



NORTH-HOLLAND

Conceptualizing and Operationalizing the Business-to-Business Value Chain

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The value chain has been the subject of considerable discussion in the literature. Most of that dialogue has centered on the value chain itself, rather than providing a more comprehensive view of the business-to-business (b-to-b) value chain. This article examines the b-to-b value chain from two vantage points. First, the paper presents a holistic model of the b-to-b value chain. This model incorporates goals, the value chain (and value delivery chain), the total delivered product, and perceived outputs (which may result in value gaps and delivery chain breakdowns). The paper then suggests techniques for operationalizing the value chain. These include a value-driven marketing checklist, a flow chart for enacting a value-driven

strategy, and an approach for measuring perceived value and for making necessary strategic revisions. © 2001 Elsevier Science Inc. All rights reserved.

INTRODUCTION

The vital nature of value, the value chain, and the value delivery chain for business-to-business (b-to-b) marketing have been discussed for decades. In 1980, Levitt [1] said, "There is no such thing as a commodity. All goods and services can be differentiated and usually are. Though the usual presumption is that this is true more of consumer goods than of industrial goods and services, the opposite is the actual case."

More recently, Keep, Hollander, and Dickinson [2] have examined the historical relationships in four b-to-b scenar-

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The b-to-b value chain must be viewed holistically.

ios in order to review how value chain activities and relationships are performed and maintained (or broken off). They show that relationship marketing is not a recent phenomenon. Sheth [3] identifies three emerging b-to-b research streams, involving buyer–seller interaction and relationships, partnering with suppliers to produce better product quality and customer satisfaction, and supply chain partnering and the use of information technology. Anderson and Narus [4] state that a “small but growing number of suppliers in business markets draw on their knowledge of what customers value, and would value, to gain marketplace advantages over their less knowledgeable competitors.... Understanding value in business markets and doing business based on value delivered gives suppliers the means to get an equitable return for their efforts. The essence of customer value management is to deliver superior value and get an equitable return for it, both of which depend on value assessment.” Lambert, Cooper, and Pagh [5] say that “One of the most significant changes in the paradigm of modern business management is that individual businesses no longer compete as solely autonomous entities, but rather as supply chains.”

The purpose of this article is to present a more holistic model of the b-to-b value chain than has typically been taken in the literature, and indicate how this model may be applied. The first part of the article introduces the b-to-b value chain model. The second part puts the principles into practice.

CONCEPTUALIZING THE B-TO-B VALUE CHAIN

Figure 1 depicts a holistic model of the b-to-b value chain. Its four major components are discussed here: goals,

value chain, total delivered product, and perceived outputs.

Our model takes a value chain approach to b-to-b marketing that is similar to the supply chain management approach taken by Lambert, Cooper, and Pagh [5]. In that model, value chain activities and participants are identified in terms of the flow of activities, with information exchanges playing an important role. Lambert et al. concentrate on supply chain network structure (Who are the key supply chain members?), supply chain business practices (What processes link these members?), and supply chain management components (What level of integration should be used for each process link?). As the authors note, “There has been little effort to identify specific supply chain members, key processes that require integration, or what management must do to successfully manage the supply chain.” That is the emphasis of our article.

The unique aspects of our model are as follows:

- The goals of the various parties in a b-to-b value chain are considered as inputs to the value chain and value delivery chain.
- The value chain and value delivery chain are presented as parallel processes.
- The total delivered product is the *actual* result of the value chain and value delivery chain.
- The *perceived* value received from the value chain and value delivery chain differ by party.
- Gaps and breakdowns must be handled systematically in the process.

Next, each element of the model is discussed conceptually and related to the existing literature.

Goals

Value has multiple company perspectives and the desired goals represented by these perspectives must be in sync for firms to succeed in the long term. In many b-to-b channels, there are three types of participants: supplier/manufacturer, wholesaler, and customer; and within the supplier/manufacturer category, there may be multiple companies—commonly referred to as “Tier 1,” “Tier 2,”

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