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Value in business and industrial marketing: Past, present, and future

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ABSTRACT

This article offers an overview of research on the 'value' that businesses and industrial marketers analyze, create, and deliver. First, value literature (up to and around 2005 and post 2005) is discussed. This review highlights the changes in our notions of value and helps to identify seven areas for consideration that should drive future research: value proposition, relationship form, capabilities management, value metrics, temporal horizon, innovation imperative, and tactical focus. Following this depiction of value analysis, value creation, and value delivery, we present a process model for value orchestration in business and industrial marketing. Three activities collectively form the basis of value orchestration, namely structuring activities, bundling activities, and leveraging of resources.

1. Introduction

The creation of value is paramount to any company's survival (Kotler & Keller, 2008), especially when dramatic changes lead to fundamental shifts in what companies analyze, create, and deliver (Doyle, 2000; Hunt, 2000). And yet academics and practitioners alike agree that we have only just begun to understand what 'value' means (Anderson & Narus, 1998). Lindgreen and Wynstra (2005) offer a starting point for further research, but they also leave several gaps to be filled. This article therefore offers a comprehensive overview of cutting-edge research on the 'value' that businesses and industrial marketers analyze, create, and deliver. We begin by discussing value literature over time, including Lindgreen and Wynstra's (2005) value framework. We also propose extensions to this value framework and discuss avenues for further research.

2. Literature review

2.1. Up to and around 2005

Various research streams add to our understanding of value in business and industrial marketing. For example, the *value analysis and engineering* field recognizes that in competitive settings, long-term success hinges on offering the customer the best value for the price (Keith, 1960). Competition determines the direction a company must go to ensure value content in its goods or services. The producer's sense of 'value' differs from the user's; that is, for the same item, there are various kinds of value (Miles, 1961). Value is the minimum monetary cost to purchase or manufacture a product to create appropriate use and esteem values. These value studies thus focus on use value, or the lowest cost that will provide for the reliable performance of a function, and esteem value, or the lowest cost of providing the appearance and features that a customer wants.

Miles (1961) and others instead emphasize (product) value in relation to competition. The *augmented product concept* acknowledges different product aspects that can embody value for the customer, such that marketers must consider different product levels, each of which adds value for consumers (Levitt, 1969, 1980, 1981). Five levels are commonly defined: core benefit, expected product, augmented product, potential product, and final product (Kotler, 2003). The resulting consumer-value hierarchy applies equally well to goods, services, or any combination (Lovelock, 1994). Levitt's work thus was instrumental in emphasizing that customers may value product attributes beyond their immediate core benefits.

Most research that seeks to explain how product attributes translate into a certain value, or usefulness, of a product focuses on individual or household consumers. This stream defines 'value' as a preferential judgment, whereas 'values' refer to the criteria that determine those preferential judgments (Holbrook, 1994). Thus, *consumer values* are deeply held, enduring beliefs, whereas *consumer value* results from the trade-off of the benefits and sacrifices associated with a particular good or service (Holbrook, 1994). Researchers investigate how consumers make decisions and trade off benefits and sacrifices (Woodruff, 1997; Zeithaml, 1988). Marketers also work to understand consumers' values, preferences, or beliefs; measure and categorize consumer lifestyles (psychographics); and develop different classifications.

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In research pertaining to the *economic value of customers*, existing customers are valuable assets to a company (Reichheld, 1996). Some customers have greater net present value than others, and the retention of unprofitable customers destroys value. The economic value of customers is an output of the value-creating process; customers are valuable to the company only if the company has something of value to offer them.

More recent marketing literature has developed two distinct research streams: the value of (augmented) goods and services, and the value of relationships. These streams in turn suggest several perspectives for industrial marketing.

2.1.1. Value of goods and services

Even in this category, there is no single, consensus definition of value. Zeithaml (1988) alone offers four definitions. Competitive advantage comes from the ability to give target customers an offer with more perceived value than competitors' offers (Doyle, 2000; Kotler, 2003). This perceived value consists of three elements: perceived benefits of the product minus both the product price and the costs of owning it.

This delivered value to customers thus can be measured as a difference, although customers do not always choose the offer with the highest delivered value (Kotler, 2003). For example, a business customer might have to buy at the lowest price; another might aim to maximize only personal benefits; or customers could enjoy a loyal relationship with a company and buy from it, almost regardless of the delivered value.

