processes, concerns, business drivers and financial concerns. The research aims at bringing understanding about the customer's value drivers and how the firm can influence the customer's value creation process. (Storbacka & Pennanen, 2014)

Furthermore, the knowledge gained can be used to further differentiate the firm's offering and create novel offerings entirely. Knowing what the customer values also helps in communicating the potential value to them, as the supplier can "speak in a language the customer understands". (ibid.)

Storbacka and Pennanen call for a wide scope on the value research that should encompass the entire solution lifecycle from early development to operation and disposal. The primary focus of such an analysis should be on understanding the customer's business process as thoroughly as possible. (ibid.)

Storbacka and Pennanen have devised a series of steps that will lead to opportunity identification. The first step in their model is "defining customers' processes" and involves gaining a working knowledge (both technical and business) of the particular process (production, marketing, sales, etc.) that is the target of the firm's offering. (ibid.)

This may require going deeper down the value chain and also consider the benefits of the customer's customer and other stakeholders. By having a wider knowledge of the customer network, the supplier increases their ability to offer solutions with financial impact to the stakeholders. However, all of this should be done in collaboration with the customer and main stakeholders. (ibid.)

The second step is "analysing the customer's business realities". This involves identifying the customers' key performance indicators (KPIs) that are related to the individual customer's revenue, cost and risk logics. (ibid.)

Once the customer process and KPIs have been identified, the supplier can then "identify relevant situations". This means identifying such situations where the firm's offering can be of benefit to the customer. These situations can relate to functional, company, industry or cluster and societal situations. (ibid.)

With the relevant situations selected, the firm should "describe the situation and analyse the customers' challenges." This means deconstructing the situations into basic actions that are involved in the situation in order to understand how the customer handles them. An important part of this step is trying to find untapped needs and expectations that the customer has, for some reason or another, failed to express. (ibid.)

All these steps build up to "solving the challenges" where the accumulated knowledge of the customer's evaluations and processes allows the firm to make a sound and clear offer of what and how they can improve for the customer's benefit. Furthermore, by knowing the customer's KPIs, the firm can clearly demonstrate how the customer will benefit from the supplier's offering and how those benefits will allow the customer to reach their goals. (ibid.)

4.2.5 Job Mapping

Job mapping, created by Bettencourt and Ulwick (2008) involves breaking down a customer's job task into individual steps that can be analysed to find out how a product (or service) can be improved in order to enhance the customer's job completion. The goal is to gain a deep understanding of the customer's goals and how they measure success, so that the improved good or service can deliver added value. (Bettencourt & Ulwick, 2008)

However, job mapping is not process mapping. The goal is not to map out what the customer is currently doing, but rather what they would want to or are trying to get done. Bettencourt & Ulwick base this model on three principles they have uncovered during a decade of work in the field: All jobs are processes, All jobs have a universal structure & Jobs are separate from solutions. (ibid.)

That all jobs are processes is fairly straightforward to understand. It means that no job is a singular task that happens with one defined action, but involves defined steps that are completed in an order and at the end of this chain of actions the job is completed. For example, in order to get a glass of water, one must go to the kitchen, get a glass, turn the tap to cool, let it run for a moment to get the cold fresh water running and only then fill up the glass, turn off the tap and drink before putting the glass into the dishwasher. (ibid.)

All jobs having a universal structure is a more in-depth find as it breaks down a general job process description into general steps. These steps are: define what the job requires, identify and locate needed input, prepare the component and the physical environment, confirm that everything is ready, execute the task, monitor the results and the environment, make modifications and conclude the job. Problems can occur at any process step and innovation, equally, can lie in any one of them. (ibid.)

Jobs being separate from solutions is the final point that Bettencourt & Ulwick bring up as being universal to all jobs. What they mean by this is that solutions need not be tied to a single job, but rather that there are various solutions to the same job and the same solution can be used for various different jobs. By focusing on the help that their offering provides to a customer and the job they are trying to do, the company has superior opportunity to engage "blue ocean" markets and create customer value. (ibid.)

Job Mapping aims to discover what the customer is trying to get done at different points in executing the job at hand and uncover what must happen at each step in order to carry out the job successfully. Bettencourt and Ulwick approach through eight steps: Define, Locate, Prepare, Confirm, Execute, Monitor, Modify and Conclude.

Defining the goals, methods and tools or other prerequisite inputs required to complete a job is the first step. A company can help the customer understand their objectives or simplify and reduce the amount of planning required.

Locating the necessary inputs in order to carry out the job is the next step, be it collecting physical items or finding data inputs such as customer goals. Companies can assist their customers by helping them keep track of goods and stock levels as well as provide data retrieval and verification services.

Preparation involves setting up the necessary equipment, tools and working space to complete the job at hand. Companies can offer services and improved goods that require less setting-up time and improve organization.

Confirmation is a validation step to check that all the necessary preparations have been done and all the prerequisite items and information are available for job execution. This step can be tied into the preparation step or the company could provide means for the customer to gain access to the feedback necessary to confirm all preparations have been made.

During Execution, the customer is actually "doing the job" and the company should ensure that the offerings themselves include means to standardize execution as much as possible.

Monitoring is tightly coupled to Execution in that it happens during the job execution. This phase is meant as another way to ensure that the job is carried out within specifications and the desired end-state is reached. A company can provide diagnostics or other such feedback systems that call the user's attention to emerging problems to ensure they are dealt with swiftly and do not impede job execution.

If the customer is unable to make the necessary corrections in time despite Monitoring, there arises a need to Modify and adapt to the current situation. Offerings that help in adjusting, updating or maintaining certain aspects of the job may prove to be highly valuable to the customer.

Finally, during Conclusion the customer is often tasked with a number of finishing touches that are often seen as undesirable, since the job itself has already been completed. As such, a company could make offerings that automate such tasks and allow the customer to focus more on execution or a new job cycle. An example of this could be 3M's self-adherent wrap which allows for easy unwrapping as the band does not adhere to anything else than itself, thus reducing time and effort during conclusion proactively.

As an additional step, if something goes wrong and things need to be fixed in a more radical way, a company can provide pre-written scripts for how to deal with such challenges when they arise or seek to eliminate the chance of unforeseeable events. If an accident has happened to one customer, it is likely that it

can happen to someone else and the supplier can act as an information distributor to educate other customers in order to avoid repeating such mistakes.

In summary, the company should approach the customer from the perspective of them wanting to get a job done and try to dissect the job into steps that the company's offering can help to improve on. The end goal should be to ensure the customer can do the job they are trying to get done. The company can offer improvements to the customer's current way of doing things by tackling the steps of the job.

4.2.5.1 Critique

Although the model is fairly robust and easily understood, there are some issues with it. The monitoring, modifying and troubleshooting phases are rather interchangeable and highly interconnected, making such distinctions problematic. They do still provide the benefit of drawing the supplier's attention to these phases of the customer's job execution.

However, perhaps a greater omission is the fact that the model focuses on jobs rather than goals. Perhaps these two are interchangeable and the use of the word "job" is just to facilitate thinking, but in any case, the goal should be to facilitate results rather than tasks. People do jobs to reach goals. The jobs themselves are not the reason people go through the steps, but rather in order to reach the destination and get something done.

A supplier should facilitate the customer's goal-reaching rather than job-doing. There is more than enough work to be done, but the results are what matter. Getting to those results faster and easier is what creates competitive advantage, all else being the same.

As such, Bettencourt and Ulwick's model can be used as a basis for value proposition development by using the analytical tool to dissect the customer's activities into steps and then tackling those steps in order to help them reach the goals they are after.

4.2.6 Market Space thinking

According to Vandermerwe (1996), the correct way to be thinking about a company's offering is not in nouns (car, guard, processor, etc.), but verbs (moving people and goods, organizing information, etc.). The verb-based framing helps companies understand the value they are proposing to the customer, since the customer is not interested in a washing machine, but rather in clean clothes.

The goal of such framing is to articulate a "market space". The market space expresses what customers do to get the results they want rather than what the products can do. Once this mapping has been accomplished, the company can decide what added value is required to achieve total dominance (100%) of the market space. The goal being to gain total market space dominance rather than just a market share of a product category.

This thinking may necessitate expanding the core business of the company in order to provide the total customer experience needed to "own" the customers.

Since the market space is not an individual offering (like an elevator), but a goal (people flow), it is highly likely that a company that previously had focused on its core competency of creating superior products or services may have to expand their competencies to other areas in order to satisfy the customer need (people logistics, building design and modelling).

The goal that Vandermerwe is trying to make companies achieve with this methodology is "customer ownership", by which she means that a company will become the default option for a customer. Whenever there is a problem in a given field or market space, the customer will automatically go for the company's offering first and consider other options only if the first is not found to be satisfying.

This sort of customer ownership is extremely valuable, if achieved, because it lowers customer acquisition costs drastically and creates positive experiences to the customer, deepening the relationship between them and the company. Such long-term relationships can be mutually beneficial when the company can invest more into creating value to the customer as opposed to spending on marketing efforts and advertising, thus helping to retain the customer.

4.2.7 Value Research methods

In their widely received book, Österwalder et al. (2014) list six methods for customer research. According to their recommendation, using multiple methods simultaneously is advisable for getting best results.

Performing desk research on customer data and research reports is a simple and basic tool for ground research. It is advised to also look outside the core industry that the firm operates in and extend the scope of study to include analogues, opposites and adjacencies. This allows the discovery of new potential markets and customer groups.

Practical tools for such research include Google Trends, Google Keyword Planner, third party research reports, public census data (from the government or other organizations), social media analytics, CRM data, customer tracking and data mining.

Interviewing customers is a straightforward way to find out their needs and desires, but people do not always act like they say they do. Thus, interview results cannot be relied upon to 100 % accurately reflect customer intentions and should rather be utilized to quickly get a grasp of the most urgent problems they are facing or struggling with.

The key points in good interview technique are to remain receptive and open to what the customer wants to say. The goal is not to push your solution, but to learn what the customer appreciates, is struggling with and what they have already considered as viable options. It is also important to keep in touch with the interviewee and follow up on past discussions, especially in the case of industrial customers.

Another way to find out what issues customers have is to observe their daily operation. It is possible to learn a great deal of what appear to be core issues in their daily operation and which things they struggle with or need to improve on. Since this data is acquired in a relatively objective fashion, the results are also

more reliable than those gotten from interviews. However, getting access to the customer may be difficult at times and simply by observing the customer's actions does not necessarily provide insights to novel ideas, but rather simply improvements upon existing mechanics.

In B2C cases, such "day in life" methods can include living with a customer family for a week, shadowing individual customers and making notes of their challenges and ways of doing things and general observation of customer actions inside the store. For B2B cases, acting as a consultant will open possibilities to learn more about the customer's daily operation. It is worth noting that details such as emotions and feelings should also be noted down, since such things can otherwise be difficult to come by via other means and can prove to be valuable.

Sometimes it is possible to impersonate the customer and try out the customer experience for yourself. Doing such a roleplay will help see things from the customer's perspective and the deeper into the role you can get, the more certain nuances in the offering can be analysed and improved. However, issues arise with certain offerings which do not allow for such roleplay due to their nature. This technique also requires a deal of creativity and acting skill from the user.

Where observation and impersonation are both ways to distance oneself from the customer and try to analyse their experience 'objectively', the alternative is to simply involve the customer into the creation process and work alongside them to explore and develop novel ideas that can be turned into offerings. Although this method certainly allows for a deeper understanding of the customer and the way they think and operate, depending on the offering, the solution may not be easily generalized for other customer segments.

Lastly, Österwalder et al. (2014) suggest creating experiments to which customers participate (either knowingly or unknowingly) in order to gain customer insight especially for new ideas. The main issues with using this sort of scientific approach are existing organizational guidelines and restrictions regarding such co-operation and involvement.

4.2.8 Laddering

The laddering interview technique is stated as being the most effective technique to use in B2B contexts (Busacca, Costabile, & Ancarani, 2008). The technique is similar to the "Five Why's" -technique (Staats & Upton, 2011) used in e.g. lean manufacturing to uncover root causes. Laddering interviews are conducted by a free form interview where the interviewee is asked to "justify" their decision making.

The goal of a laddering interview is to uncover what values, attributes or other causes drive the customer's selection process and lead to them choosing one offering over the others. This is achieved by posing a constructed series of questions that provoke the customer to consider their own selection process and explain what motivated them to choose the way they did.

Not all laddering techniques are alike, however. In their paper, Busacca et al. (2008) identify four main types of laddering: Direct, Comparative, Projective and Negative laddering.

Direct laddering is the simplest version of the technique, where a predetermined set of questions is used to uncover the attributes that drive the interviewee's preference and choice, the benefits they are after and the values and motivators that drive their behaviour. (ibid.)

Comparative laddering is used to rank a trio of competing offerings by asking the interviewee to rank them, upon which a series of 'why' questions is used to uncover preferences and viewed differences between them. (ibid.)

Projective laddering is an adapted technique wherein the interviewee is tasked to reply from the mind-set of "what an ordinary customer might think". This technique can be used to uncover potentially sensitive beliefs and values, as the role-playing of a 3rd party individual allows interviewees to divulge potentially sensitive information through an emotional safeguard. (ibid.)

Negative laddering focuses on uncovering the reasons behind non-choice, meaning the costs (monetary and non-monetary) that discourage a customer from choosing a particular offering. Negative laddering can include Direct, Comparative and Projective techniques. Only the view is different. (ibid.)

Problems with laddering techniques may arise from the interviewee not being aware of their own motivations and thus giving 'wrong' answers. It is also possible to infringe upon very personal territory and the answers gained that way may often be false as a result of avoidance. Furthermore, as an interview technique, laddering can be perceived as very boring by the interviewee, leading to inferior results.

4.2.9 Customer value assessment

Anderson, Jain and Chintagunta (1993) conducted an extensive literature and industry review to find nine pertinent customer value assessment tools. Their goal was to find the tools and methods companies use to better understand the value of their offering to their customers in order to price-set it correctly. (Anderson et al., 1993a)

The first identified method was *internal engineering assessment*. Anderson et al. (1993) defined the method as follows: "An estimate of the value for a product offering is obtained by laboratory tests conducted by scientist/engineers within the supplier's own firm." They noted that successful implementation of such a method hinged on extensive knowledge of the customer use process and end product and the results will then be generalized to reflect actual customer use on average. (ibid.)

The second method, *field value-in-use assessments*, require significantly more customer co-operation. "Interviews are conducted at customer firm(s) to determine a comprehensive listing of cost elements associated with the usage of a product offering compared with the incumbent product offering (e.g., life cycle cost). Making explicit assumptions, values are assigned to these cost elements to estimate the overall value-in-use of the product offering in that application. This value-in-use is typically expressed in cents per pound or dollars per unit."

Customer co-operation was required to validate or refine pre-existing assumptions of the value of certain cost elements, thus increasing the customer's reliability on the end result. (ibid.)

As a method someway between these two in terms of customer co-operation, *indirect survey questions* is a form of adapted A/B-testing where customers are asked how particular changes (one or more) in the offering might impact their business performance. These survey results are then used to supplement other customer data that the firm already has as well as any assumptions on how customers respond to various changes. (ibid.)

In order to gain more direct and complete value estimations, companies can conduct *focus group value assessments* or use *direct survey questions*. The two methods are similar in that respondents are exposed to new or potential offerings and asked to price them based on their value to their company or boss. The difference between the methods stems from the choice of respondent group, which in the focus group value assessment method is a combination of customer representatives and industry consultants, while in the direct survey method only customer representatives. (ibid.)

The authors also note that in order for these methods to provide credible data, the respondents must be knowledgeable and willing to give value estimations. They also advocate the use of follow-up questions to dissect the worth of the individual aspects of an offering. (ibid.)

In order to provide a more comprehensive decomposition of value elements and their worth to the customer, *conjoint analysis* can be used. In the method a customer is presented with a range of potential offerings, each listed with various attributes and asked to evaluate them in a ranking from best to worst in terms of appeal. From this ranking, statistical analysis can be used to determine the most desirable attributes as well as their worth to the customer. (ibid.)

A similar sort of method is *benchmarking* wherein the respondents are presented with various changes (both improvements and downgrades) from what is generally considered to be the industry standard or benchmark offering and asked to evaluate how much more or less they'd be willing to pay for each change. Responses can then be used to estimate the worth of various changes, although the method is a simpler and less rigorous option to *conjoint analysis*.

Taking a sort of opposite approach, the *compositional approach* presents customer respondents with various levels of an individual attribute and tasks them to evaluate the worth of each level. Calculating results from the responses allows the firm to estimate the worth of an offering that combines various levels of different attributes in one package. However, the customers may be unwilling to reveal the true value of certain attributes and thus may evaluate them far lower than would in reality be the case, leading to potentially catastrophic results. (ibid.)

Finally, *importance ratings* can be used to provide an understanding on how to improve an offering and what its worth to the customer might be. Importance ratings analysis is performed by tasking customers to rank various attributes in

terms of their importance to the company. Afterwards, they are tasked to rank a number of supplier companies on each attribute, showing how they perceive these suppliers to be performing for each attribute. (ibid.)

The benefits of this method are that it provides easy and clear access to the most important attributes to be improved upon in the supplier's offering as well as giving them competitor analysis in the process. However, since no monetary values are attached to any of the attributes, it does not provide direct assistance in price-setting the offerings. (ibid.)

Out of these, focus group value assessments and importance ratings were found to be the most common at the time while conjoint analysis was found to have the highest success rating. In addition to the listed methods, two more were identified as used, but not in common practice. These were *field testing* via prototype or sample to ensure that the improved offering met customer demands and *gap analysis* for finding hitherto unmet customer requirements which was recommended for use in service evaluation and with complex industrial offerings. (ibid.)

4.3 Value proposition development

Once a sufficient understanding of the customer has been achieved, a value proposition can be formed (Terho et al., 2012).

