Available online at www.sciencedirect.com
SCIENCE DIRECT®

NORTH-HOLLAND

Industrial Marketing Management 32 (2003) 653–666

INDUSTRIAL MARKETING MANAGEMENT

A longitudinal study of customers' desired value change in business-to-business markets

Michael Beverland[a,*], Larry Lockshin[b,1]

[a]Department of Marketing, Monash University, P.O. Box 197, Caulfield East, Vic 3145, Australia
[b]School of Marketing, University of South Australia, P.O. Box 2471, Adelaide 5000, Australia

Received 1 April 2003; received in revised form 1 June 2003; accepted 2 June 2003

Abstract

Customer value is a dynamic interactive phenomenon. Based on a longitudinal, phenomenological study of buyers and sellers in the New Zealand wine industry, we shed light on the phenomena of customers' desired value change (CDVC), driving contextual conditions, and firms' strategic response. A four-stage model of market–CDVC evolution is proposed. Findings identified external and internal drivers of CDVC, such as increasing niche density, changing customer demands, changing competitor actions, and increased competitive rivalry. We were able to track changes in each driver, and identify the related changes in CDVC, including changes in CDVC form and intensity, and the scope of CDVC related actions.

Keywords: Value change; Export; Longitudinal research; Market orientation; Wine industry

1. Introduction

The appropriateness of either transactional or relational strategies is related directly to customers' desired value (Mintzberg, 1994). Webster (2000) proposed that while all marketing strategies contain both transactional and relational elements, the degree of emphasis placed on either depended on the strategic needs of the firm, customers' needs,[2] the macro-environment, and competitor moves, findings supported by research into customers' desired value change (CDVC) (Flint & Woodruff, 2001; Flint, Woodruff, & Gardial, 2002). As such, an understanding of the drivers of CDVC is critical to the long-term success of business-to-business marketers because it can assist them with building relationships, since value contributes to the development of mutually agreed and understood value systems necessary for the long-term evolution of relationships (Flint et al., 2002; Gassenheimer, Houston, & Davis, 1998; Möller & Törrönen, 2003; Sirdeshmukh, Singh, & Sabol, 2002). Value also plays a mediating role between trust and loyalty (Sirdeshmukh et al., 2002), which are critical components of relationship marketing activity (Morgan & Hunt, 1994; Sirdeshmukh et al., 2002; Zeithaml, 1988). As such, understanding 'value' will ensure firms gain tacit competitive advantages over their rivals (Hunt, 2000; Porter, 1980).

An understanding of value from the customer's point of view is critical for long-term organisational success (Flint & Woodruff, 2001; Flint et al., 2002; Payne & Holt, 2001). Woodruff (1997) found that organisations increasingly believed that satisfaction and customer value were directly related to a number of critical market performance measures such as sales, word of mouth support, brand and company loyalty, and profitability. Also, an understanding of the nature of customer value is essential for industrial marketers, if they are to identify and exploit new opportunities, increase customer satisfaction and loyalty, form and maintain long-term relationships with clients, and build brand loyalty (Gassenheimer et al., 1998; Morgan & Hunt, 1994; Payne & Holt, 2001; Sirdeshmukh et al., 2002; Woodruff, 1997;

* Corresponding author. Tel.: +61-3-9903-2727; fax: +61-3-9003-2900.

E-mail addresses: Michael.Beverland@Buseco.Monash.edu.au (M. Beverland), larry.lockshin@unisa.edu.au (L. Lockshin).

[1] Tel.: +61-8-8302-0261; fax: +61-8-8302-0442.

[2] Webster (2000) differentiates between customers and end-consumers, by defining customers as resellers. We follow Webster's lead in this paper by focusing on CDVC among sellers and resellers, rather than end-consumers, although we identify changing end-consumer demands as an 'external contextual condition' (Flint et al., 2002) impacting on business CDVC.

0019-8501/$ – see front matter © 2003 Elsevier Inc. All rights reserved.
doi:10.1016/j.indmarman.2003.06.006

Zeithaml, 1988). Firm financial value, competitive advantage, and long-term success were also related to the ability to create and deliver value for customers (Payne & Holt, 2001; Porter, 1980; Woodruff, 1997).