Neap and Celik (1999) argue that product value reflects the buyer's desire to obtain the product, which in turn depends on the affiliation of product details or performance with the buyer's value system. The value then is the cost of the product (i.e., total price paid), plus a subjective marginal value—a subjective measure that depends on the person's value system and can change. This definition clearly differs from others, in that the cost is not subtracted from benefits but rather offers a sort of objective indicator of those benefits.

To Anderson and Narus (1998), value is the monetary worth of the various benefits (e.g., technical, economic, service, social) a customer receives, compared with the price paid, taking into consideration competing suppliers' offerings. Value and price are independent; at least in business markets, the value provided nearly always exceeds the price, and the difference is the customer's incentive to purchase, such that price and value are two elemental product characteristics (Anderson, Thomson, & Wynstra, 2000). Value excludes price in this definition; the benefits underlying value are net benefits, and costs incurred to obtain the benefits (except for purchase price) are included. The value of the same product varies for different customers, depending of its value in use in their usage situation.

These definitions of value usually rely on monetary terms; other authors include other measures. Wilson and Jantrania (1994) measure value along economic, strategic, and behavioral dimensions. Woodruff's (1997) customer-value hierarchy links customer-desired value and customer satisfaction with received value. Customer-perceived value entails perceived preferences for and evaluations of product attributes, their performance, and the consequences of their use, which determine customers' ability to achieve their goals and purposes in usage situations. Customers want to maximize the perceived benefits and minimize the perceived sacrifices (money, time, effort). Ulaga and Chacour (2001) also adopt a supplier perspective to understand customers' perceptions of value.

2.1.2. Value of relationships

Companies do business not only to obtain the value of the good or service (Håkansson, 1982; Reichheld, 1996) but also to enjoy attractive features of the offering, such as the reputation, location, or innovativeness of the supplier. Even future capabilities are valuable; the buyer can initiate a relation with this capable supplier and thus not need to change suppliers in the future, regardless of market shifts. This sort of relationship value extends beyond the actual product or service being exchanged.

The Contemporary Marketing Practice (CMP) group notes managers place greater emphasis on managing long-term relationships, networks, and interactions by focusing on their employees, customers (and their customers), suppliers (and their suppliers), and other markets (Coviello, Brodie, Danaher, & Johnston, 2002). Because marketing features a continuum of exchanges (Dwyer, Schurr, & Oh, 1987), more value accrues through relational exchanges than transactional exchanges. Companies must examine all value-creation interactions in any customer relationship, as well as devote efforts to maintaining customer relationships.

Value creation does not take place in isolation, so the role of companies has changed, from providing customers with goods or services to designing systems of activities to help customers create value (Wikstrom, 1996). Sellers and buyers co-produce value; value innovation thus requires a company to combine its resources with others' capabilities and relationship quality thus becomes an important determinant of profitability (Grant, 2004; Webster, 2000).

A relationship also has value when (1) exchanges become predictable and reassuring as the partners learn to organize their business operations and (2) learning and adaptation in the relationship result in new solutions. For Walter, Ritter, and Gemünden (2001), this value entails the perceived trade-off among multiple benefits and sacrifices in a customer relationship, which may derive from the focal relationship or from connected networks on which the relationship has an impact. Suppliers must simultaneously offer value to and gain benefits from customers.

The activities performed and resources gained from customer relationships imply a functionalist paradigm (Anderson, Håkansson, & Johanson, 1994), in which direct functions affect the partner company immediately, but indirect functions have a more ambiguous effect. The paradigm also indicates

- Direct functions include activities and resources that create value for the supplier, without depending on other relationships.
- All functions are direct; the effect is derived from a given relationship.
- Resources in a customer relationship have implications for a supplier's other exchanges.
- A customer relationship can fulfill more than one direct or indirect function.
- In a given relationship, indirect functions can be as important as the direct ones.

2.1.3. Perspectives on role of industrial and business marketing

Research has focused on the value of either the object or the process of exchange reflects two fundamentally different perspectives on the role of business and industrial marketing (Axelsson & Wynstra, 2002).

The first views the market system as fully functional and marked by perfect competition. Business and industrial marketing activities target relevant markets, and the number of alternative buyers and sellers represents the room for action, which depends on the standardization of the offering (a more unique offering creates lock-in effects). High termination costs mean the parties constantly analyze whether they can solve existing problems. Key commercial competencies include market knowledge and the ability to play the market. The market pushes for the use of existing competition and exploiting opportunities. This market structure thus supports a transactional approach to business and industrial marketing.

The second perspective regards markets as well-organized, connected networks (Axelsson & Wynstra, 2002), so business and industrial marketing activities pertain to the relations across activities, ties among resources, and bonds between actors. Relationship functions