4.3.1 Definition

"Our biggest challenge is deepening our relationship with customers and helping them see the total value proposition we deliver to them – including but not solely driven by innovation – and what it holistically is worth to their business versus just evaluating us on a per-item quote versus a competitor." (ISBM, 2012)

The term Value Proposition was coined by Lanning and Michaels in their McKinsey staff paper in 1988. They state that business units promise some value (a combination of benefit and price) and if the customer finds their offer to be superior to competition, the business unit will make the sale (Lanning & Michaels, 1988). Although they never expressly defined the term, it is clear that Lanning & Michaels see the value proposition as a statement of proposed benefit and expected price that the customer will receive if they choose to purchase the offering.

In their work, Lanning & Michaels defined a value proposition system that compose of three parts: Choose the value, Provide the value and Communicate the value (Figure 6).

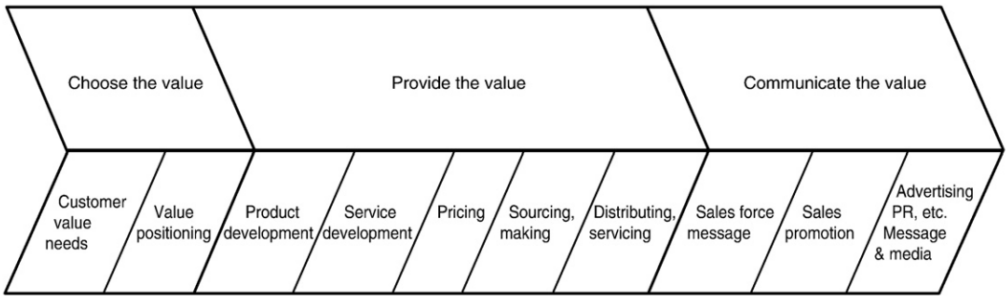

Figure 6: Value delivery system (Lanning & Michaels, 1988)

Since then, the term has been used in various definitions and taken on a life of its own (Anderson et al., 2007; Truong, Simmons, & Palmer, 2012), though on a general level these definitions could be described as: "the marketing offer or value promise formulated and communicated by a seller, with the intent that it be accepted by a buyer" (Ballantyne et al., 2011). However, this definition is not only vague, but also potentially archaic in the modern business setting where two-way communication and co-creation of value exist.

Companies can engage in value proposition co-creation with their customers and define the exact value proposition (benefits and costs) through a dialogue where each element of a solution is discussed for mutual benefit (Flint & Mentzer, 2006).

Furthermore, the general definition of a value proposition is focused on a singular buyer and the benefits that it will bring to them. However, as businesses are increasingly linking up to create networks, the value proposition may have to cater to the customer network instead. Cova & Salle (2008) talk about customer network value propositions which they define as: "the statements of benefits that are delivered by the supplier and his supply network to the customer and his customer network."

A key point to note, however, is that due to the subjective nature of value perception, the value that the customer perceives to be on offer is not necessarily the same as the value offered by the company. Indeed, it almost never entirely is. The better the company has done its value research, the closer the value perceived will be to the value proposed.

Due to the subjective evaluation of the value proposition (Anderson et al., 2007), it is imperative that the supplier uses a value based strategy on customers who buy with the same logic. If the customer does not consider the benefits realized in use to be of much worth during purchasing, it will be next to impossible to make the sale based on such arguments. (Grönroos, 2008)

One way of composing a value proposition is to create a so-called "naked solution" to which additional services can be added. The logic behind such a proposition lies in offering the basic solution at competitive cost and adding extra value elements only to those customers who, according to prior research, value those elements. The end goal is to sell certain types of extra value only to those customers who have proven to actually desire it. (Anderson & Narus, 1998)

However, this sort of approach is somewhat contested by Hinterhuber (2004), who calls for both rendering comparisons between products difficult (which

could include things like bundling) and relating the costs to greater end-benefits which makes the purchase price seem small in comparison to the total costs.

Both views have merit depending on the situation, with the naked solution being preferred when dealing with new and uncertain customers who might be hesitant to commit to a larger purchase or when the company's offering is sufficiently distinctive even in smaller units. The alternative method can be applied when competition is fiercer or the customer has the capacity to pay, but needs to be convinced of the superiority of the supplier's offering.

4.3.2 Basic value proposition types

Anderson et al. (2006) identified three basic types of value propositions used by suppliers which were differentiated by their offered value statements. These were All benefits, Favourable points of difference and Resonating focus.

All benefits, as the name would suggest, is a simple listing of all the known benefits that the offer provides or can provide to the customer. This approach, although easy and simple to make and use, requiring little change between customers, has some rather significant drawbacks. In a competitive market, it is highly likely that a company's offering will have very similar competition and most of the benefits listed will be points of parity between the firm and its competitor (Figure 7). Also without any tailoring for the individual customer, it is highly likely to present statements of benefits for attributes which the customer does not find to offer any benefit at all, thus eroding credibility.

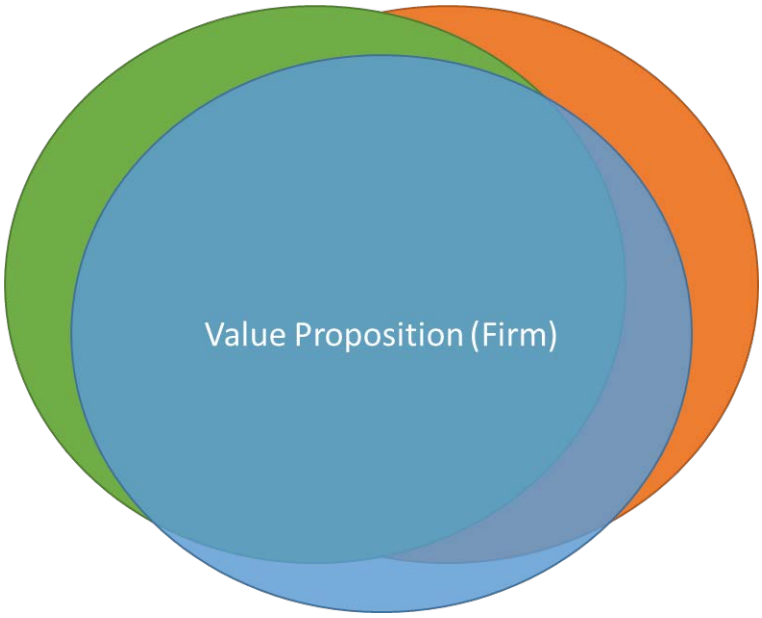

Figure 7 All-Benefits value proposition

The challenges and shortcomings of the All benefits approach has led to the Favourable points of difference approach which can be summed up in the question: "Why should we choose your company and not a competitor?" Answering this question will bring up points of difference between the two offers (Figure 8). However, simply having differentiation from a competitor does not mean that an offering is automatically superior and for the customer it can be a daunting task to make sense between which are relevant points and which are not.

This, coupled with the fact that the supplier may stress points of difference which have no value to the customer are the shortcomings of this method.

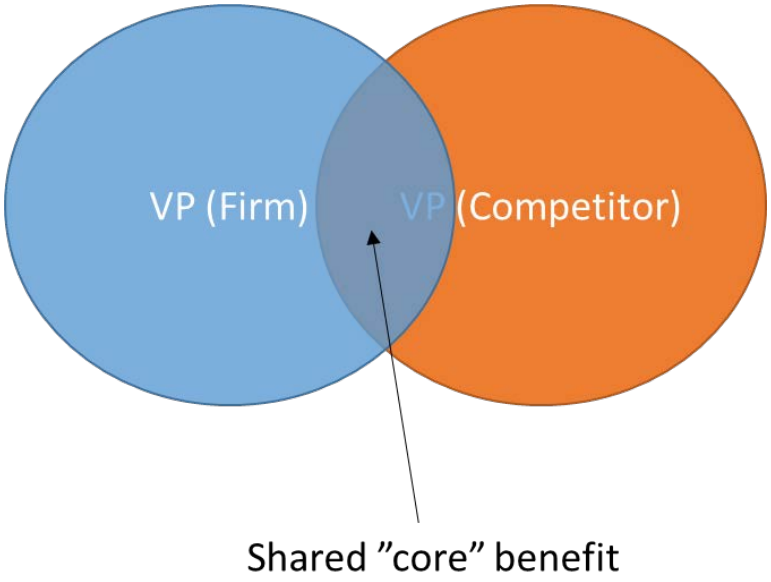

Figure 8 Favourable points of difference value proposition

To fix the issues of the two previous approaches, Anderson et al. (2006) propose the Resonating focus -approach (Figure 9). This approach acknowledges that the customer is likely pressed for time and will appreciate a short and simple offering which presents the most relevant reasons for making a decision, alongside clear quantification of how these elements create value for them. The goal is to choose one to three points which resonate the most with the customer, showing an intricate knowledge of their issues and problems, while keeping things simple and short.

The supplier may even concede lesser points to competitors, focusing instead on the ones which generate the most value to the customer. It is worth noting that in order to successfully implement this approach, customer knowledge must have been gained prior to presenting the offer to ensure that the most relevant points are known and that any important aspects of the offer are not omitted. It may, for example, be the case that in order to even be considered for the final offer, a supplier must fill certain criteria.

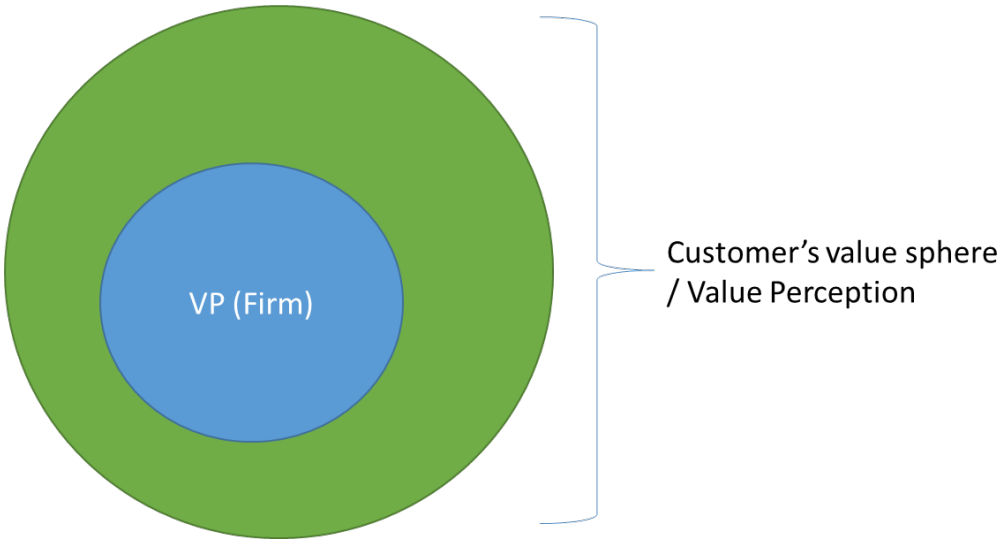

Figure 9 Resonating focus value proposition

4.3.3 Green vs Grey money

Since many value-based sales propositions provide benefit over the long(er) term, accurately attributing the benefits of such a purchase to a single actor or actors becomes difficult. If a process improvement causes costs now, but generates significant savings in manufacturing, then it is possible that the purchasing function will be (wrongly) chastised for going over budget while the manufacturing function (thanks to this purchase) will be lauded for their improved efficiency.

Due to this disparity, a concept called "green vs grey money" has been coined. Green money refers to value that can be attributed or claimed by an individual, whereas grey money cannot. That is to say, if a manager cannot readily show to her superiors that they made these savings or process improvements possible, then there is little incentive for them to select that sort of offering (Anderson et al., 2007; Anderson, Thomson, & Wynstra, 2000). At least from a personal gains perspective and especially if there is personal risk involved, like going over budget.

To further confound this, the ambiguity of what benefits the offering can actually provide to the customer will prompt most purchasing managers to steer away from grey money gains in favour of green money savings, i.e. lower value lower price offerings are preferred over high price high value offerings. (Anderson & Wynstra, 2010)

To counter this, the issue of green vs grey money can be tackled by providing clear reports and calculations which showcase how the value will be generated over time. Such reports can then be given to the prospective customer's purchasing manager who can, in their own name, take it to senior management for review. What this accomplishes is twofold. Firstly, the hard to claim grey money becomes green or at least greener because the purchasing manager can more readily lay claim to the benefits, thus increasing their motivation to push for this purchase. Secondly, it saves the purchasing manager time to do a self-evaluation of the purchase as long as the report is clear and transparent enough. (Anderson et al., 2007)

Knowing and being aware of this type of stakeholder saliency is very important in value based selling. It is not enough that the company's offering provides value to the customer company. It must also be of value to the customer stakeholders who make the purchase decision. If a purchase decision would affect those stakeholders in a negative way, it is quite unlikely that they would advocate choosing it.

4.3.4 Österwalder's Value Proposition Canvas

Österwalder et al. (2014) present a toolset to create value propositions that builds upon the Business Model Canvas (Österwalder & Pigneur, 2010) called the Value Proposition Canvas (Figure 10). The model approaches the problem of delivering value through the idea of fitting a company's offering to a specific customer group's demands. These demands have been divided into three subgroups termed Jobs, Gains and Pains. (Österwalder, Pigneur, Smith, Bernarda, & Papadakos, 2014)

In essence, the role of customer research is to identify the Jobs (i.e. tasks) that the customers wish to get done (look good for the boss, improve the business, stay up to date, etc.), the Gains they hope to achieve (get recognition, assist the team, improve communications, etc.) and the Pains they wish to avoid or mitigate (lack of time, going down wrong paths, management 'not getting it', etc.).

These three areas should be filled in the customers' own words, letting them state what things they wish to see done and what goals they wish to reach. As such, the customer research part of the canvas is mostly related to asking questions and taking notes. (ibid.)

However, there is a segment under Gains which calls for the supplier to assess unexpected gains. This would mean such benefits that the customer had not listed, but which can be seen by the supplier thanks to their analysis and being an outside viewer. (ibid.)

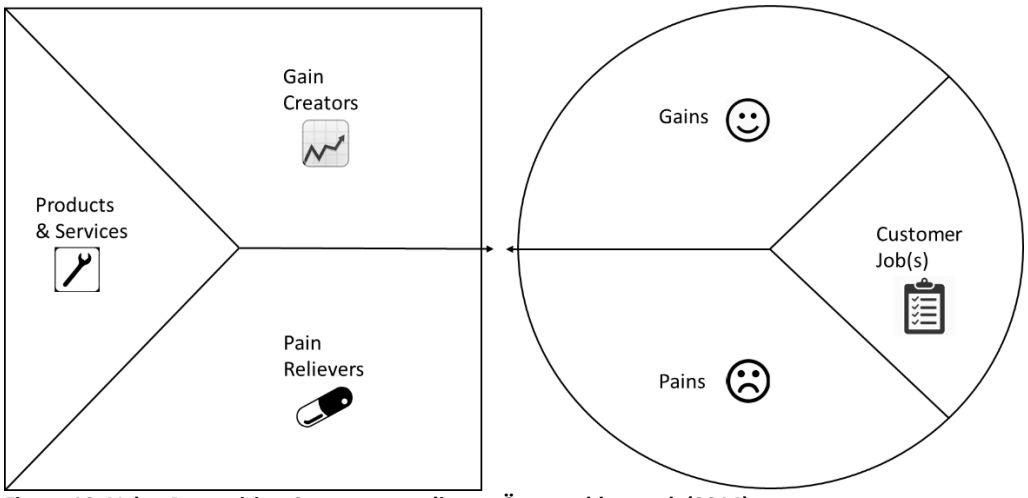

Figure 10: Value Proposition Canvas, according to Österwalder et al. (2014)

Once the customer profile has been created in this way, the offering should be considered. The offering itself is again divided into three parts, Products & Services, Gain creators and Pain relievers. Products & Services describes the actual

outputs that the supplier can use to try and satisfy the customer's demands. Gain creators refer to the outcomes that the supplier's products and services will have and which are in alignment with the customer's desired goals. Similarly, Pain relievers are the effects that the supplier's offerings have on reducing customer pains. (ibid.)

The key points in this model are to only map one customer group at a time in order to focus the offering to that particular customer. Once the customer's demands and desires are known, the supplier searches through their own product and service inventory to find solutions which might best satisfy the customer's requirements. (ibid.)

The way these products and services accomplish that goal is then outlined explicitly in order to communicate to the customer the value of using the proposed offering. The extent to which the supplier's offering can satisfy customer Gains and Pains is called 'Fit' and the better the Fit between demand and offering, the better the value proposition will be received. (ibid.)

4.3.4.1 Critique

The views Österwalder et al. (2014) express in their Value Proposition Canvas revolve around the customer's perceptions about their own problems. The focus on Pains and Gains is simply that of how the customers themselves perceive various issues. In short, if the customer wants less of something, it is a Pain and if they want more of it, it is a Gain.

On a grander level, however, Pains and Gains are both simply dimensions of goals. The customer wishes to achieve a certain goal (for example higher profitability) and that goal can be achieved by reducing costs (pains) or increasing profits (gains).

However, the outlined method mainly considers options which the customer is already familiar with and thus seems to ignore the options that exist outside the customer's knowledge. This is a major flaw, since customers do not always know what they want or cannot articulate their desires (Jaworski & Kohli, 2006).

It could be that costs can be reduced if the price of raw materials can be cut or waste can be reduced, but if the supplier can instead propose an entirely new raw material which is plentiful and cheap, then the customer can suddenly achieve their goals via a novel solution that is worth a lot more to them than incremental adjustments.

The model also makes no effort to adjust or change the customer's perceptions or draw their attention to new things. It is, as such, quite reactionary in its function and seeks only to satisfy existing needs rather than create new ones.

It is also debatable how accurate customers can be in their own expression. For example, a customer might say that they desire a more powerful processor unit to their digital device, when in actuality they are frustrated with the slow response time and refresh rate on it and thus actually desire to have a more responsive operating system.

Further, the operating system is only a means to an end and the ultimate goal of the customer is to transmit commands and data in some way. If the supplier

can offer a solution which is faster and more responsive than, say, a tablet computer then they might be offering the customer some real value. This is the major flaw in Österwalder et al.'s Value Proposition Canvas, since they appear to omit entirely the most important parts of a value based solution, which are novelty and outside the box -thinking.