Despite the alleged importance of value to the customer, the concept has received little attention in the business marketing literature (Flint et al., 2002; Payne & Holt, 2001), while the extant literature on value remains in its infancy (Burroughs & Rindfleisch, 2002; Flint et al., 2002; Zeithaml, 1988). Also, value is dynamic (Flint & Woodruff, 2001; Flint et al., 2002). Firms cannot rely on past sources of value to hold into the future (Audia, Locke, & Smith, 2000; Hamel & Prahalad, 1994; Kirzner, 1997). However, there is little research on understanding how and why customers change what they value over time (Flint & Woodruff, 2001; Flint et al., 2002). Research into CDVC has been conducted on small samples, in a narrow context, has not used longitudinal methods to track CDVC, and has yet to examine the strategies used by firms to navigate and adapt to CDVC (Flint et al., 2002). Only limited research has been conducted on CDVC in the context of business-to-business networks (Flint & Woodruff, 2001). As such, Flint et al. (2002) have called for further longitudinal inductive work in this area.

This paper will examine a number of issues. Firstly, how and why does CDVC change over time? Secondly, how do firms tactically respond to changes in CDVC in a business-to-business context? Thirdly, what strategies and structures do firms who successfully navigate CDVC use? This paper is structured as follows. Firstly, a short review of the CDVC literature will be conducted. The Methods section will provide detail on the design and execution of this phenomenological study. Following a presentation of the findings, a Discussion section will examine the three aims of the paper, while the Conclusion section will identify issues for future research.

2. Literature

The extant literature on value remains in its infancy (Burroughs & Rindfleisch, 2002; Flint et al., 2002; Zeithaml, 1988). Marketing has historically viewed value from the perspective of an exchange, which involves a tradeoff between benefits and sacrifices within use situations (Flint et al., 2002). Typically, researchers now view value from a means–end, hierarchy of value perspective, whereby deep level consumer values influence customer-desired value (Flint et al., 2002; Holbrook, 1999; Payne & Holt, 2001). This framework focuses on the consequences of product/service use arising in specific situations (Woodruff, 1997). Drawing on this view, we are interested in the concept of 'customer value' (Flint et al., 2002), defined by Woodruff (1997) as "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..." (p. 142). Specifically, we are interested in studying changes in customer-desired value in a business-to-business context, whereby business customers place demands for change in the suppliers' offer and actions as a means of achieving their evolving goals or purposes.

In relation to CDVC, little research has been conducted. However, a number of researchers have made references to the dynamic nature of customer value (Flint & Woodruff, 2001; Flint et al., 2002; Fournier, 1998; Richins, 1994). Day and Crask (2000) proposed that value changes over the purchase cycle, while Gassenheimer et al. (1998) proposed that value change is related to the deterioration and failure of business-to-business relationships. Recent studies (Flint & Woodruff, 2001; Flint et al., 2002) represent early attempts to examine CDVC. Based upon exploratory, historical research in the automotive industry, Flint et al. (2002) proposed that value change consisted of changes in CDVC form and CDVC intensity. They identified four varieties of CDVC form: hierarchy level (attributes, consequences, and end states), newness (degree of newness of change), 'bar raising' (movements in industry standards), and priority change (shifts in priority among current value dimensions).

CDVC intensity related to the rate (evolutionary/revolutionary), magnitude, and volatility (scope of change) of the changes. These changes could be driven by changes to external-to-the-firm conditions (competitor moves, macro-environmental changes), or internal-to-the-firm conditions (changes in strategy, buyer demands, and internal standards) (Flint & Woodruff, 2001; Flint et al., 2002). Firms desiring value change would adopt a number of 'tension management' strategies that aimed to manage CDVC form and intensity. These strategies included locating new suppliers, building deeper relationships with suppliers in order to increase coordination, and motivating suppliers to change (Flint & Woodruff, 2001; Flint et al., 2002).

However, these studies had a number of limitations. Firstly, the authors were uncertain as to the generalisability of their findings beyond the automotive industry. Secondly, although they used theory-building approaches, they did not conduct longitudinal research as a means of tracking CDVC and its causes. Also, the small sample size ($n = 22$) led the authors to question whether they had captured the full complexity of CDVC. Their research failed to consider CDVC from the seller's perspective, including the impact of CDVC on suppliers and the result of suppliers failing to respond adequately. Finally, they did not examine how sellers managed to respond to CDVC, including the systems, structures, and strategies used to do so. The present study aims to address these limitations by examining value change between New Zealand wine exporters and their UK-based business customers, and therefore contribute significantly to our understanding of CDVC (Flint et al., 2002).