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Towards a framework of customer value assessment in B2B markets: An exploratory study

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ABSTRACT

This paper examines the key processes and activities of customer value assessment in business-to-business (B2B) markets. Given that an increasing number of B2B firms are providing combinations of products and services, or integrated solutions, the present study examines customer value assessment from the solution supplier's perspective. Specifically, based on an exploratory field study and in-depth interviews with 18 managers in three different firms, the present study identifies five key processes (i.e., value potential identification, baseline assessment, performance evaluation, long-term value realization, and systematic data management) and 11 related activities involved in customer value assessment in B2B markets, and integrates them into a managerially grounded framework. The findings from this study contribute to the literature on customer value and solution research, and provide useful insights for managers on how to assess the value delivered by their offerings to customers.

1. Introduction

Creating and delivering superior customer value is considered one of the cornerstones in business-to-business (B2B) marketing (e.g., Anderson, Narus, & Narayandas, 2009; Lindgreen, Hingley, Grant, & Morgan, 2012; Ulaga, 2011). Research on value-based purchasing, (Anderson & Wynstra, 2010), value-based selling (Terho, Haas, Eggert, & Ulaga, 2012), pricing (Liozu & Hinterhuber, 2013), and value (co)creation (Edvardsson, Tronvoll, & Gruber, 2011; Jaakkola & Hakanen, 2013) emphasizes that business marketers need to better understand how to create, communicate and deliver value to their customers. This is particularly prominent in the context of "integrated solutions", (e.g., Jacob & Ulaga, 2008; Storbacka, 2011; Windahl & Lakemond, 2010), that aim to offer greater potential for value creation beyond the individual product and service components (Evanschitzky, Wangenheim, & Woisetschläger, 2011; Ulaga & Reinartz, 2011). Yet, understanding on how the value potential of solutions can be evaluated is limited, and frameworks to understand how suppliers and customers can assess their value are needed (Ulaga & Eggert, 2006; Anderson & Wynstra, 2010).

In the customer value literature, considerable effort has been expended to examine how suppliers create and deliver value to customers (e.g., Payne & Holt, 2001; Lindgreen & Wynstra, 2005; Haas, Snehota, & Corsaro, 2012); however, less research has been conducted to examine the process through which the realized customer value is assessed (Woodruff & Flint, 2006, p. 188). Customer value assessment refers to quantifying and communicating the value created for (and with) customers (c.f. Anderson, Narus, & van Rossum, 2006; Payne & Frow, 2005). Prior research has advanced our knowledge by developing specific tools and identifying best practices for customer value assessment (e.g., Anderson, Jain, & Chintagunta, 1993; Anderson et al., 2006; Ulaga & Chacour, 2001), but they are designed predominantly for physical products, and have difficulties with assessing the value of complex and service-intensive offerings. Consequently, scholars have contended that "improved ways of measuring the delivery of customer value are required" (Payne, Storbacka, & Frow, 2008), and highlighted developing new methods for customer value assessment as a key research priority (e.g., Lindgreen et al., 2012; Payne & Holt, 2001).

In the solutions literature, delivering integrated combinations of products and services instead of individual components is regarded as a key to differentiation and higher margins (e.g., Evanschitzky et al., 2011; Ulaga & Reinartz, 2011). However, research explicating how solution offerings deliver value to customers, or improve their businesses, is scarce. In fact, several studies in the solution domain suggest that industrial firms often struggle to develop the skills and processes needed to quantify the value of solutions (Sawhney, 2006; Sharma & Iyer, 2011; Storbacka, 2011). In practice, customer value assessment represents an "Achilles heel" for many industrial firms that provide combinations of products and services, i.e. hybrid offerings and customer solutions (Tuli, Kohli, & Bharadwaj, 2007; Ulaga & Reinartz, 2011). Accordingly, more understanding is needed on specific processes and activities that relate to customer value assessment.

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This study focuses on examining customer value assessment from the solution supplier's perspective. Specifically, we examine the processes and practices that suppliers undertake in their value assessment activities. To address this both academically and managerially relevant issue, we examine the following research questions: 1) *What are the key processes for customer value assessment*? 2) *What are the specific activities that comprise each key process*?

Given the sparse literature on customer value assessment in B2B markets, we answer these questions through a qualitative in-depth study that applies a grounded theory approach (Glaser & Strauss, 1967). Based on insights generated through in-depth interviews with 18 managers from three industrial firms, we develop a tentative framework for customer value assessment comprising five key processes: value potential identification, baseline assessment, performance evaluation, long-term value realization, and systematic data management, and 11 related activities. The findings from this study contribute to the extant literature on customer value in B2B markets (e.g., Lindgreen et al., 2012) and solutions research (e.g., Evanschitzky et al., 2011) by shedding light on the key processes and activities that relate to customer value assessment. From a practical perspective, this study offers important insights for managers on how to assess the value that solutions deliver to customers.

The rest of the manuscript proceeds as follows. First, we review the extant literature on customer value in B2B markets and the solutions literature, and consider current approaches to customer value assessment. Second, we present our qualitative study and, based on the findings, tentatively propose an empirically grounded framework for customer value assessment in B2B markets. Finally, we present our conclusions, and suggest managerial implications and areas for future research.