Another source of criticism related to the Canvas' reactive nature is the fact that modern purchasing has become increasingly advanced. Customers are able to find out more about the kind of solutions they would require and by the time the supplier becomes involved in the process, the customer has already a very clear picture in mind of what they wish to purchase. (Adamson et al., 2012)

At that point, it becomes next to impossible to influence the customer's choice and the supplier is forced to simply respond with a quote to the RFP (Adamson et al., 2012). This limits the ability of a value-based selling company to effectively influence the customer's choice and offer them solutions which are superior to what they might have been asking for.

In essence, the earlier the supplier becomes involved in the customer's purchasing process, the more successful value-based strategies will be. Although the Value Proposition Canvas is not strictly a reactive measure, it does not sufficiently highlight the necessity to engage the customer proactively and seek to satisfy the customer's goals in novel and unexpected ways.

4.3.5 Co-creation

With the internet allowing for faster proliferation of knowledge than ever before, the modern customer has an increasingly equal understanding of the performance criteria of goods and services. With the loss of the information asymmetry and increased peer-to-peer marketing via social media and consumer networks (Prahalad & Ramaswamy, 2004), the suppliers have to deal with empowered customers and consumers that cannot be as easily persuaded to believe marketing material like before. As Ballantyne et al. (2011) point out, the original definition of a value proposition made by Lanning & Michaels had a very supplier-centric view on how such propositions were to be created. This was criticized by Ballantyne et al. as essentially archaic by modern standards since the need to offer service can arise from any stakeholder or as a direct customer demand in addition to being developed internally. This new dynamic necessitates a novel approach to the creation of value propositions which underscores reciprocity (Ballantyne et al., 2011).

This co-creation of value propositions is managed through the value chain partnerships with each elements of a value proposition being adjusted and discussed among partners in order to create a proposition that best fulfils everyone's needs and creates the highest value-in-use (Ballantyne et al., 2011; Flint & Mentzer, 2006).

Value co-creation is especially important in B2B relationships where the supplier and customer are more evenly matched in terms of negotiation power and status. This necessitates that the needs, wants, capabilities and priorities of both

parties are known before the value-creation activities can be apportioned. (Jaworski & Kohli, 2006)

It is worth noting that the co-creation of value is a mutual dialogical process and cannot be successfully implemented if the customer is not included. Co-creation differs from traditional customer research in the sense that the learning process works for both parties instead of just one way.

4.3.6 Reciprocal value propositions

The basic premise of reciprocal value propositions is that when value creation participants realize that their goals are complementary rather than antagonistic in relation to each other, they have the opportunity to craft value propositions which achieve greater total value for all participants. Because a value relationship always has at least two sides, a supplier and a customer, with each participant evaluating value from their own perspective. Thus, the value propositions must also consider both sides. In simple terms, value propositions must always include value to both sides of the exchange in order for a sale to take place. (Ballantyne et al., 2011; Ballantyne & Varey, 2006)

4.3.7 Conclusion

From what has been discussed in this part, value proposition development can be understood as the creation of a service blueprint that defines what benefits are to be delivered and in what manner, to address which issues and potentially at what cost. A successful value proposition leaves both sides without a doubt about what they are going to receive in terms of business gains if they choose to go with the offer.

According to Normann and Ramirez (1989), an offering always consists of five parts which can be replaced by each other functionally:

1. Physical tangible entities i.e. Goods
2. Human activities i.e. Services
3. Risk-sharing among parties
4. Access to systems and infrastructure
5. Information

(Normann & Ramírez, 1989)

This view provides a good basic template to consider the various parts of a value proposition and of which practical parts it is made up of. The manner in which these five parts are addressed is a matter of company and case preference, be it through co-creation, the use of a value proposition formula or something else entirely.

It has been found that good value propositions in practice are boiled down to only around three main benefits, since listing all benefits is not only useless (since most competing offers have the same benefits), but also detracts the customer's attention from the most important differentiating aspects.

4.4 Value communication

According to Lanning & Michaels (1988) from McKinsey&Comp., the difference of a winning strategy is not the choice of the value proposition itself, but rather the way it is communicated and provided. This communication needs to be single-minded and thorough, aligning fully with the way it is provided so that the customer receives only a singular, uniform signal and understanding of what they receive if they choose this proposition (Lanning & Michaels, 1988; Töytäri et al., 2011). Furthermore, Anderson and Wynstra (2010) present the case that the obstacle to overcome in value communication is the so-called incentive to change, which they define as the difference between price and value. This incentive, they argue, can be increased in favour of the firm's offering by either providing more value (which necessitates good communication to make the customer see the value on offer) or lower the price (Anderson & Wynstra, 2010).

The importance of sound value communication is further underlined by research that points to customers understanding price better than value and preferring a reduction in price over an increase in value (Anderson & Wynstra, 2010; Monroe, 2002; Töytäri, Rajala, & Alejandro, 2015). This means that communicating value and getting the message across will be an up-hill struggle compared to selling simply by price alone. To that end, it is important that the communication is convincing and single minded, all interactions between customer and supplier echoing the same message of value. However, according to research, not many firms systematically use such methods to differentiate their offering (Anderson, Narus, & van Rossum, 2006).

As such, one could argue that the communication of value is the most crucial step in the process, since all the previous work can be wasted if the communication is not successful.

It is important that the customer and client "speak the same language" when talking about value. Sales people previously accustomed to talking about product attributes and selling the company's offerings may be blissfully unaware of the actual value their offerings provide the client company. It may be, for example, that a supplier is chosen because their product delivery is timely, returns are handled quickly and minor adjustments on a batch-to-batch level are carried out faster and more fluently than with other suppliers, even if the basic product is inferior or merely on par with competitors.

In such a situation it would be an easy mistake for the sales people to talk about product attributes or price as value when the customer places only marginal importance on such things. Furthermore, due to the interconnected nature of the business world, certain issues tend to become of shared interest at certain times. So when such an issue is not on the management agenda, it may be difficult for the supplier to convince the customer of an issue's importance (Töytäri et al., 2015).

4.4.1 Value hierarchy

The customer's value hierarchy can be uncovered from value research and once it has been identified, a supplier's task is to communicate key offerings

based on the highest-ranking values. As mentioned previously, clearly defining and explaining how a supplier's offering can improve an aspect of the customer's operation which they do not hold much if any value in will not be a viable strategy for business discussions.

A poignant example of the importance of such research and communication can be found in the case of a resin supplier presented by Anderson et al. (2006). The supplier created an environmentally friendly product in anticipation of its customers wishing to upgrade to it considering the general trend of increasing eco-friendliness and stricter limits on environmental pollution. A seemingly sound reasoning based on cursory customer research.

Unfortunately, they found that the customers were not interested in the offering as they would only make the change when it was forced upon them and so the environment-centric value communication failed. After conducting additional research into its customer base, the resin company realized that that cost of paint was only 15% of their costs while 40% came from labour.

Realizing this, the company made a new attempt to sell the same product, but now basing it on the resin's ability to dry faster which made it possible to apply two coats during a single 8-hour shift, essentially cutting labour costs in half while also future-proofing the companies against future legislation. With the improved focus on what was actually valued by the customers, the resin company managed to sell its products with a high price premium. (Anderson et al., 2006)

When making a value proposition that targets the customer's top-valued elements, it is worth considering the competing next-best alternative (Anderson et al., 2006). No offer exists in a vacuum, after all, and it is highly likely that a competing offer will be made.

When comparing two or more competing proposals, three types of points will arise between them. Points of Parity, Points of Difference and Points of Contention. Points of parity mean items or attributes which both offerings share and cannot be used to differentiate between them. Points of Difference, logically, refer to items or attributes which are unique to each offering, both in good and bad. Finally, Points of Contention are items or attributes which the customer and supplier disagree on. For example, the customer might be of the belief that an offering is not as flexible as the next-best alternative and that adapting the offering would cost more in the long run. However, if the supplier knows this to be untrue and can convince the customer of this, then the Point of Contention becomes a Point of Parity (or in some cases a Point of Difference in favour of the supplier). (Anderson et al., 2006)

The efficient use of Points of Difference in favour of the supplier's offering, considering the most relevant and resonating challenges and goals of the supplier uncovered through value research, will be the key of a successful value proposition. The Points of Parity merely get your offerings to the same line, but it is the Points of Difference that convince the customer to choose one offer over the other. Combining value hierarchy with the Points of Difference thus advocate the use of a few key points to show the strength of a company's offering

while at the same time simply browsing over the similarities in order to establish the baseline performance that their offering exceeds.

The fairness of the offering must be well communicated and demonstrated when value-based pricing often leads to higher prices than traditional offerings (Hinterhuber, 2004). Otherwise the supplier risks upsetting the customer with a seemingly outrageous price demand. A sound method to justify this higher monetary cost is value quantification which is also a very potent value communication tool.

4.4.2 Value quantification

An important subset of successful value communication is value quantification. The proposed value must be quantifiable in ways that are relevant and believable to the customer in order to convince them of the offer's superiority. Generalist statements like: "We offer to save you money" or "We'll save you an hour of time" are worth next to nothing in the modern business world without concrete numbers (in monetary units) to back them up (Anderson et al., 2006). Value quantification has been recognized as the one step where companies have the most capability gaps in (Kaario et al., 2003; Storbacka, 2011).

Value quantification means communicating the value proposition in such a manner to the customer that they appreciate the full value on offer. The benefits of the value proposition must be made tangible and evident in ways that are relevant to the individual customer. In B2B cases, this means communicating differently to the operations manager as opposed to the financial manager, bringing forth arguments which have the most tangible value to the individual and which tackles their concerns and business goals. Furthermore, value quantification can be used to draw the customer's attention to hitherto unacknowledged sources of value, like the operational benefits of lower downtime and the associated financial benefits. (Storbacka, 2011; Töytäri, 2015)

In practical terms, such a value quantification tool can be as simple as an Excel-spreadsheet formula where the supplier's representative can, in co-operation with the customer, input estimated values of production, power consumption, etc. in order to test out the supplier's offering under various scenarios to demonstrate how the offering is likely to generate value. (Anderson et al., 2007)

The greatest hurdle in value quantification is to strike a balance between depth and complexity of the explanation. Any value calculation must be sufficiently in-depth to be considered reliable and reflecting of the real world, but overtly sophisticated and complicated models and calculations run the risk of confusing the customer and make them doubt the results. If the customer cannot understand exactly from where your numbers come from, they are unlikely to accept them and with good reason.

A proposed solution to this dilemma is to run a diagnostic study of the customer company with their permission, analysing the customer's processes to benchmark their performance against the industry average (Storbacka, 2011).

By providing the results to the key decision makers, it is then easier to convince them of the benefits of an offering that will help them reach or exceed the average results. This may necessitate changing the customer's thinking and drawing their attention to new aspects of their work, but all of it should still focus on and draw upon the benefits to the decision maker's goals.

Identified issues with value quantification focus on the credibility of value estimations. Before a solution is implemented, there is no way of knowing what the actual value will be, so any estimates presented must be considered credible by the customer in order to be convincing. To aid in this, research (Töytäri et al., 2011) suggests generating such models in tandem with the customer so that they will more readily understand and accept the model and its results as valid.

4.4.2.1 Value word equation

As a subset of value quantification which typically deals with hard numbers, the value word equation takes a more explanatory route. In a value word equation, the core benefits of an offering and how they relate to the ultimate goal of the proposition are laid bare in equation format, but using the main benefits and challenges/opportunities in it. (Anderson et al., 2007)

For an example of such an equation see Equation 1. In this equation, a Rockwell Automation (designated by subscript 'r') offering is compared to the next best competitor alternative (designated by subscript 'a').

Equation 1 Adapted from Value Merchants: Demonstrating and Documenting Superior Value in Business Markets (Anderson, Kumar & Narus; 2007)

$$\$\ \text{savings} = [\text{kW spent} \times \#\ \text{annual operating hrs} \times \$\ \text{per kW/hr} \times \#\ \text{yrs in operation}]_r - [\text{kW spent} \times \#\ \text{annual operating hrs} \times \$\ \text{per kW/hr} \times \#\ \text{yrs in operation}]_a$$

The equation clearly shows with what logic the supplier proposes to achieve these savings and is simple enough that the prospective customer can evaluate its validity. In order to calculate the generated benefits in monetary units (value quantification) the customer can easily slot in the relevant values or do so in cooperation with the supplier if there are conflicting views on some values.

4.4.3 Value case history

Another tool for communicating value is the so-called value case history. This tool documents past sales and the benefits that the customers have received from them. By having a file of such reports, a supplier can offer very credible evidence of the value it is able to provide to potential new customers as well. (Anderson et al., 2007; Anderson & Narus, 1998; Anderson & Wynstra, 2010)

Furthermore, suppliers can further convince their customers by showing them not only reports of past successes, but take them on a tour (if applicable) of a pilot plant or other such unit where their offering has been implemented so they can see it in action (Anderson & Wynstra, 2010; Töytäri et al., 2011). Not only does this reinforce the message of a successful and doable solution, but also of one which has been found to be worthwhile by other customers and the added transparency increases the credibility of the claims.

The end-goal of solid value communication is to shift the discussion away from price and instead consider business impact (Kaario et al., 2003), thus allowing the supplier to sell their offerings without having to succumb to a price war. Without value quantification, any sort of pricing based on value will be next to impossible, whereas a strong and well-defined quantification will provide a good foundation for superior pricing results. The more (credible) value a supplier can showcase to the customer, the higher the price will be that the customer is likely to accept, in accordance to the theory of economic surplus.

4.5 Value verification and sharing

The cornerstone of a value-based relationship is commitment and trust. In order to foster both, clear and quantifiable evidence of success is required to validate the continued relationship. It is in the best interest of suppliers to provide reports of created value to their customers not only so that the customers can rest assured that the relationship is profitable, but also in order to gain more verified proof for future customer negotiations. Having documented proof of (customer) verified cost savings and added value can be a very convincing tool in negotiations with a new potential customer. (Anderson et al., 2007; Anderson & Narus, 1998; Töytäri et al., 2011)

Once a value proposition has been accepted by the customer, it is up to the supplier and customer to (co-)create the value that was offered. This part of the value creation process differs significantly from a traditional sales process where the customer is essentially left to fend for themselves with a product or service and have to make the most of it. If they do well, they can even generate excess value, but doing well is difficult as a great deal of the know-how for using the goods or service is not available as it lies with the supplier.

In stark contrast to this, in a value sales perspective, the supplier is involved in creating the value with the customer. A dynamic called “co-creation of value”. Since value is created by the customer and not the supplier, the supplier can only be involved in the customer’s value creation process and assist them in creation of value; hence co-creation.

After value has been created, it must be verified in order to ensure that the customer has indeed received that which was promised. It is a very crucial step in the value sales process, since future sales are based on trust (Ballantyne & Varey, 2006; Barney & Hansen, 1994) and a vital part of trust is openness which comes from a transparent and mutually agreed upon verification process.

As part of the verification process, especially if the agreed upon compensation model is based on savings or improvements (outcome-based compensation), the supplier will try to capture a part of the created value for themselves. This is typically the case where, for example, a process change leads to a saving in energy and the supplier is rewarded a percentage of the energy savings. Such a

model is beneficial to both the customer and the supplier, because the customer pays less in total costs and the supplier is paid more if they can save more, creating an incentive to improve performance.

Having a clear and strong results-based compensation scheme and mutually agreed upon measures of improvement are good ways of convincing the customer of a supplier's credibility. Using such outcome-based compensation models are doubly good as they incentivize the supplier to improve their offering and allow the customer to feel secure in the knowledge that the total risk of the venture was not put on their shoulders and that the supplier will offer support in order to realize the promised value. (Töytäri et al., 2011)

However, despite the basic principles of value verification and sharing being simple enough, this is still a major obstacle in conducting successful value based sales. There is a great temptation by unscrupulous business partners to try and capture all of the created value and such greed can easily destroy an otherwise lucrative business alliance, perhaps simply out of habit fostered by the quarterly mind-set. By maintaining solid relationships with key customers, companies can reduce churn and by extension customer acquisition costs. Analytical means for predicting which customers are more vulnerable to switch suppliers have been created and can be used in conjunction with the verification steps (Ha, 2007).

4.5.1 The value of trust

Trustworthiness can provide competitive advantage and can be a major source of customer value. Gaining a good positive standing in the marketplace and becoming known as a trustworthy supplier can have far-reaching benefits to the seller as well as offer competitive advantage which is difficult to copy (Barney & Hansen, 1994). Reliable, predictable and dependable (i.e. trustworthy) suppliers allow customer companies to react faster to the changing marketplace and serve their own customers in a more agile and controlled fashion (Bhutta & Huq, 2002).

Trust is also required for meaningful dialogue to take place (Ballantyne, 2004; Ballantyne & Varey, 2006). Without trust, deeper relationships cannot be established and the dialogue so vital for value-based techniques will come to a halt (Ballantyne, 2004). Thus, it is imperative that suppliers exhibit trustworthiness in their dealings with their customers in order to coax trust in return.

Not only is trust a vital component in the value proposition dialogue, but it also saves the company money via dispensing (at least partially) with unnecessary and expensive governance mechanisms (Barney & Hansen, 1994). Such mechanisms can also be detrimental for deeper industrial co-operative relationships where information exchange and co-operation demand greater and more agile inter-firm transparency to achieve the maximum benefits from the relationship.

In order to fully capitalize on the benefits of Value Based Strategies, companies should strive to foster a culture of trust between themselves and their customers

so that these benefits can be realized. However, that is not an easy task to accomplish and in many cases it may be impossible to achieve especially for short relationships.

Nevertheless, creating trustworthy relationships with their customers should be a priority goal for any company trying to implement VBS strategies, since through that trust and the deeper relationships will most of the benefits of the VBS strategy be gleaned. How that trust can be fostered, deepened and upheld cannot be answered exhaustively, although in most known cases a significant investment in time is required. However, it is also possible to leverage one's commonly accepted position as a trustworthy supplier in new relationships as well, easing the task with later customers.

4.5.2 Total cost of ownership

Total cost of ownership (TCO) refers to a holistic view on expenses that accrue from a purchase or decision over its lifetime. (Ellram, 1995; Lindgreen & Wynstra, 2005; Lisa & Perrott, 1993) The idea is to take into account other costs such as lost customers, shipment, logistics, repairs, replacements, downtime, etc. in order to consider a decision as a whole rather than as a simple case of minimizing initial expense. It could be summarized as the concept of measuring twice and buying once.

TCO relates to value based selling on a very deep level, since value to the customer in many cases will equate to minimizing TCO. Arguably this is not always the case and especially if there are motivators within the purchasing function which are not aligned to optimizing TCO then such an approach may not be the most viable.

However, for those companies that do use TCO well, there are clear benefits to be gained (Ferrin & Plank, 2002). In the modern manufacturing world where Just-In-Time (JIT) production is highly dependent on supplier performance, judging suppliers on a TCO basis is a required necessity (Bhutta & Huq, 2002). If the suppliers cannot perform as well as expected, then the customer company will suffer as well and as such, strategic partnerships become more important in order to satisfy and adapt to ever changing customer needs.

This all necessitates a more value-oriented view rather than transactional, where the longevity of a relationship is the focus and profits over time are valued over short-term gains.

4.5.3 Value Sharing

As value sharing can be based upon realized value and savings or increased revenue within value based strategies, the exact split of these benefits becomes an issue. How do you split fairly the benefits of a win-win situation where one part delivers the knowhow and the other (typically) does the work? This has been seen as a big stumbling stone in VBS as partners seem to be amicable and very co-operative up until the point of sharing the benefits, at which point the situation becomes antagonistic once again as traditional negotiating positions decide who gets the lion's share of the gains.

As a take on this, we present a study by Hinterhuber (2004) where he has calculated the effects on a company's EBIT (Earnings Before Interest and Taxes) scores of various changes ranging from an increase in sales price to savings in R&D costs. This research shows that a 5% increase in sales price results in a 22% increase in company EBIT scores while a 5% reduction in COGS (Cost of Goods Sold) results in a 10% growth in EBIT scores.

Using this as a rough measure, one can calculate that a 30-70 split of realized benefits, for supplier and customer respectively, will result in equal EBIT changes. Of course, if the supplier is willing to take on all the risk for the offering succeeding to deliver the promised savings, it could be argued that they should receive a greater share of the benefits. However, this 30-70 split could be considered a benchmark value for talks involving compensation as a fraction of realized savings/benefits.

5. Empirical context

This chapter introduces the companies used as case examples for the research part of this thesis. The purpose of this introduction is to provide enough information to establish the context in which the research was conducted. Although case research can never be truly replicated, it is imperative that the case is described as accurately as possible to allow the reader to evaluate the validity of the findings and evaluate the applicability of the conclusions. Due to anonymity, the case companies will be identified with pseudonyms. All information presented here is publicly available.

5.1 Primary Case Companies

Following will be a presentation of the case companies interviewed for this thesis by the thesis author along with their general information. For labelling purposes, the case companies will be issued an alphabetical label which will be referred to when quoting findings. A summary of the companies and their issued labels can be seen in Table 2.

5.1.1 Case MetalCo

MetalCo is a major provider of specialist technology for metal and mineral process technology with an annual revenue of 1400 million euros and 4600 employees. It has a long history in the field and has pioneered many successful technologies relating to metal processing. Today services account for almost 60 % of the company's sales and it has been pushing its image as a technology, know-how and consultancy house more so than an equipment manufacturer.

MetalCo has developed value selling over several years and adapted to using value propositions in their regular sales material. The systematic collection and use of past sales cases and pilots showcase a "mature" value based seller that has embraced the VBS approach.

5.1.2 Case WeldCo

WeldCo has a long tradition in manufacturing powered hand tools. Recently they have begun branching out to the service market and offer software and service solutions. WeldCo has been involved in a process to renew their sales logic and product offerings, transferring from a transaction based "box seller" to a value selling approach. Although the company has remained in good standing and is a known supplier of high-grade goods, this change has been deemed necessary by the company in order to ensure profitable growth in the future. Currently WeldCo has around 700 employees and an annual revenue of 90 million euros.

5.1.3 Case LogiCo

LogiCo has built up its knowledge and expertise of the logistics industry over several years. Currently it is a major player in the maritime logistics industry and acts as a consultancy company for shipping companies. LogiCo has been involved in the VBS transformation in an effort to leverage their accumulated knowledge and understanding of their industry. LogiCo, as a division of a larger logistics company, has an annual revenue of 900 million euros and employs 2700 people.

5.1.4 Case PaperCo

PaperCo has a long history of manufacturing industrial equipment and has provided maintenance services for its customers for several years. With annual revenue of 3000 million euros and roughly 2700 employees, the company is very large by Finnish standards. In order to boost the sales of manufacturing and upgrade services, the company has adopted Value Based Strategies and is currently co-operating as a part of DIMECC.

5.1.5 Case EleCo

EleCo is an established manufacturer of elevators and escalators as well as provider of people-logistics solutions. Last year, the company made revenues of 8600 million euros and employed 49700 people worldwide. They have employed Value Based Strategies in their sales efforts for several years and are looking to further expand their use.

5.1.6 Case BallCo

BallCo is a Nordic manufacturer of industrial parts and has been developing value based strategies for several years. They seek to further the sales of their core products by leveraging the value of choosing high-quality parts over low-price alternatives. Due to the positioning of their offering in the value chain,

using Value Based Strategies to their full extent can be difficult, but they continue to develop and enhance their abilities in this field. The Finnish BallCo is also a member of the DIMECC group with annual revenues of 70 million euros and roughly 200 employees.

Table 2 Primary case companies

Label	A	B	C	D	E	F
Company	MetalCo	WeldCo	LogiCo	PaperCo	EleCo	BallCo
Revenue (M€)	1400	90	900	3000	8600	70
Employees	4600	700	2700	13300	49700	200
Field	Mineral Processing technology	Power hand tool manufacturing	Industrial logistics services	Paper machines and related support services	People logistics	Industrial components and services

5.2 Secondary Material Case Companies

These case companies were not interviewed by the thesis author in person, but by other researchers prior to his enrolment into the research group. Access was granted to the interview records and they were used as complementary material in this thesis, so presenting the case companies of this secondary material is also important.

The companies themselves were the same as in the primary case study, but these interviews had been carried out earlier as a part of the ongoing DIMECC program. For the purposes of clarity, the use of secondary case material will be denoted by a number as opposed to a letter. See Table 3 for reference.

Table 3 Secondary case companies

Label	1	2	3	4
Company	PaperCo	BallCo	MetalCo	EleCo
Revenue (M€)	3000	70	1400	8600
Employees	13300	200	4600	49700
Field	Paper machines and related support services	Industrial components and services	Mineral Processing technology	People logistics
Count	2	3	2	9

6. Research methodology

This chapter presents the methodology employed in creating this thesis. Understanding how the material used for analysis was collected and with what premises it was analysed and evaluated will provide the necessary transparency for a reader to evaluate the validity and applicability of the findings. The goal of this section is to provide all the relevant information so that the findings of this thesis can be applied in the appropriate fields as judged by the reader, as well as prove the soundness and quality of the research conducted.

To act as a guide to conducting this research, I've adapted Oyegoke's method which includes five steps: What is the aim or purpose of the research, What theory informs the study, What research questions are posed, What data collection method is employed and What is the sampling strategy for that data? (Oyegoke, 2011) To that end, I begin by examining the concepts of qualitative research and case studies. This is followed by an examination of the data collection methods used in this study. Following, I detail the data analysis methods before concluding with an assessment of the validity of the conducted research.

6.1 Qualitative Research

Qualitative study is primarily concerned with explaining complex phenomena with inter-connected actors and cause-effect relationships covering multiple disciplines. Qualitative research has an established place in economics, where complex constructs and their behaviour with other similarly complex entities are studied in order to better understand the How's and Why's of their actions (Oyegoke, 2011; Yin, 2009). Although qualitative studies have their weaknesses, especially in terms of general explanatory power, they render themselves well for theory formation whereas quantitative means are better suited for verifying hypotheses (Grönfors, 2011).

Compared to quantitative research and the positivist approach of natural sciences concerned with uncovering the truth, qualitative research is more concerned with validity, due to the humanistic nature of the research (Enerstvedt, 1989). Compared to a notion of truth, a universal reality or understanding of some fundamental governing law where subjects can be interchanged freely without affecting the outcome, validity concerns the methodological purity of the research when observing a complex phenomenon that is unique and not easily distilled into a singular 'truth'. The validity of qualitative research is present when it truly describes the phenomenon it claims to describe (Grönfors, 2011). The fundamental question of validity in qualitative research should focus on the

validity of obtaining the material on which any conclusions are based (Grönfors, 2011), as opposed to the validity of mathematics or analysis models used in quantitative research.

The use of qualitative research methods is further justified by the desire to understand, more so than to explain, the observed phenomenon. This distinction, understanding rather than explaining, is a key difference between humanistic and natural sciences which arises from the 1800s (Tuomi & Sarajärvi, 2009). As such, this study follows the Aristotelean tradition of research, as opposed to the Galilean one.

Because the focus of this study is a complex phenomenon, involving many human actors of varying backgrounds in different situations which never repeat in exactly the same manner, performing a quantitative analysis was not judged to be beneficial. By adopting a qualitative approach, it was judged, the research could shed some light on working methods of value proposition design in industry and help in further understanding this phenomenon.

6.2 Research philosophy

According to Patton (1980) it is vital for the credibility of qualitative research to address the issue of paradigm orientation and make explicit the assumptions which underpin the study. This is because the researcher is a vital part of the data collection and analysis process and the credibility of said researcher will impact the credibility of the research and the findings.

This study adopts a Critical Realism approach which will be summed up in brief below.

6.2.1 Critical Realism

Critical realism is a relatively new approach in scientific philosophy, but it has been used in several fields of study (Easton, 2010). According to Sayer (1992), the main points of critical realism can be summed up in eight statements:

1. "The world exists independently of our knowledge of it.
2. Our knowledge of the world is fallible and theory-laden. Concepts of truth and falsity fail to provide a coherent view of the relationship between knowledge and its object. Nevertheless, knowledge is not immune to empirical check and its effectiveness in informing and explaining successful material practice is not mere accident.
3. Knowledge develops neither wholly continuously, as the steady accumulation of facts within a stable conceptual framework, nor discontinuously, through simultaneous and universal changes in concepts.
4. There is necessity in the world; objects—whether natural or social— necessarily have particular powers or ways of acting and particular susceptibilities.
5. The world is differentiated and stratified, consisting not only of events, but objects, including structures, which have powers and liabilities capable of generating events. These structures may be present even where,

as in the social world and much of the natural world, they do not generate regular patterns of events.

6. Social phenomena such as actions, texts and institutions are concept dependent. We not only have to explain their production and material effects but to understand, read or interpret what they mean. Although they have to be interpreted by starting from the researcher's own frames of meaning, by and large they exist regardless of researchers' interpretation of them. A qualified version of 1 therefore applies to the social world. In view of 4–6, the methods of social science and natural science have both differences and similarities.
7. Science or the production of any kind of knowledge is a social practice. For better or worse (not just worse) the conditions and social relations of the production of knowledge influence its content. Knowledge is also largely—though not exclusively— linguistic, and the nature of language and the way we communicate are not incidental to what is known and communicated. Awareness of these relationships is vital in evaluating knowledge.
8. Social science must be critical of its object. In order to be able to explain and understand social phenomena we have to evaluate them critically."

(Sayer, 1992)

Out of these, points 1, 4-6 are the most relevant for understanding this case research. They underline that there exist social constructs, in this particular case organizations, which have the ability to influence the world around them in a manner which is distinctive to them. This means that the research we conduct has a goal in recording this behaviour and trying to understand it. Furthermore, point 7 must also be accepted especially in case research where the researcher themselves are a major part of the research and its validity.

The selection of critical realism as a standpoint for this thesis became evident during the thesis process. It came recommended by fellow researchers as suitable for case research and after evaluation of the concept and some of its contemporaries, it was chosen as a solid representation of what had been the original philosophy of the researcher from the beginning, albeit without express nomenclature.

It is my belief that the critical realism approach provides a suitable foundation for conducting and evaluating this research and by disclaiming this foundation explicitly, readers may better understand the reasoning behind certain choices and the conclusions drawn from the results.

6.3 Case research

The use of case research methods for studying real-life phenomena has been generally accepted by the scientific community (Guest, Namey, & Marilyn, 2012) and especially in the field of industrial marketing (Easton, 2010; Johnston, Leach, & Liu, 1999). At its core, case research can be defined as "an empirical inquiry that investigates a contemporary phenomenon in depth and

within its real life context, especially when the boundaries between phenomenon and context are not clearly evident" (Yin, 2009). The subject of the current research, value proposition design, is such a phenomenon as it combines aspects of social interaction, economic reasoning, industry planning and many other fields into a phenomenon that is yet poorly understood in practice. Although ample theory exists on various means with which value proposition design can be achieved, it was deemed suitable to conduct a (multiple) case study to better understand how the theoretical aligns with industry practice and if any dissimilarities are found, why that might be.

6.4 Data collection

The body of research in this thesis consists of six case studies, supported by access to a library of 16 complementary cases in the same field as well as a thorough examination of relevant literature. As presented before, this defines the research as a qualitative multiple-case study. Although there is a widely criticized lack of generalizability in case research findings, Eisenhardt (1989) argues that the results can still be used to understand the particularities of an isolated setting (Eisenhardt, 1989). This was deemed an acceptable compromise in this thesis. Furthermore, the use of multiple cases allows for at least a modicum of generalizability in what can be defined as local causality (Maxwell, 2013).

6.4.1 Interviews

The use of interviews as the main source of empirical case study data is common practice (Yin, 2009). To ensure a broad enough picture of the phenomenon, several interviews (six in total) of various companies engaged in B2B transactions were carried out. In addition, access was granted to a database of further interviews made prior by other members of the research group and these were sifted for any relevant information pertaining to the subject as well. Although these complementary interviews were carried out by other members of the research team and the exact means of their execution could not be observed, the access to verbatim transcriptions of the interviews was deemed sufficient to guarantee validity. Since all the members of the research team were committed to good research ethics, there was no reason to suspect any corruption of data in this regard.

Like the complementary interviews, the main interviews were carried out as semi-structured interviews (Patton, 1990; Yin, 2009), adapting the questions as new information arose, though only slightly. All interviews were recorded and then transcribed by an outside company. All interviewees were promised full anonymity and freedom to withdraw from the research at their discretion.

The interviewees were chosen based on their experience and position within their respective companies. Everyone had several years of experience in the field of sales and marketing as well as the use of value based selling methodology. This follows the basic principles of theoretical sampling (Eisenhardt, 1989).

When possible, the interviews were carried out face-to-face and five out of the six main interviews were done in this manner, the sixth being carried out via Skype call, but otherwise following the same procedure. The duration of these interviews was typically 45-60 minutes and were conducted by two researchers and one or two interviewees. The time period of interviews was March 2016 – June 2016. The data for the complementary interview material was collected between January 2013 – June 2015 following broadly the same procedure. Although a limiting factor was found in the number of new interviews carried out during 2016, the complementary material was deemed adequate to make up for this. Even so, with only a relatively small sample size (n=6), partial saturation was achieved (Patton, 1990) as common themes emerged and novel notions became scarce.

A full list of the interviewees of both the main study and the complementary material can be found in Appendixes B and C. A list of interview questions can be found in Appendix A. The list of questions remained unchanged throughout the interviews.

6.4.2 Literature Review

In order to create the necessary understanding of the phenomenon for carrying out the interviews, to generate a second perspective of knowledge and for the purposes of grounding the current research on previous findings, an extensive literature review was conducted. This followed in most parts the steps laid down by Petticrew & Roberts (2006) which details seven steps for conducting a systematic literature review.

1. Define the question the review is setting out to answer or the hypothesis that the review will test
2. Determine the types of studies needed to locate in order to answer the defined question
3. Carry out a comprehensive literature search to locate those studies
4. Screen the results of the search, i.e., deciding the inclusion criteria
5. Critically appraise the selected studies
6. Synthesize the studies and assesses the heterogeneity of the study findings
7. Disseminate the findings of the review

For the purposes of this literature review, the question posed was: "What means and methods are used to effect successful value proposition design?" with a secondary question: "What obstacles/challenges lie in the way of successful value selling?"

The literature review was conducted via a database search, using search terms suggested by seasoned researchers. The suggested terms were: "Value Research", "Customer Insight", "Value Analysis", "Market Insight", "Customer Experience Management" and "Value Proposition". The search engine used was Google Scholar. There was a preference for journal articles, although printed literature by industry experts as well as public agencies (such as TEKES/Finnish

Funding Agency for Innovation) was accepted as well. The use of industry literature was motivated by the fact that significant works in the field were published in this manner. Since the authors of these books (Kaario et al., 2003; Storbacka & Lehtinen, 2001; Storbacka et al., 2011) were often also scientists who had published peer-reviewed journal articles (Payne, Storbacka, & Frow, 2008), this was deemed an acceptable concession without jeopardizing the credibility of the study at large.

6.4.3 Analysis

For the purposes of this thesis and its goal of creating a more comprehensive understanding of how value propositions are and can be designed and used in B2B contexts, it is necessary to combine theory with empirical evidence. This approach is neither inductive, nor deductive, since neither empirical or theoretical data is overruling the other, but rather the approach can be called abductive (Dubois & Gadde, 2002). The nature of case research involves an affinity for the interplay between theory and empirical findings, with an iterative, cyclic, process being more common to the strictly linear one more common to quantitative research. This approach is further illustrated in Figure 11.