2. Literature review

2.1. Customer value in B2B markets

Customer value is one of the most central themes in marketing and it has been discussed in several different streams of research (e.g., Lindgreen & Wynstra, 2005; Lindgreen et al., 2012). Customer value is typically conceptualized as a trade-off between the benefits and costs involved in an exchange (e.g., Ulaga & Eggert, 2006). Benefits and costs are always subjective perceptions, determined in the customer's mind (Payne et al., 2008; Vargo & Lusch, 2008) rather than specific features of a particular offering declared by the supplier (Corsaro & Snehota, 2010). Benefits and costs can be understood both in monetary and non-monetary terms (Biggeman & Buttle, 2012) such as improved revenues and costs (Grönroos, 2011), or increased trust, reputation, ease of use and decreased time, effort, and energy expended in the exchange (Aarikka-Stenroos & Jaakkola, 2012).

The contemporary literature (e.g., Lindgreen & Wynstra, 2005; Lindgreen et al., 2012) divides customer value research into two related streams: 1) the value of goods and services (i.e., offerings) and 2) the value of buyer–seller relationships. The first stream tends to focus on the more tangible aspects of customer value, such as the functionality or the practical utility of an offering, emphasizing customer value in monetary terms.[2] Recent studies in this stream suggest that suppliers should emphasize the benefits of their offerings that have the greatest impact on customers' profits (e.g., Anderson et al., 2006; Terho et al., 2012; Wouters, Anderson, Narus, & Wynstra, 2009). The second stream tends to focus on more intangible aspects of customer value, such as reputation, skills or knowledge, often referred also as intangible assets (c.f. Whitwell, Lukas, & Hill, 2007). For example, the resource-based view of the firm (Barney, 1991), service-dominant logic (Vargo & Lusch, 2008), and the resource advantage theory (Hunt & Morgan, 1995, 1996), among others, consider intangible assets as important sources for customer value. Although intangible assets are often considered a non-monetary source of customer value, in the B2B context, the support of a supplier will always have some (direct or indirect) effect on the economic result of a customer's business (Grönroos, 2011). Recent studies have provided insights on how the intangible aspects of customer value can be assessed for profits (e.g., Hogan, 2001; Walter, Ritter, & Gemünden, 2001; Baxter & Matear, 2004), but they have focused mainly on the value realized for and by the supplier. Overall, this study contributes primarily to the first stream, by examining *how solution suppliers can assess the value that their offerings deliver to customers*.

2.2. Customer value in the solutions literature

In the solutions literature, much of the research supports the notion that integrating individual components into solutions provides more value to a customer than would be delivered by the components alone. (Evanschitzky et al., 2011; Sharma & Iyer, 2011). From this perspective, suppliers do not create value solely by providing products and services to customers, but by assisting customers in their own business processes through the provision and integration of resources that fulfill specific functions for the customer (Grönroos, 2011). This is especially prevalent in B2B markets, where an increasing number of industrial firms are moving from pure product offerings towards providing combinations of product and services, or even the entire systems, (Windahl & Lakemond, 2010; Ulaga & Reinartz, 2011). Instead of bundles of products and services, customers tend to view these offerings as relational processes, comprising requirement definition, customization and integration, deployment and post-deployment support (Tuli et al., 2007). The added benefits that customers perceive from solutions are related to both skillful integration products and services into a functioning whole that fulfills customers' collective and relational goals, and to the relational processes that improve customer's operations and productivity (Tuli et al., 2007; Epp & Price, 2011; Ulaga & Reinartz, 2011). Accordingly, customers' willingness to pay higher prices is related to the supplier's ability to communicate the value that results from the offering's functionality and the relational processes (Tuli et al., 2007).

Despite the high value potential involved in solutions business, research on the value solution offerings deliver to customers remains scarce (Cornet et al., 2000; Jaakkola & Hakanen, 2013). In the solutions literature, scholars refer broadly to benefits that help "solving the end customer's problem" (Sawhney, 2006), or "satisfying customer needs" (Tuli et al., 2007), but rarely explicate their specific implications to a customer's business, especially in terms of added revenues or cost savings. From the customers' perspective, solution offerings should shift the responsibility and risks involved in selected operations to suppliers (Stremersch, Wuyts, & Frambach, 2001), and result in cost savings, performance guarantees, optimized processes, customized offerings and, ultimately, a "better or easier life for the customer" (e.g., Miller, Hope, Eisenstat, Foote, & Galbraith, 2002, p. 3; Macdonald, Wilson, Martinez, & Toossi, 2011). However, the value customers receive from a supplier's offering is often difficult to evaluate (Lindberg & Nordin, 2008) as it is often co-created with the supplier (Aarikka-Stenroos & Jaakkola, 2012), and realized in-use (Grönroos, 2011) and over time (Tuli et al., 2007). Empirical studies indicate that, in reality, the value customers realize from solutions often falls short of expectations (Tuli et al., 2007; Epp & Price, 2011).

[2] For example, several studies in this stream adopt or draw from Anderson, Jain, and Chintagunta (1993) definition of customer value as the "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 offering."