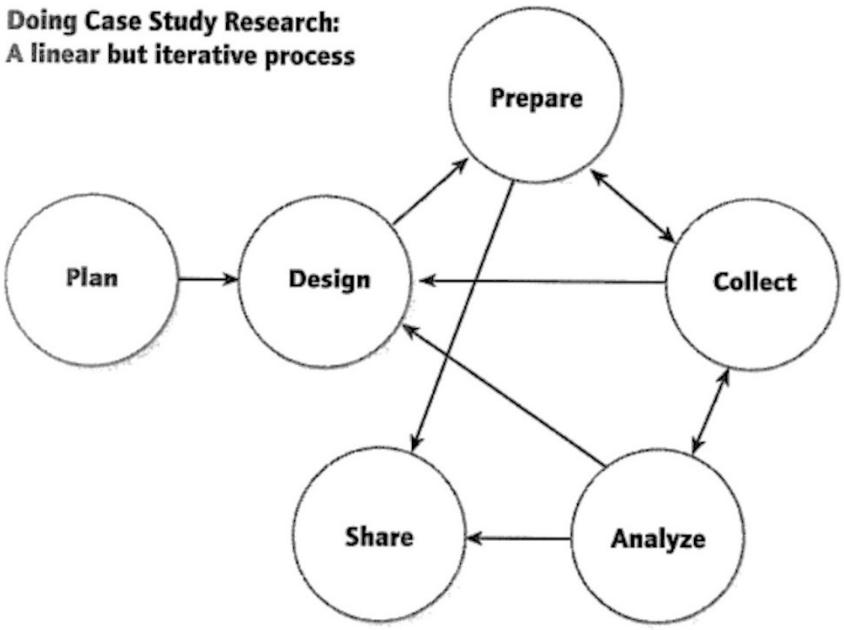

Figure 11 Case study flow by Yin (2009)

This iterative process was followed in practice by adjusting the interviews according to new findings throughout the interview cycle. The semi-structured interview approach allowed for this well, by offering the interviewer only a skeleton structure of themes to discuss while the details and focus of each interview was adjusted case-by-case based on previous learnings. As such, the basic interview skeleton remained unchanged throughout the process, though this did not mean that the interviews themselves were conducted as surveys.

The transcribed interview records were analysed first in singular and then in cross-case analysis (Yin, 2009) of a thematic nature. The goal of the analysis was to identify common themes and subjects mentioned by the interviewees as well as literature and then use their individual viewpoints on these themes to get a more comprehensive picture of each identified subject. This was done in accordance with the thematic approach (Eisenhardt, 1989; Fereday & Muir-Cochrane, 2006). Mechanically this was accomplished by listing thematic notions and strong statements relating to the various themes of interest and collecting these into an Excel-file. At the end of the analysis, 188 such notions had been uncovered for later analysis.

The interviews were carried out and analysed concurrently and although the total number of new interviews carried out remained relatively low (n=6), some saturation was observed as common themes began to arise even with such a relatively small sample size.

Finally, the results of the analysis were corroborated with the interviewees in order to verify the validity of the findings and ensure that there had been no misunderstandings. This was done to further enhance the validity of the construct as proposed by Yin (2009).

6.5 Limitations

As Patton (1980) put it: "there are no absolute rules except to do the very best with your full intellect to fairly represent the data and communicate what the data reveal given the purpose of the study." Nevertheless, even though this does provide a sense of absolution, it is not an excuse to justify the absence of criticism. It is important to acknowledge the limitations of the present study when inferring its results into other fields or indeed evaluating the quality of the findings within. The suitable criteria for evaluating the quality of case research as presented by (Corbin & Strauss, 2007) are: construct validity, external validity, and reliability.

6.5.1 Construct validity

Construct validity is defined as "the extent to which an operationalization measures the concept it is supposed to measure" (Bagozzi, Yi, & Phillips, 1991). If construct validity is not adhered to, it is possible that the research has measured something else than it was supposed to and as such, the results and conclusions drawn from said research will not be representative of reality.

In order to counter this problem, Yin (2009) proposes a few solutions. Firstly, the use of multiple sources of empirical data and secondly, corroboration by key stakeholders in order to ensure validity of findings and interpretations.

This thesis uses three primary sources of information for its research. The literature, primary and secondary case studies combined form a relatively robust base for evaluation, though admittedly industry reports or other sources of information would improve the construct validity. Furthermore, the case compa-

nies represent a varied sampling of businesses, ranging from equipment suppliers to service providers and part makers, giving a wider applicability to the study and improving validity of the findings. In addition, the interviewees were asked to corroborate the findings to ensure that the findings were in line with their answers and thus actually measured that which we wanted them to measure.

6.5.2 External Validity

External validity tackles the question of how generalizable the results of a given study are in a wider context (Yin, 2009). When planning the research, it is important to consider the extent to which any potential findings may be generalized and in which fields or situations so that the research is carried out accordingly.

In this study, the focus is on the creation of value propositions and their communication within B2B contexts. The interviews were all conducted from this perspective and as such, the findings can be considered valid for B2B contexts as well. A majority of the used literature also tackles industrial (B2B) value strategies and value proposition creation or at least very few explicitly mention B2C relationships. As such, it can be stated that the external validity of this thesis' findings are externally valid and can be applied to other B2B value based selling situations.

6.5.3 Internal Validity

According to Calder et al. (1982) internal validity: "addresses whether or not an observed covariation should be considered a causal relationship" (Calder, Phillips, & Tybout, 1982). In order for a study to have internal validity, it must satisfy three criteria:

1. the "cause" must precede the "effect" in time (temporal precedence)
2. the "cause" and the "effect" must be related (covariation)
3. there must be no plausible alternative explanations for the observed covariation (nonspuriousness)

(Shadish, Cook, & Campbell, 2002)

In order to satisfy these three criteria, the research undertaken in this thesis includes an extensive literature research which provides a basis for estimating the validity of the current findings. By searching existing literature for similar findings and methods, those found in this study will be made more credible as stated by Eisenhardt (1989).

Furthermore, the use of a wide base of case studies in conjunction with the literature will offer a measure of triangulation to the findings which aids in providing internal validity.

6.5.4 Reliability

Reliability refers to the ability of other researchers to recreate the measurements and experiments undertaken in any particular research as closely as possible so that they can potentially achieve the same results. For a case study to be reliable, one must also consider the truthfulness of the interviewees as well as the interviewer (Eisenhardt, 1989). The ability for other researchers to replicate the research as accurately as possible has also been underlined by other case research authors (Yin, 2009).

To address the issue of reliability, this thesis has made use of a research plan, case study protocol and case study database as suggested by Yin (2009). Relevant information has been presented regarding the methods used to select and interview the case companies as well as analyse the gathered data. The case study database provides information on raw findings from the interview transcripts and can be accessed by contacting the author. As in all case research, it is impossible to guarantee that another researcher will receive the same results as another due to the subject of the research, the interviewee, undergoing constant change. However, to mitigate this, the study involved several interviews of multiple case-firms in addition to secondary case research material collected from a longer time span. This all combines to provide an overview over time which is less susceptible to such variation. As a result, the reliability of this study should be relatively high.

7. Findings

This chapter presents the findings of the case research carried out as part of the study and combines it with the findings of previously conducted case research and the literature review. The literature review results are used to further validate the findings by cross-referencing established theory with practice.

The findings will be presented as they relate to the RQ and SQs, going in order of SQs first as they support the answering of the main research question at the end. The division will follow the presented questions with subdivision between the main and secondary case material. Each major finding will be highlighted under their respective research questions alongside quotes supporting these findings. The results of this section will be synthesized in the Discussion and Conclusions chapter.

The interview process largely followed the value selling process flow as outlined in chapter 4, although it was not enforced rigorously in order to facilitate a more free-form interview and thus gain deeper insight rather than stifle discussion. The interview outline, as presented in Appendix A, was used to ensure all relevant points were discussed during the interview. No interview was cut short for time, though they all lasted between 45 - 70 minutes and all interviews directly carried out as part of this research covered all the themes presented.

Though the case companies have adapted value based strategies several years ago, their successes have been varied and the level of adoption was not uniform. Even so, it was interesting to note that several principles were shared between them and their general understanding of the phenomenon and the use of value propositions was relatively similar.

7.1 SQ1.1: How do companies create value propositions in B2B contexts?

7.1.1 Primary Case Research

Standard template value propositions

Primary case material showed that the process of creating tailored value propositions is still largely unestablished. Some companies showcased a more profound understanding of the concept and were actively developing tools in order to create convincing value propositions on a template basis while others were more reliant on the individual skill level of their salespeople. The overall trend,

however, seemed to be towards established processes. This was done to reduce the time for creating VPs as well as standardize offerings.

"Our product management receives certain standard templates and one of those templates is sales presentation. In that sales presentation there's a standard slide named value proposition. So we try to harmonize the language, visual look and the way to structure [the message]." -A:1

"How you talk to different groups is different. What sort of examples you use, from what you make those value calculations and so forth. Often things remain at the pre-determined general benefits of a product and the salespeople learn them by heart and champion those to all groups in the same way." -B:1

"We tend to build one specific (value proposition) and then circulate it through the company." -C:1

"In marketing, we have precisely defined certain main messages with which we approach. So there can be product-specific messages, eco-efficiency, quality, etc. Can be segment-specific messages. What we can offer for example retail facilities." -E:1

The use of standardized templates is encouraged in order to strengthen and unify the company's message and ensure that sales personnel consider all the relevant angles of value. This ties into a common complaint raised in all interviewed companies about current sales forces being at least partially unable to easily adapt to the new value-based way of thinking. The use of templates as basis for value propositions is thus warranted to guide those with less familiarity with the concept to sell in a manner desired by the company.

The need to do so was highlighted in several interviews where the ability of the sales force to adapt to the new value-based paradigm was lamented as many sellers seemed to be 'stuck in the past'.

"We've had these welding machine salesmen, all welders themselves, who have just sold these machines to people in production environments. And when they suddenly should start selling this sort of value-based stuff, they completely lack the knowledge and ability." -B:1

"We have a bit of a problem that if we try to sell something as value, we have people working with the customer who do not understand it." -C:1

"The people who know this (value sales) are few and we just don't have the option to push them to the customers so that the communication would be convincing." -C:1

Iterative value proposition adaptation

The use of co-created value propositions was not unknown to industry actors, although the direct extent to which this co-creation approach is used was left unknown. It was not explicitly thought of being co-creation of a value proposition, but it was stated that over the course of dialogue, several revisions of a value proposition were developed and tailored for a customer, the price of the proposal as well as the service offered being refined and specified through several iterations. This appears to be well in line with theory regarding co-created value propositions (Ballantyne et al., 2011), even if at a relatively basic level.

"In a certain way, one could think that in every phase we make a value proposition that is more precise. That we improve it and its contents. What is the customer benefit and the price, of course, is also specified." -D:1

"Then we take even stronger that customer into that process and try to create those solutions with them for these end-users and for the customer itself." -E:1

Nevertheless, this iterative nature of value proposition development is a rather significant finding as much of the established theory seems to imply that value propositions are largely unidirectional and complete, even if reciprocal, rather than iteratively created over time. It seems that in reality, companies will refine and develop a value proposition over time with the scope, scale and value sharing being defined as the process develops.

In summary, current industrial companies appear to employ a pre-defined skeleton for the basic structure of their value proposition which is then augmented and adjusted by the individual seller depending on their findings and understanding of the customer.

7.1.2 Secondary Case Research

Secondary case research material supported findings of the primary case data to a degree regarding the use of standardized operating procedure. However, an interesting notion was made regarding the way customers perceive value propositions.

"Usually at the customer's side they also need to make some sort of business-case for things and if the supplier can help in that, then it does take the whole relationship forward." -3:1

This helps understand just how novel the whole idea of value sales still is for many companies. Even if the concept of buying value might be embraced by the customer's purchasing unit, buying value is still such a novel idea that they need to present a business case to their own managers in order to justify the unorthodox purchase. This approach does also highlight the importance of co-created value propositions which was another finding of the primary case research.

7.2 SQ1.2: What means do companies employ to learn the value perceptions of their customer in B2B contexts?

7.2.1 Primary Case Research

Uncover customer's value perceptions

Primary case research uncovered a number of varied ways of learning the customer's value perceptions and indeed the core finding was that companies placed a high emphasis on value perceptions rather than anything else. The goal of what in literature goes by the name of Value Research was found to consist of uncovering the customer's current goals and challenges and, importantly, their evaluation models.

"So we're really in contact with the customer and really pump out of every stakeholder that what do You expect from this and what are your main KPIs that you're trying to get improved." -A:1

"And then there is the good value-seller, who's role is to be able to dig out those hidden needs with the right questions." -B:1

"Rather our idea has been that we want to understand how you do things so that we could identify from there those areas where with small changes we could get the largest possible effects." -C:1

"-- in solution sales first we go and find out the customer's needs. Then we get the customer's list of what is important." -D:1

"We have supporting this [customer value research], what is trained (is) a questioning model. Situation, then Investigate Challenges, Goals, Evaluate. So basically what do they strive for in this case, how do they evaluate different solutions and how do we proceed, what happens next." -E:1

Focus on individuals as value researchers

In order to achieve this understanding, the companies used a myriad of ways to effect value research. Focus groups, case studies, customer audits and consulting, customer's public data, seminars, forums, laddering, question models and customer's customers were all identified sources of data.

Although some of these means could be considered structured, the general tone of the existing systems was less so. A lot seemed to depend on the individual skill of the salesperson and although structured data was used in some companies and developed in others, it appeared that the majority of research was still mainly qualitative and hinged on the individual for success.

This focus on the individual can be seen in the quotes below which also touch upon a problem that many of the case companies had encountered. Namely that their sales personnel did not seem to be fully understanding the new value based

concept and in order to counter this lack of ability, companies were finding a need to hire new sales personnel.

"We try to hire product chiefs that have industry-knowledge. Not just from welding, but robotics, shipyards, machine workshop, etc. So that they have that understanding of the customer's and customer's customer's world." -B:1

Some companies also sent their design team over to the customer's location to observe how things were being done in order to understand what sort of challenges they were facing and how to improve their customers' performance. Alternatively, customer representatives could be summoned annually to a seminar or workshop to discuss matters and create visions for the future of both companies.

"We do have each year more focus groups." -B:1

"There exists a method that we've tested at least a few times. We take an outsider consultant to facilitate a workshop-day between us and a customer where we have our experts and the customer's, broad representation. And the purpose of this day is to brainstorm how we could in the future do business together. Of course it can uncover various needs to which we can then begin developing these solutions." -D:1

"This isn't surely an exercise to be done with all customers. But let's say maybe some customer, in whom we see potential. -- Strategic partners, in practice." -D:1

"We put people around [the firm's] organization who don't usually meet customers in contact with customers. They go and observe what they're doing." -E:1

A common theme in all of these approaches is that more than trying to create quantitative analyses based around numbers, it seems that a more qualitative approach based on understanding the customer's process and its flow was used.

This can be a direct consequence of the lack of systematic data collection at the customer's end which does not facilitate the quantitative approach, or it can be a result of trying to get a more holistic view of the customer's operation and offer a new set of eyes rather than a number-crunching operation. Some companies even used process flow-charts of "optimal" or supplier-suggested ways of doing things and asked the customer to mirror their own operation to this proposed standard in order to both find out in what ways the customer was doing things differently as well as pique the customer's interest in new solutions.

That is not to say that benchmarking and quantitative analyses were not used by industry companies, but rather that accumulating that sort of data required commitment in time and resources alongside suitable access to relevant data

sources which not all companies may enjoy. The use of auditing and consulting customers seemed to be the preferred means of accumulating such data.

Own employees as source of information

One part which was not expressly done by any company interviewed in this study, but when asked about it proved to be of great interest, was the use of customer account managers as a source of information. In line with CRM practices, the companies employed Key Account Managers or similar who were tasked with keeping in touch with important customers after sales. However, using these people as sources of customer knowledge did not appear to be wide spread despite this resource's abundant and readily available nature.

7.2.2 Secondary Case Research

Secondary case material supported the presented claim that many (customer) organizations do not actively collect and store the sort of data that would be useful for a supplier company to conduct value sales on. Although it cannot be discredited that in some cases the customer does have the necessary data and is simply unwilling to share it, it is also possible that they simply do not gather it in the first place and admitting this fact to a potential supplier may be too embarrassing. This does support the companies' preferred way of customer research which is to learn about their operations "first hand" by having a supplier-side expert observe or participate in the customer's daily operations.

Further insight was gleaned to the reasons why getting inside the customer's operations was found to be such a widely used tactic.

"We should move from component sales and those small individual solutions more inside the customer's organization to think that what is the real reason why the customer would want to buy these types of services from us or from someone else." -1:2

Adding another tool to generating benchmarking data and larger industrial trend analysis was the use of annual customer surveys which could be used to uncover challenges faced by customer companies. This also accomplished in part another function in keeping in touch with the customers after the sale in order to reduce new customer acquisition costs.

The secondary material supported the use of customer audits in addition to supplier-customer dialogue and straight up asking the customer about their self-identified challenges. This method of asking questions seemed to be more common in the secondary case material than the use of more proactive approaches in the primary material. It is likely that due to the one or two years in between the interviews companies have developed more sophisticated methods for value research.

Nevertheless, it was found that even in a situation where the customer has already chosen to follow a lowest price strategy, it was possible to get them to change their mind about things if asked the right questions, which does give some merit to trusting the individual salesman. Although it is questionable how successful such methods would be if generalized to the whole sales force.

"Even though the customer said 'but no, I will not buy before the price is this', then you should try to ask why, what's behind that, what are you looking for in this service, what's in your mind a service partner and what should they do? These sorts of criteria by which the customer then makes their decisions so that we'd get onto them we can suddenly get the price up, add some more services so we don't have to go to that lowest original price set by the customer." – 4:2

7.3 SQ1.3: What methods do companies employ to communicate value to their customer in B2B contexts?

7.3.1 Primary Case Research

Monetization and quantification

The need to express the benefits of any offering in monetary terms was made evident in almost all the case interviews. This was not surprising, but seems to be somewhat at odds with the approaches proposed in theory. As intangible benefits such as image value have been portrayed in literature as being potential key items in a value proposition, there was little to no mention of such things in the case examples. Instead, the focus was solely on providing some form of calculation on the monetary gains from adopting a proposed solution.

"You ought to dare and pump the gas a little and monetize." -A:1

"How can that money be quantified. Does it save time, raw materials, man-hours, does it improve work-flow, reduces risks. You must always have such a thing that your customer or their customer can calculate in money." -B:1

"Marketing says we need to do monetization in cases." -D:1 (Paraphrased)

"Exactly so. It needs to be proven (what value there is to buy our offering)." -E:1

"Value is based on the financial impact it's going to have." -F:1

"If it's not worth financially anything to the customer, it's a stop." -F:1

The use of value calculators and value word equations was widespread and almost all case companies made use of such means. Value calculators were used to show process improvements based on estimated industry average figures and

the customer could either input their own figures into the calculator or simply accept the estimation.

"But truly, the sellers are equipped with that full set and trained and we know how to make that calculation and go there on site to those first cases to do that calculation with the customer. Otherwise it doesn't work." -A:1

The use of value word equations was an even more basic approach which appeared to be a rather ubiquitous tool by now. The clear distinction between a value word equation and a value calculator, as far as this research is concerned, seems to be the level of complexity it is supposed to tackle. A value word equation is very simple and straightforward equation which only considers a single aspect or saving while a value calculator might include far more complex parameters and consider more than one benefit at a time.

Although the use of such calculations was supported by literature (Anderson et al., 2007), scholars warned about using overtly complex calculations as they might lose credibility if the customer could not understand them or see transparently where the figures were coming from. This aspect was not expressly discussed during the interviews, but it did not seem to be of a major concern to the suppliers. Inferring from this, the calculations used were most likely rather simple and straightforward to understand.

Earlier engagement with customer

The means of communication being relatively the same, the research turned to other aspects of communication and here is where the more interesting and potentially more profound findings were to be had. Firstly, it was acknowledged by industry firms that if they engage in value sales by the time an RFQ is presented to them, the results will not be as favourable than if they had been involved earlier.

"You'll find results anywhere showing that generally speaking 70-90 percent of purchase decisions are made before the buyer and seller meet." -B:1

"How to make the customer and seller meet each other as early as possible in the purchasing process. That is the big question; How do you catch them in that early stage?" -B:1

"What we've tried is to get the service perspective into our customer's head, so that when they think about building new ships they'd get the idea to check with [our firm] on what sort of ship to order." -C:1

From these quotes it can be seen that getting involved as early as possible in the sales process is key to successful value communication and value sales in general. The earlier in the purchasing process the customer can be engaged with the

more the supplier can assist the customer in considering the relevant angles of their purchase, Total Cost of Ownership being a key figure.

Although this was identified as a key step, the means to actually accomplishing such a thing remain limited. Literature has few examples on how to achieve early involvement although it is also mentioned as being very important (Adamson et al., 2012; Vandermerwe, 1996). At best, highlighting even later on in the process how much money can be saved if a TCO approach is assumed over the lowest purchase cost approach may be successful, but other means were also presented.

Creating thought leadership and guiding the customer to think in new ways was found to be a potentially useful tool with which the firm could mould the customer's mindset before a purchase plan was even made in order to make them consider new and relevant aspects of value. This sort of thought leadership could be achieved by going into conferences or hosting them yourself. In addition, some companies saw doing seminars for university students as an investment in marketing, since it would allow them to mould the coming generation's thought models into a type beneficial to the company.

"We then host seminars to these licence holders. -- But it's still sort of an innovation community." -A:1

"And then we go to industry forums and seminars and so forth and talk to management if they wouldn't prefer [our solution]." -B:1

"I've used a tactic with a planner at [customer] of giving small hints, if something could be done differently, and it has been nice to see them taking these ideas into use." -C:1

"I argue this, you can't teach the vice-president of procurement at [company] – you need him to come to your conclusion so what conferences does he go to, what books does he read, who are the thought leaders that he listens to? -- If he comes to the conclusion that it's the right thought when I'm buying office furniture, when I'm buying bearings I should be thinking this way it's completely different. – We don't have the credibility to get access to that level at the right time to have that discussion so we've got to go where they are." -F:1

The value of brands

Building a strong brand for the firm was one way of achieving thought leadership and a strong brand provided added value in itself. If the brand itself conveyed reliability and had an established name, procurement from such a company created value to the purchaser since selecting a brand-name option over a no-brand option would put them at lesser risk of getting into trouble for making "the wrong choice". Getting blamed for making the wrong call if selecting a well-known brand was thought to be a lesser personal risk and this could greatly influence purchaser decision making.

"What so many companies lack, big as though they may be, is they have no distinct brand or brand strategy. They don't know what their own promise is." -B:1

"A worse product from a very reliable supplier can win the race." -B:1

As an additional note, if a company is engaged in several different fields, it is necessary for them to establish a brand image for each of those fields. Especially if they're starting a new subdivision.

"But when we go into the sales category of welding software, suddenly our brand awareness is zero in that sector." -B:1

In conclusion, it can be said that in order to communicate value effectively, it is necessary to monetize and quantify value, but in order to get the most value to be 'seen' by the customer, it is necessary to influence their value preference and through that their value perception. In order to aid in this and establishing credibility which can be used to influence the customer, a strong brand can be invaluable and it can provide value in itself.

7.3.2 Secondary Case Research

The secondary material conformed in general with the primary research findings and the same highlights of calculating value in a transparent way, the use of references and pilot examples where customers were able to verify for themselves that the proposed value can be created and in the amounts that were promised.
Indeed, the promise part seemed to be of additional interest in at least one case company where the whole foundation of value selling was equated to a promise and unless the supplier could convince the customer that their promise was good and that they'd make good on it, then there would be no sale.

"When you sell something value based, it's about a promise." -1:2

"If we've promised that it will happen, you put this in there and you will save this much energy and make this much money from it, then we only want this much for the package. That sort of Quantification and promise for that solution has gone through." -1:2

A more profound point made regarding the dialogue between representatives was the quick establishment of whether the person on the other side was in fact the correct person to talk to. For example, even if the counterpart seemed very interested in the proposed solution, it might be that they held no final authority to decide upon it and as such, could at best act as a proponent in the final decision case. Identifying early on who the key stakeholders are and making sure that they're being convinced about the offering's value was heavily underlined.

"Overall, I'd start from who we're talking with. That's the first point. Is this the right person, even though he sees potential -- and wants an offer, but then someone else makes the decision so should we waste time (on him)." -4:2

Another point raised which mirrored in part the findings of the primary material was the use of value research findings to tailor the communication to a form which appealed to the customer's known value preference.

"Perhaps it starts from knowing to use the customer's language, understand what are the customer's indicators or what they're thinking about." – 4:2

This mimics the ideas presented in the primary material where the active shaping and influencing of the customer's value preference was highlighted as a way to increase the success rate of value sales. Furthermore, the thinking of a customer's customer can be applied up-stream as well. In the case of building companies, targeting the architects who will design the buildings will impact the choices they make and there a company can get their product sold via the architect before the official bid for contractors is even made.

"On the other side, (the type) of customers, that we really want to target with value selling, really (it starts with architects), and we go out and see our sales (forces roughly 50) sales people (goes out), (sees around 4,000) architects a year. Before the buildings are even ready to be, ready to put (bid packages) out for elevators." -4:3

7.4 SQ2: What are the greatest challenges faced by companies in effecting value based selling in B2B contexts?

As part of the research, it was investigated which sort of issues industry actors are facing when trying to implement value based strategies in order to hopefully find potential solutions from literature and offer suggestions on improving the situation. Numerous challenges were reported which will be discussed below.

7.4.1 Primary Case Research

Paradigm shift in salesforce

As previously mentioned in section 7.1.1, the sales personnel seem to be changing relatively slowly to the new value based way of thinking. This is a problem in that value based strategies require a more in-depth understanding of the value concept and has to be more empathetic to the customer's requirements. If a seller does not embrace the value concept, it is very difficult for them to act in such a manner.

The literature which was reviewed for this thesis had very few remarks regarding sales personnel aptitude. It is possible that the literature has either not considered the shifting from conventional to value bases selling to require in-depth

focus on how to effect this change in the organization or perhaps the organizational change is discussed in other areas of literature. In any event, the frequency and severity with which this lack of understanding of the value based approach was mentioned does indicate that industry actors do think it is a major concern and highlights the perceived importance for sales organizations to adopt the new value based mentality.

In particular, the lack of understanding regarding the need to learn about the customer's problems, work out solutions that have value to them and establishing the necessary connections to the customer organization to convince the key stakeholders were all issues mentioned in the case interviews.

"Or then it may be that the focus is 99% in technology and some percentile in value. I'd say that the change process is like this. A company the size of [our firm] shifts pretty slowly to moving with the commercial side first." -D:1

"Difficult to say and how many customers or our sales people are enlightened enough (to accept/propose alternative approaches)." -D:1

Solutions that have been used to alleviate this issue have been centred around hiring new staff to replace or augment the existing sellers. Retraining was found to have moderate rates of success and it was seen that hiring new staff was a more expedient and effective way to get the desired results.

Value sharing and outcome-based pricing

A major problem stated by many case companies was the fact that the proposed model for value sharing, where the supplier's compensation is based on measured results, is not easily applicable in a multi-actor production chain. There are far too many variables which influence the KPIs to make such a system feasible if other actors can with their performance reduce the measured output.

"Proving what happened there (in the middle of a process), it makes real value-based things difficult." -A:1

Even in cases where the created value was easily measurable and attributable to the implemented solution, value sharing had to be rigorously established prior to making any sort of deals and tied to transparent KPIs which both parties could agree on.

"We have a big, well not a big, but a very capable legal department with which to make good contracts and discuss. Obviously without a clear paper on how to proceed, it won't go through." -A:1

However, on the other side of the coin, a rather remarkable find was that the supplier could actually share some profits of a new technology with the pilot customer in exchange for getting them to implement the technology at their site.

This was surprising, but not outside the realm of theory as it displayed a clear value exchange between supplier and customer.

"The first customer is often like this, kinda like involved as a pilot and bears often a part of the risk and can sometimes get royalties from the next (sales). -- we bear the risk and profit together." -A:1

Lack of customer access

Another common complaint and grievance was the lack of customer enthusiasm and receptiveness to the suggested improvements. It was seen that customers weren't "getting it" or needlessly resistant to change. The deeper analysis, however, began to focus on the fact that in all situations it was not a case of the customer not getting it, but rather that the correct people were not being engaged.

The key challenge was thus getting access and convincing the suitably high up management representatives of the need for change and the adoption of new ways of doing things. This seemed to be perfectly in line with stated literature (Hinterhuber, 2004) which highlighted the importance of engaging senior management in value sales, because the lower level purchasing function rarely has the mandate to buy anything but the cheapest alternative. In order to make the purchasing function more receptive, it is necessary to influence the way their performance is measured and that requires access to senior management and changing their way of looking at things.

"In that phase when some organization's leadership understands that something needs to be done, only then can we begin to change that organization so that there is even a capacity to sell, to do value based selling." -B:1

"If some smart chief thinks that their welding documentation has to be sped up --. What does that man do? He won't start calling anywhere on his own, --, he makes others do that job." -B:1

The need to be in touch with senior management and changing their perceptions on what needs to be considered when evaluating a purchase, the key stakeholders, is a clear challenge of value based selling and at the same time its greatest strength, when managed properly.

7.4.2 Secondary Case Research

Secondary case material largely supported the findings of the primary material in case of challenges. Finding the correct people to talk to was a major hurdle and suppliers lamented the fact that purchasing was so splintered and siloed. Technical questions were discussed with operations, price with purchasing and the final contract was done with the legal department all the while there seemingly being no connection or communication between these departments on

what the common goal was or what had been agreed upon. The only solution that seemed viable was to ensure that the higher up management levels were in support of a specific type of purchase.

"Usually when you go higher up in a plant's or organization's leadership, there's more understanding for reaching these overall targets." -2:1

This was also mirrored in the fact that traditionally-minded purchasing functions rarely had any other goals than cutting costs.

"They [Purchasing] are not in that sense oriented to increase the revenue stream more so than minimizing the cost stream." -1:2

Bypassing this mentality and getting the company at large to acknowledge that good purchasing can include other things than cost minimization or that purchasing can indeed increase revenue was identified as a common hurdle. This could in a broader sense be explained as a paradigm shift where the old way of doing things is meeting the new and in order to foster more value sales, work needs to be done to educate the customer and broaden their perspectives on how to generate value for themselves and their customers.

7.5 RQ 1: How can companies create effective Value Propositions?

7.5.1 Primary Case Research

The Primary Case research uncovered a number of similarities between successful value propositions used by industry companies during the various stages of value proposition creation. However, in order to get the most out of the value propositions themselves, it was imperative for the company to conduct value research and other preliminary functions in order to obtain the necessary information required to create the best possible value propositions. As such, the answer to the main research question will involve Value Research and Value Proposition Development as these appeared to be inseparable.

Uncover stakeholder value preference and KPIs

Successful Value Research was identified as a constant and future oriented endeavour that sought to uncover the customer's main value preferences and in the case of a more complex sale, the value preferences of the main stakeholders. Value Preferences could be uncovered by finding the KPIs that different stakeholders were trying to improve upon and the obstacles they were facing that prevented their success.

The stakeholder's KPIs could be uncovered by asking them directly or indirectly, reading company material to find the company strategy, observing the customer's daily functions and by attending seminars or panels to see what sort of problems seemed to be the industry's shared concern.

Successful Value Research could also be active and include the influencing of the customer's value preference by drawing attention to aspects which the customer might not have originally thought of. However, in order to be successful, such actions had to be directed high enough up in the customer's hierarchy, since lower level employees rarely had the authority to act upon such notions. Gaining access to such senior managers, however, was very difficult and as such, observation was a more reliable method of finding out what their value preferences were.

It is imperative that the customer's value preferences are known early on and that they can be appealed to during the value proposition design process. Engaging the customer as early as possible in their purchasing cycle was deemed key to success.

Use iterative value proposition adaptation

Once successful value research has been carried out, the development of a value proposition can begin. Often value propositions were seen as an iterative process where the customer and supplier tried to iron out the suitable details as well as the pricing model for the value to be realized. This method of value proposition adaptation can be advocated as it will allow for a more refined VP to be made and gives more time to make the best possible agreement between partners to create the most value. Also the issue of value sharing should not be neglected, but addressed early on to avoid future issues and resentment.

Quantify value with structured tools

The key to a good value proposition is that it resonates with the customer's value preference. The challenges it addresses have to be acute and the benefits it promises to deliver meaningful, quantified and relevant to the stakeholder to whom the proposition is aimed. Quantification of any value was underscored and although all companies engaged in it, it was still seen that it was not prevalent enough in their organizations.

For quantification the companies utilized varying types of value calculators, value word equations and other such means which gave a monetary value to any benefit proposed as well as showed the logic by which this sum had been reached. The use of quantification was seen as very important and with solid value research to back it up, selecting the correct items to quantify should lead to the best possible conclusions.

A common theme was that a value proposition had to be short and could not include all the benefits that a particular offering had. Instead, the most relevant benefits for that particular case would be presented as determined by value research or financial impact. To aid in speeding up the process, companies had begun to create libraries of value propositions related to offerings and market segments, giving the seller an overview of all the acknowledged dimensions of value that an offering had and from which they could then select the most relevant for the particular business case.

Although such libraries and databases are no doubt efficient and if used by a skilled salesperson can be invaluable, there exists a risk in trusting only pre-existing value dimensions as they leave the company potentially blind to new aspects of value that their offerings may provide to customers. As such, the quality of sales personnel should be highlighted as a rather significant part of success as the value based strategies require thinking from the customer's perspective and truly trying to solve their problems and create value for them to be successful. A seller who simply follows the steps is unlikely to succeed, since the reality of value sales was shown to be complex and under change. An environment for which rigid systems are poorly suited for.

Establish credibility with references and a strong brand

In addition to quantification, the use of strong references was seen as a near necessity in good value propositions. Because value propositions were built on trust; a promise of future gains made by the supplier, it was imperative to convince the customer of the supplier's trustworthiness. A solid reference book, pilot plants or cases, especially those where the customer could go and see the application of any proposed offering, and an established brand were all seen as good ways to further build trust.

"What we've often heard and between partners is the value of references. This is a reference driven business and you are only as good as your references."
-A:1

"In the beginning of the sales process -- reference cases are actually the most important way to communicate (value). This is reference-driven business and if there's no case to tell about then we're on pretty thin ice. Then we need to go find that pilot customer."
-D:1

This was also the case for a strong brand, which was seen as an amalgamation of previous references that in itself was a promise of value delivery and dependability. Thus the creation and maintaining of a company brand was seen as valuable in VBS and could be used to win deals.

7.5.2 Secondary Case Research

Secondary case material largely supported the findings of the primary case research. The learning of the customer's mindset, their goals and challenges was seen as a first step in creating a good value proposition. The value of calculation and references was also highlighted, with the use of automated functions to create value calculations on the agenda of several companies.

From the reviewed material it is safe to say that the goal of value sales is the ability to convince the customer that what the supplier is offering matters to their business and that the supplier can deliver that which is being promised. If the customer cannot either understand the value of the benefits being proposed

(because these benefits do not impact the stakeholder, they do not find them to be relevant or they cannot understand them) then the interest in the proposition will fade swiftly. If the customer does understand the value and is interested, but cannot trust the supplier's ability to actually deliver what they promise, then no sale will take place either.

It is thus important to maximize the value that the customer's stakeholder(s) perceive in order to make them consider the proposition as the most desirable. This perception is achieved by offering benefits which matter to the stakeholder(s) and which can be credibly delivered.

8. Discussion and conclusions

This chapter summarizes the research and theoretical findings of this thesis by discussing the research question and supplementary questions. Theoretical and managerial implications are concluded from these findings with the chapter ending in a presentation of the limitations of this study and suggestions for future study.

8.1 Summary of the research

The questions posed at the beginning of this thesis were as follows:

- How can companies create effective Value Propositions? (RQ1)
- How do companies create value propositions in B2B contexts? (SQ1.1)
- What means do companies employ to learn the value perceptions of their customer in B2B contexts? (SQ1.2)
- What methods do companies employ to communicate value to their customer in B2B contexts? (SQ1.3)
- What are the greatest challenges faced by companies in effecting value based selling in B2B contexts? (SQ2)

I will now go through these in the order of SQs, ending with the RQ as a proposal on how companies can improve their current means of creating value propositions.

8.1.1 How do companies create value propositions in B2B contexts?

Primary and secondary case data showed that the structure of value proposition design depends upon the type of customer that is being engaged. The key variable is whether the customer is an existing or a new one. In the case of a new customer, audits and consulting was found to be a useful tool to get the necessary in-depth understanding of the customer's world and develop the vision to see things in a way that is beneficial to the customer. This difference in process flow is illustrated in Figure 12.

The focus was on a combination of pre-existing tools and databases for finding the standard values that the company offers for each product (energy savings,

production gains, maintenance savings, etc.) and selecting those which matter the most to the individual customer stakeholder for whom the value proposition is being crafted. The responsibility for selection was based on the subjective experience of the salesperson who used dialogue with the customer, alongside past experience of the field and some analytical tools to uncover the most important value dimensions that serve the stakeholder's goals.

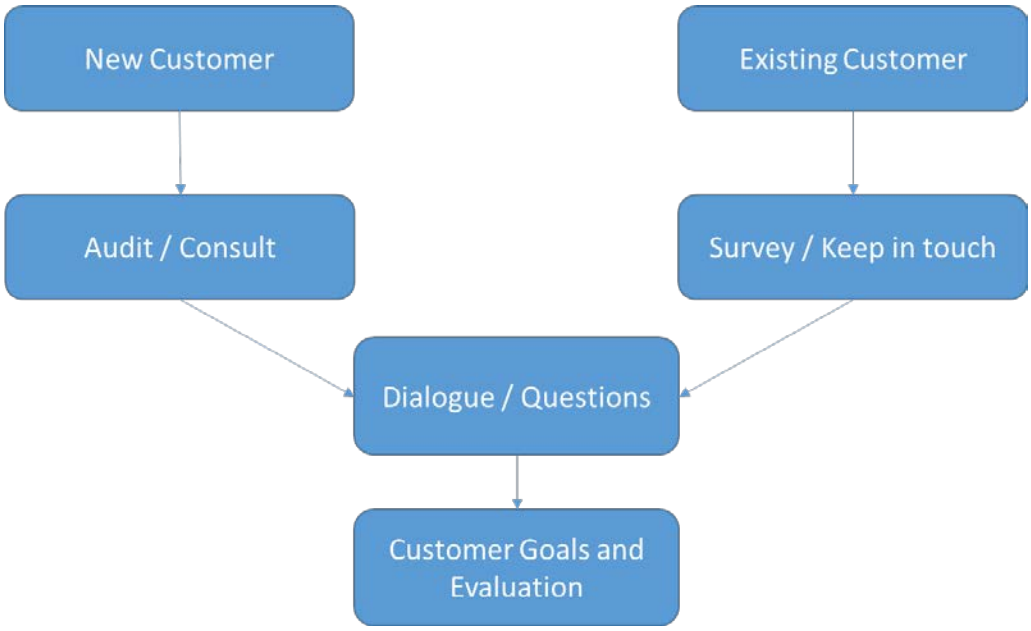

Figure 12: Value Research flow

After the stakeholder's goals have been identified and the suitable ones selected for the formation of a value proposition in terms of their impact, uniqueness and importance to the stakeholder, the value proposition can be made. Typically, this will involve the use of some sort of template which will guide the process to ensure that all relevant aspects are observed and that the value is properly quantified.

As can be seen in Figure 13, the value proposition involves two main aspects: the proposed value and a mechanism for value sharing. The proposed value is built up from the proposed solution which addresses key stakeholder challenges and allows the fulfilment of stakeholder goals. This is further communicated via value quantification which seeks to state in plain numbers the amounts and worth of benefits which the solution will deliver. Value quantification can involve (but is not limited to) the following measures:

- Pilot cases
- References
- Value calculators
- Value word equations
- 3rd party material (conference papers, studies, etc.)

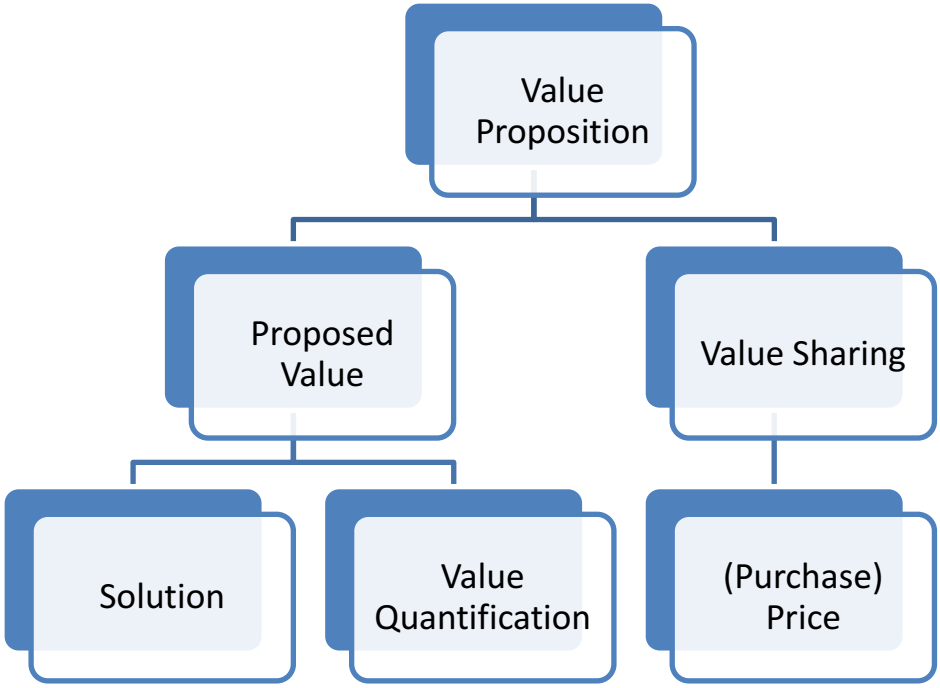

Figure 13: Value Proposition diagram

The goal of this part of the value proposition is to establish credibility for the promised benefits. Since a value based approach relies heavily on trust between partners, it is imperative that enough evidence is provided of both the ability to deliver the promised benefits as well as the actual scale of benefit to be gained from a given proposition.

Tying into this need to establish credibility is the matter of brand value. Brand value itself can offer a great deal to the customer in terms of reliability. Buying from a well-known brand dispels doubt about performance and ability to deliver. Furthermore, each successful sale will grow the brand and once it has been established, a customer will be safe in the knowledge that a company will have an incentive to ensure customer satisfaction or risk losing brand value if negative word of mouth begins to circulate. In a sense, this is a similar sort of situation to outcome based pricing and further ties the supplier to the customer's realized business impact, ensuring the most value is created from the deal.

As such, brand value is of great importance in VBS and it not only reduces the amount of evidence required to convince a customer and to gain their trust, but also adds value in the form of ease of mind to the stakeholders that they are dealing with a credible partner with incentives to ensure the best possible outcome for the deal.

The value sharing aspect of the value proposition has a surprisingly marginal place in the current academic understanding of a value proposition (See e.g. Skålén, Gummerus, von Koskull, & Magnusson, 2014). In many considerations in literature, the focus may have shifted excessively towards convincing the customer of value being present in an offering and not including a mechanism of value sharing at all.

In practical terms, however, most companies will have some sort of "price tag" associated with offered value so in this case it was deemed relevant to include it

as part of the representation. However, it should be noted that *not all VPs necessarily include statements of value sharing*; at least not initially.

A key finding of the study was that companies used iterative means of creating value propositions especially for larger clients where such means were more warranted. The iteration was used to hone and specify the offering and discuss the means of value sharing. Thus, the first versions of the VP could be simple value proposals without any attached price tag or value sharing and if the customer seemed interested in the proposed value, the implementation of the solution, further refinements and value sharing could all be discussed later on.

The closest that literature came to this sort of approach was the co-created value proposition concept by Ballantyne et al. (2011) and it seemed that this approach was rather successful in industry. As such, we can consider it a key finding of this study and of special interest in shaping theory on value proposition development.

8.1.2 What means do companies employ to learn the value perceptions of their customer in B2B contexts?

At the current, it appears that companies have a relatively limited library of means that they use to conduct value research. The identified means for value research from the case material revolved mainly around relatively unorganized and highly qualitative means that hinged on the ability of an individual salesperson.

Although focus groups and industry trends were being used to guide the creation of value propositions, the main research venues were focused on interviews and asking questions of the customer. Though the goals of current customer research appear to be generally correct, the establishment of customer goals and desired outcomes, the material studied seems to indicate that most of the information comes directly from the customer as replies to open-ended questions.

The danger in this approach, according to literature, is that many people may not be able to express their true desires and may end up either replying what they've been told to reply or revert to some other "knee-jerk" response which is not reflective of reality. To that end, employing more systematic means of value research would be welcome.

Furthermore, although companies at the current relied heavily on the performance of the individual seller, they omitted the use of other people in the organization like customer managers and service engineers. These people had regular access to the customer and were well aware of the situation at the customer company, thus providing a potential source of information which was based on observation (thus having greater objectivity compared to interviews) and did not require dedicated resources to obtain.

8.1.3 What methods do companies employ to communicate value to their customer in B2B contexts?

Monetization of offerings was found to be at a good level in all the case companies or at least the need for monetization was acknowledged. Case companies employed a range of calculators to quantify value. Both Excel and tablet-based

on-site calculators to be used with the customer or even web-based calculators available online for the customer to use on their own were used.

The use of value calculators appeared to be becoming even more common and the use of tablet computer or laptop based versions had been greeted with enthusiasm by customers. It was noted that providing a value calculation on-site where the customer and supplier can discuss the inputs and get real-time calculations on the benefit on offer was very appealing to customers and in itself provided value and credibility.

Furthermore, the use of references was identified as a key requirement by several case companies and used extensively. The need to establish credibility for especially more substantial investments in new production technology appeared to be the main driving factor behind this as customer companies were seen to be reluctant to adopt any new technology which was not proven in use.

This was an understandable requirement considering the business types of these case companies and their customers where investments were usually in the order of hundreds of thousands to millions of euros and an unreliable process could mean lost profits in several millions.

8.1.4 What are the greatest challenges faced by companies in effecting value based selling in B2B contexts?

The greatest challenges appeared to be focused around getting people to embrace the new way of thinking in value rather than just money. This applied equally to both customers and supplier sales personnel. Sales personnel was being retrained and in some cases replaced or augmented with new hires, but influencing customer behaviour was more difficult.

The case companies had identified the need to target senior management in order to change customer attitudes, because low-level purchasing managers rarely have the necessary authority to change company procurement policy. Case companies had identified that being in touch with the customers' senior management required either a special status as key supplier for said customer which often was not the case, so alternative measures had been developed.

In order to gain access to the necessary people in the customer's organization, the presence at trade fairs, industry forums, workshops and other such gatherings where members of industry could mingle were found to be key. Further, strategic information about the key stakeholders within the company and the people who motivate them and guide their thoughts was also seen as a source of interest. Especially for smaller companies who could not necessarily influence people directly due to a lack of access and credibility, they had to resort to more roundabout means of targeting those people who could access the key stakeholders instead (see Figure 14).

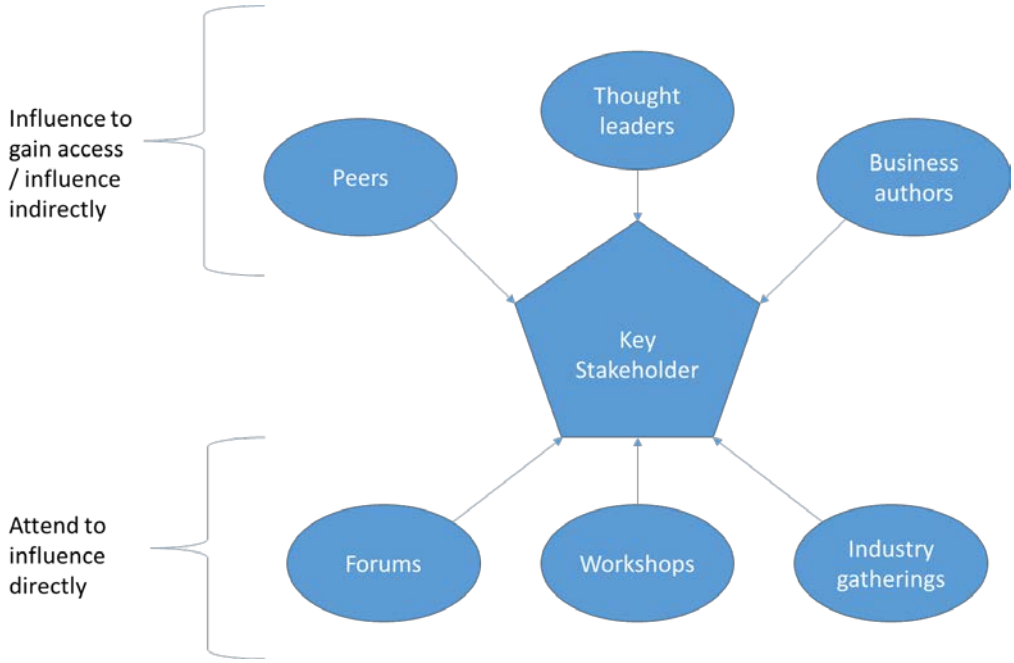

Figure 14: Influencing Key Stakeholders

As a final major issue regarding applied VBS was the difficulty of employing outcome based pricing as a value sharing tool in complex processes. The main difficulty arose from the inability to accurately measure the created value of a singular process improvement in an interlinked system, when another process step could undo most of the value. Furthermore, proving that a singular process improvement had been the source of any extra value was deemed too difficult in many cases, leading to a dismissal of the concept as impossible to apply.

The challenges to value sharing through outcome based pricing have not been identified in literature, but were found to be credible and difficult to overcome.

8.1.5 How can companies create effective Value Propositions?

In order to create better value propositions than they currently do, the research has shown that companies would do well to better structure their value research operations and utilize their employees not only for knowledge, but also as part-time marketers (Grönroos, 2006). Furthermore, the current value research is highly dependent on direct customer interaction with sales personnel which may not yield the best understanding of the customer's needs and desires. To gain a better understanding and reduce the work load of dedicated salespeople, companies should adopt indirect value research practices which include the following:

- Customer's Customer analysis
- Customer Understanding
- Field Value Assessment
- Firm employees as information source
- Workshops

The use of such indirect methods of research allow for more proactive approaches where the customer can be engaged preferably prior to any explicit

RFQ (Request for Quote) being received. This will place the supplier ahead of the curve and hopefully assist the customer in choosing the correct evaluation criteria for their purchase to ensure the greatest value generation.

The second benefit for opting to use such indirect means of value estimation is to both map out a larger segment of the market at once, but also gain information which is not directly influenced by any one customer stakeholder. This should give a more neutral and balanced understanding of the customer's requirements and thus assist in creating more value.

The use of interviews should not be neglected, however, but their role could be shifted from uncovering value drivers to rather understanding the personal value perception of the individual stakeholders so that value propositions can be tailored to suit their personal needs and desires. The goal is to "automate" or at least structure a greater amount of the value research so that it is accessible by other sales people, adds to the business intelligence of the firm and guides the sales personnel to follow a process so that no aspects are neglected.

Beyond improving value research through systemization, the research uncovered suggestions to improve value communication as well. In conjunction, value research and value communication were found to be the most important parts of a value proposition and both aspects had to be embraced in order to achieve the best results. Successful value research provides the means to value communication, but only successful value communication will eventually make any deal happen.

The use of value calculators was found to be highly desired by customers. These were best realized as web or tablet applications which the customer could either use on their own or in co-operation with the supplier. The main benefit of these value calculators was the openness of calculations and the credibility boost to the supplier for utilizing such means to evaluate the benefits on a case-by-case basis. Using less interactive means could be perceived as simply yet more marketing propaganda.

Supporting the value calculators had to be a strong base of references which built up the credibility of the supplier to make good on the promises of value. The need is to establish a desirable value proposition and convey it to the customer and then provide enough evidence of credibility to verify that the proposed value can be delivered. If this credibility is not established, the customer may not believe the offer to be realizable.

As a subset of establishing credibility is the creation of a strong brand for the supplier company. A strong brand will help in opening doors to senior management, being considered as a strategic partner and reassuring the customers of the supplier's ability to deliver and make good on the value propositions.

Combined with the call for establishing more systematic processes and collecting libraries of data to further support the value sales process, the building of a brand image is also a long-term process. This goes to show that VBS is not to be seen as a 'fad' or quick switch which can simply be tacked on top of a traditional sales process, but rather has to be seen as a long-term commitment. Considering the relationship value that VBS literature often mentions, such a

focus on stable and continued profit over maximizing short-term gains should be embraced on a company level and the building of a brand is definitely an exercise in this.

8.2 Managerial implications

The answer to RQ1 is the core of the managerial contributions of this thesis. The focus on standardizing value research and utilizing the total customer knowledge accumulated by the firm in all interactions with the customer are the main points where current operations can be improved. The current means rely too heavily on subjective interviews to identify customer goals and values and this process can be improved by the use of indirect means and the creation of customer information libraries.

Too often a focus has been to get new customers while the existing or old customers are neglected. However, up-selling or re-selling to existing customers reduces customer acquisition costs and also creates relationship value by establishing the firm as a trusted supplier, further increasing brand value.

The flow of the most crucial points of a value sales process are shown below in Figure 15. These are the three steps which will decide the fate of a value proposition and as such require the most attention in a firm that wishes to pursue value based strategies or selling.

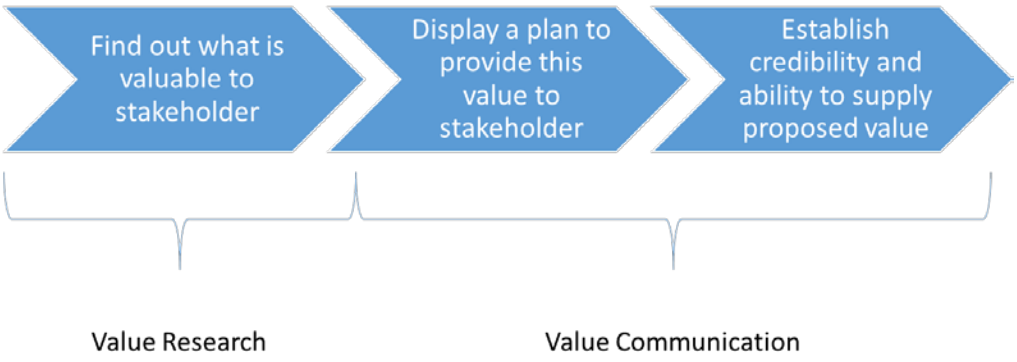

Figure 15 Value Proposition Diagram

In order to improve the Value Research, companies should strive to create a systematic approach to uncovering the value drivers of their customers and utilize better pre-existing sources of information. This can include the use of value research methodologies like Field Value Assessment (Anderson & Narus, 1998) or Customer Understanding (Butz & Goodstein, 1996). In addition, the use of existing knowledge within the organization in the form of Key Account Managers or service personnel who are more in contact with the customer than the salesperson is a hitherto untapped resource for value research and one with a

lot of potential. So far the focus has been too much on new customers and not on growing existing relationships, the latter of which are best suited to take advantage of these means.

The goal of value research being the identification of the customer stakeholder's value preference, this can then be used to select the key value dimensions to be used in the value proposition. The value proposed must then be quantified in order to give the stakeholder a clear and unambiguous understanding of what is being offered and the use of interactive value calculators has been found to be a good tool for achieving this.

In addition to proposing an amount of desired value, the firm must also establish credibility that they can supply this value. Value sales being based on promises by nature, the value of trust cannot be highlighted enough. In order to showcase credibility a company should employ references from previous cases and in the case of new technology, successful pilot cases.

Finally, the establishment of a strong brand for the firm will aid in credibility and showcases to the customer that the company is a trustworthy partner that can be relied upon to deliver what is promised.

8.2.1 Value Proposition Canvas

One of the goals of this thesis was the creation of a Value Proposition Canvas (VPC) and the findings from the study support the creation of such a framework. Basing this solution on established theory on customer value perception, the canvas seeks to outline the general process logic for creating successful value propositions.

As we've established in this thesis, the customer makes their decision based on Customer Net Value (CNV) which is value less price. The definition of value shows us that it is highly subjective and based upon the individual perceptions of each stakeholder. According to Rajala, Töytäri & Hirvonen (2015), the mechanism for the evaluation of value flows through value conception to value preference and finally to value perception, which is the appreciation of a given offering's benefits. Removing from this the costs and price of the offering, we acquire CNV and maximizing it will result in the most favoured choice for the customer.

Because cost can only be partially influenced by the supplier and the goal is not to minimize price, the maximization of value remains the only viable means to a desired outcome. In order to maximize value, the supplier must seek out the value conception or value preference of the customer and strive to showcase how their offering will help them achieve exactly the goals they want to achieve.

In practical terms, this means finding out the KPIs of the customer business and understanding their processes in order to find improvements which will beneficially impact the KPIs and allow the key stakeholders (individuals with a desire and the means to influence the choice of supplier) to reach their goals. This process is illustrated in Figure 16.

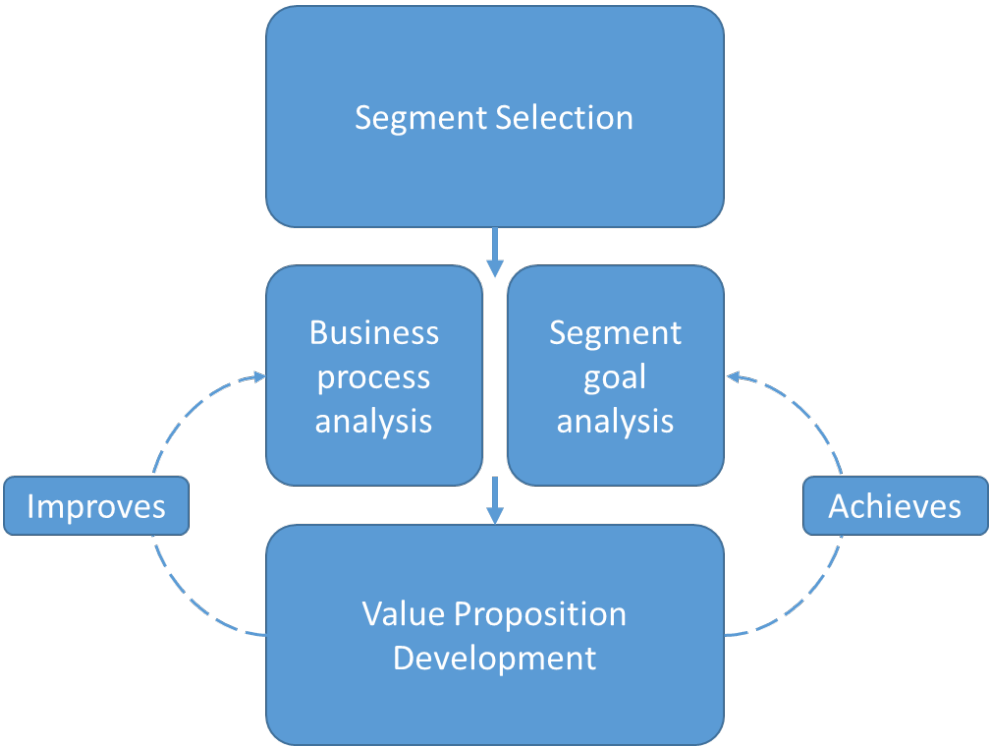

Figure 16 Value Proposition Canvas

The communication of value on the basis of this VPC is centred on the goal achievement granted by the process improvements which are on offer. The improvements deliver quantifiable changes to the KPIs, which in turn translate in the stakeholder's perception into value.

8.3 Limitations and suggestions for future research

Through using a multiple-case study with a wide array of secondary material encompassing several fields of industry, company sizes and even moments of time, the study provides a rather robust understanding on the state of current value based selling in Finland. However, as was noted in the case material, cultural differences exist and impact value based strategies significantly as the local customs dictate what is considered acceptable or normal behaviour between business partners.

This limitation should be considered when inferring the findings into other cultures and where other customs may be observed. Literature hints towards significant differences existing between nations even within the EU and as such the implementation of any findings is left to the reader's judgement and to be adapted as necessary to the local culture and customs.

The literature and case material was largely structured from the point of view of a supplier and the customer's perspective was found to be underrepresented. It has to be noted that a significant portion of the value literature is sales-based rather than purchasing-based, leading to an imbalance between these two partners and their respective views.

This lack of customer/purchaser viewpoint in both theoretical research as well as case interviews can be considered a limitation of this study and also a suggestion for future research. Clearly it would make sense to approach value based strategies from a customer viewpoint as well, since the partnership perspective is so strong in VBS. A solid avenue for future research would thus be to explore the benefits of value based strategies in purchasing and how value based purchasing can benefit a company.

The established theory being mainly supplier-centric and the current value sales process being supplier-driven, the understanding of value between customer and supplier can be depicted as two partially overlapping circles, where one depicts the supplier's (S) value perception and the other the customer's (C) (See Figure 17). According to current literature, when a supplier engages in value communication, they are trying to shift the customer's value perception closer to their own (See Figure 18).

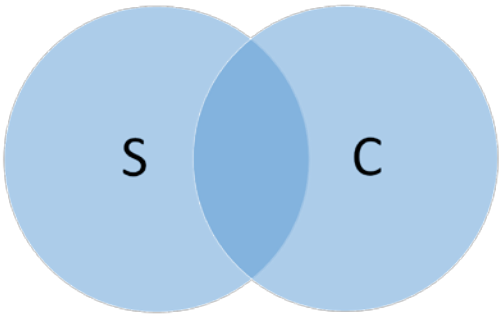

Figure 17 Supplier-Customer value perception overlap

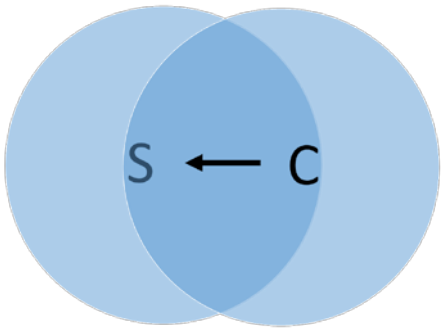

Figure 18 Customer value perception after successful value communication

The goal of value creation being the maximum overlap between customer and supplier value perceptions, the customer could also seek to "pull" the supplier into their value perception sphere and thus allow for greater value creation. Rather than the current system where the supplier is trying to "pull" the customer into its own.

The reason why such tactics have not been adopted by purchasing functions would be an interesting topic for future research, since a great deal of the existing value-based purchasing literature appears to be focused on medical services and does not exactly tackle the issue of industrial B2B purchasing.

An oft-remarked challenge with companies employing value based selling was the lack of customer understanding for the importance of adopting value based views in their purchasing logic and by providing literature on the subject more companies might become more accepting of value based purchasing. Perhaps even so far as to begin demanding value based proposals for any larger purchase.

This could also open up the interest of senior management to engage in potential value sales or give purchasing more autonomy to act on promising value propositions, thus further assisting in breaking down the barriers to VBS.

9. Summary

This thesis was written with the goal of uncovering how companies currently craft value propositions and in what ways this process could be improved in light of existing theory. The literature review uncovered a rather varied and complex picture of value research and value communication which together tied to the crafting of value propositions. Many proposed methods which seemed to be acceptable at a glance turned out to ignore key aspects of value creation or rely too heavily on pure instinctual skill of the people involved.

Similar results were gleaned from the multiple-case study conducted as part of this research. Companies seemed to rely heavily on the individual skill of their sales personnel and utilized a lot of interviews and questions to get a very subjective picture of what is valued by the customer stakeholder. Although these means do hold merit in that a stakeholder's goals should be catered to in the value proposition presented to them, they also limit the scope of value research to a very marginal unit; the individual.

To counter this, suggestions based on literature were made to adopt more established and analytical means of value research. These would be based on larger samples of customer companies and utilize more rigorous analysis of the value perceptions shared by the customer segment companies. Furthermore, the use of customer's customer analysis and the better utilization of internal resources as sources of information, such as key account managers or service personnel who operate at the customer's site, were found to be potential improvements for value research. Although such means would not eliminate the use of interviews and questions, they would add a more foundational source of information to be utilized in the pre-sales period and allow for better crafting of value propositions.

The key findings of the research are summarized in table 4. Research found that currently companies are utilizing or seeking to utilize standard templates for value propositions. An iterative process of proposal and improvement between supplier and customer is used to shape these VPs into their final form, adding more definition as the process goes on.

In order to uncover the customer's value perceptions, companies employed basic interview techniques and relied heavily on the individual skill of the sales personnel. Although some structure existed, a more rigorous system was called for. A major potential source for more information was identified in the company's own personnel that engaged often with the customer organization. These

individuals were believed to hold relevant information, but were underused in all case companies.

In order to communicate value, companies successfully employed monetization and quantification strategies. A desire to engage with the customer earlier and begin the value communication earlier in the sale process was also identified. Tying to this, a strong brand was thought to assist in providing additional value to the customer purchasing manager as well as assist in gaining access to customers at an earlier stage.

With value based selling still being a relatively new paradigm, the greatest challenges still revolved around ironing out problems with the sales force and customer co-operation. The sales force seemed to require extensive retraining or replacement and customer organizations seemed to be hesitant to embrace value based proposals, leading to resistance in acquiring information and sharing realized value.

Table 4 Synthesis of findings

SQ1.1: How do companies create value propositions in B2B contexts?
• Standard template value propositions • Iterative value proposition adaptation
SQ1.2: What means do companies employ to learn the value perceptions of their customer in B2B contexts?
• Uncover customer's value perceptions • Focus on individuals as value researchers • Own employees as source of information
SQ1.3: What methods do companies employ to communicate value to their customer in B2B contexts?
• Monetization and quantification • Earlier engagement with customer • The value of brands
SQ2: What are the greatest challenges faced by companies in effecting value based selling in B2B contexts?
• Paradigm shift in salesforce • Value sharing and outcome-based pricing • Lack of customer access
RQ 1: How can companies create effective Value Propositions?
• Uncover stakeholder value preference and KPIs • Use iterative value proposition development • Quantify value with structured tools • Establish credibility with references and a strong brand

Finally, in order to create more effective VPs, companies should try to uncover the stakeholders' value preference and KPIs as these should provide a more credible set of targets to simply answering interview-style questions. Although

less straight forward, these means would provide a more objective source of information to the currently used subjectively stated goals and also allow more supplier flexibility in coming up with suitable solutions.

The use of iterative VP adaptation was found to be a relatively novel and interesting strategy which seemed to hold potential. If customers are receptive to the process, it can be recommended as it creates a more co-operative feel to the sales process and allows for adjustment of the sales proposition as details emerge. Thus also facilitating early engagement.

Value quantification should make use of structured tools which again benefit of customer involvement. The use of IT systems to make these value calculations more transparent and interactive towards the customer, for example as a tablet computer application, can be recommended.

Tying to this, the credibility of the supplier should be established through a combination of relevant references which can also be manifested in part by a strong brand. Although current value literature has not touched upon the importance of brands, it was found that brands can act as consolidated references, embodying a perceived experience in a certain field. As such, brand management should be a focus point in companies wishing to engage in value sales.

From a theoretical point of view, the case research uncovered evidence that the theory of value proposition co-creation presented by Ballantyne et al. (2011) is being used by industrial companies as an iterative process where the value proposition is improved and value sharing specified over several versions interlaced with discussions with the customer on their desires and needs. This was an interesting finding considering the nature of established value proposition theory that seems to imply value propositions to be more rigidly defined and unidirectional. However, the iterative process observed in this research would seem to imply that at least in the case of larger firms, value propositions can and are being developed and refined in co-operation with the customer.

Case research also showed that value communication has been embraced by industry actors and especially quantification of value is a well-understood and used method of value communication. The use of references was also identified as key when pursuing value based sales strategies, but access to suitably high-up customer senior managers was identified as a major obstacle.

The value of a strong brand in value communications was also brought up as a potential new theoretical consideration. Largely the brand discussion has been focused on consumers and B2C-markets (Palmer, 2010), but it was identified that brands can hold value in B2B-sales as well. Mostly this came from the establishment of a “credible supplier”-brand which would alleviate the uncertainty experienced by purchasing managers when buying value which often has a rather large amount of ambiguity and uncertainty associated to it.

In conclusion, the value communication of the interviewed case companies was found to be largely on par with literature whilst value research could use some improvement and establishment of codified processes. The benefit of this would

be to improve the quality of value proposition development and proliferate value thinking through the firm's organization by providing relevant information on customer value perceptions to the enterprise at large, benefiting other functions beyond sales as well.

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Appendix A: Interview questions

Interview questions for the supplier

Customer Selection

- How does the company choose its customers? What techniques do they use?
- On what grounds are the decisions made? Expected profit, most added value to the customer, compatibility to company strategy, customer's own value-based approach, etc.?
- Who decides what customers to pursue?

Value Propositions

- How does the company form its value propositions?
- In general, what do they include?
- Who are involved in creation of value propositions?

Customer Research

- Does the company perform value research in the customer sphere?
- Is it easy for the company to evaluate what creates value to the customer and if so, why (is it easy)?
- What techniques does the company use to research its customers?
- Who perform this research and who use the information?

Value Quantification

- How does the company communicate value?
- What means does the company use to measure created value?

Continuity

- Does the company currently employ long-term follow-up programs?
- Does the company utilize lessons learned from previous sales cases on new customers (assuming the sales-team is different)?
- How does the company strive to change/adapt the prevailing attitudes in your industry?

Customer knowledge and co-operation

- How well does the company know its customers?
- How intimate is this co-operation?
- In what ways does the company strive to improve its co-operation? (e.g. customer/supplier visits, joint-ventures, etc.)

Additional

- Do you have a good "example customer"?

Appendix B: Primary Case Company Interviewees

Label	**A**	**B**	**C**	**D**	**E**	**F**
Company	MetalCo	WeldCo	LogiCo	PaperCo	EleCo	BallCo
Position	Process Owner	Marketing Director	Operation Support Manager	Global Process Owner	Senior Manager	Vice President of Value
Years in company	13	2.5	11	3	10	28
Findings	39	38	37	34	23	10

Appendix C: Secondary Case Company Interviewees

Label	**1:1**	**1:2**	**2:1**	**2:2**	**2:3**	**3:1**
Company	PaperCo	PaperCo	BallCo	BallCo	BallCo	MetalCo
Position	Global sales and Operations development	Global Sales Manager	Service Delivery Manager	Sales Manager	Key Account Manager	Global Service Development Manager
Years in company	3	18	9	3	>1	1
Findings	15	27	18	2	0	19
Label	**3:2**	**4:1**	**4:2**	**4:3**	**4:4**	**4:5**
Company	MetalCo	EleCo	EleCo	EleCo	EleCo	EleCo
Position	Maintenance Service Manager	Sales Manager	Project Manager (Sales)	Director of Business Development for Americas	Sales Support Director	Director of Service Business (Middle-East)
Years in company	20	3,5	1	20	19	-
Findings	0	2	10	8	5	8

Label	**4:6**	**4:7**	**4:8**	**4:9**		
Company	EleCo	EleCo	EleCo	EleCo		
Position	Branch Manager	New Equipment Business Manager (Middle-East)	Director of Modernization Business Development	Portfolio Development Manager		
Years in company	-	-	>5	>2		
Findings	2	6	5	0		