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Building competences for new customer value creation: An exploratory study

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Abstract

Recent marketing literature suggests companies to become market driving (proactive business logic, changing the rules of the market) instead of market driven (reactive business logic, customer-led). This transformation implies that companies are able to boost their capacity to create new customer value. Based on survey data of business-to-business markets, we advance a tentative model that links competence development to new customer value creation. Although exploratory in its nature, our study exhibits that companies should build three types of competences: marketing practices for external knowledge absorption, general organizational competences and supply chain/network competences. Using cluster analysis, we are able to further link these competences to the capacity of new value creation. Four clusters are detected with different degrees of expertise in new value creation and each displaying their own profile of competences. Becoming market driving requires an integrated and balanced view on marketing practices.

Keywords: Value creation; Marketing competences; Market driving; Market orientation; Value innovation

1. Introduction

This article explores the competences suppliers need to develop in order to continuously being able to create new customer value. Extant literature pinpoints the urgency of building marketing capabilities to become market oriented and to achieve a sustainable competitive advantage. Day (1994, 2002, 2003) stressed the importance of market sensing and customer linking capabilities. Lacking these capabilities, firms are more likely to get out of touch with their markets, and might be surprised by shifts in customer requirements and/or lose their ability to react or innovate. These firms will consequently lose their capacity to anticipate market changes. Moreover, flawed assumptions, misinformation and internal disagreements might slow down their reactions. On the contrary, market-driven firms are believed to have superior processes for learning about markets consisting of sensing and sense-making activities. Such firms have also developed systems to effectively capture and retain the collected market information.

More broadly, the market orientation literature looks at how '*market driven*' companies can learn about market developments, share this information within the organization and adapt the offering to the market (Kohli & Jaworski, 1990). However, companies facing professional customers and an intensified competitive arena must even go one step further, from market driven to '*market driving*' (Jaworski, Kohli, & Sahay, 2000; Tuominen, Rajala, & Moller, 2004). In fact, recent pleas for value innovation in business markets (Matthyssens, Vandenbempt, & Berghman, in press forthcoming) and other contributions stress the danger of dominant logics and persistence. Especially in the context of high-velocity markets (Bogner & Barr, 2000; Sinkula, 2002), scholars suggest that a *market driving* approach might be more apt to generate growth and build sustainable competitive advantage.

The need to become market driving is also triggered through commoditization tendencies in business markets. Fighting commoditization often implies a strategy that emphasizes expertise of companies in the business (Golfetto & Mazursky, 2004) and/or

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that offers additional services (Sawhney, Balasubramanian, & Krisnan, 2004). This strategy of pursuing growth beyond mere products (Vandenbosch & Dawar, 2002), is however a risky and complex undertaking (Sawhney et al., 2004). Accordingly, the generation of a market driving strategy focused on the creation of new customer value calls for a different set of competences (Tuominen et al., 2004).

Traditional market oriented capabilities might not be enough to face this continuous market challenge. Weerwardena and O'Cass (2004) report that entrepreneurship plays a critical role in building and nurturing market-driven capabilities. But what exactly enables a company to 'play' this value creation game?

Our previous qualitative empirical findings and literature study on strategic and value innovation (Matthyssens et al., in press forthcoming), as well as the aforementioned literature on market-driving organizations (Jaworski et al., 2000) enabled us to reveal critical elements in the capacity to create superior new customer value. We define new value creation capacity as the capacity to: 1) create a fundamentally different and/or new business model (incl. market approach), and/or 2) change the roles and (power) relationships in industry/supply chain.

This new value creation capacity is considered as the dependent variable in this paper. More specifically, we seek to identify what competences are needed to increase this new customer value capacity.

The remainder of the paper is structured as follows. First, the concept of customer value is briefly summarized and linked to supplier competences. Next, market driving versus market driven companies is discussed, giving way to the notion of new value creation competences. Next, we introduce our empirical study and elaborate on the methodology and findings. The conclusion summarizes key learning points for managers and invites researchers for future researching this area. The Appendix shows the managerial relevance of this study.

2. Customer value and supplier competences

Creating and delivering customer value is seen as a cornerstone of marketing and competitive strategy (Khalifa, 2004; Lindgreen & Wynstra, 2005) and relationship management (Payne & Holt, 2001). Customer value theory (Woodruff, 1997) stresses the importance of understanding customer perceptions of value-in-use and building the customer value hierarchy model. Suppliers are supposed to learn about customer value, create it and develop delivery processes.

Slater (1997) agrees on the importance of continuous learning about customers, but adds two important issues. First, value creation implies a dedication to continuous innovation. Secondly, companies should develop a customer value process-focused organization. Woodruff (1997) and Lindgreen and Wynstra (2005) for their part, indicate that notwithstanding the centrality of customer value to marketing, relatively little is known about it. According to them, customer value has at least two dimensions (Lindgreen & Wynstra, 2005): (a) the total value of goods and services and (b) the relationship value, which is composed of direct and indirect functions of a customer relation (Walter, Ritter, & Gemünden, 2001).

Payne and Holt (2001) made an inventory of the customer value literature and conclude that value is a broader concept than generally recognized. They further argue that an integrative frame is needed and propose a multiple stakeholder view for relationship value management.

Also Khalifa (2004) synthesized the recent literature on customer value and he too, concludes that the concept of customer value "…is one of the most overused and misused concepts in social sciences in general and in management literature in particular" (:646). He proposed an integrative model that reflects the concept's richness and complexity. This approach builds on three perspectives from prior conceptions: the value components model, the benefits/costs ratio model, and Woodruff's (1997) means-ends value hierarchy model. In his conception, Khalifa looks at three complementary viewpoints: the value exchange model, the value build-up model and the value dynamics model. This triple conception starts from a benefits–costs perspective. The second component describes how intangible benefits can be added by focusing on the customer 'as a person' and on the relationship as an interaction. As such, not only functionality is offered to the customer but also a solution, experience or meaning. The third component looks at the dynamics of value by introducing value magnifiers and destroyers. To be able to provide customers with superior value, the firm should grasp the forms and dynamics of the customer value model.

From our point of view, Khalifa's conception is attractive in two respects. First, it pinpoints the importance of adding additional benefits to customers; a claim also made by the strategic marketing literature. Solutions (e.g., Sawhney et al., 2004), experience and meaning (e.g., Vandenbosch & Dawar, 2002) are frequently suggested as value enhancers. Second, it stresses the continuous need to add additional and new value attributes. Webster, Malter, and Ganesan (2005) consider the latter a clear break with the past 'short-termism' of marketing literature.

Such a dynamic value approach forces suppliers to develop *additional* competences besides the traditional marketing capabilities described in the market orientation literature (Day, 1994; Kohli & Jaworski, 1990): both the value of organizational and supply chain competence have been reported. Concerning the former, entrepreneurial skills come to play a vital role in building market driving capabilities (Tuominen et al., 2004). Furthermore, culture, people and organizational design are crucial elements in the migration to service additions (Sawhney et al., 2004). Furthermore, a (coordinated) supply chain competence to supplement the 'customer value process focused organization' is suggested by, for example, Flint (2004).

3. Market driving versus market-driven: how to build new value creation competences?

In the introduction to this paper, we mentioned the distinction between being market-driven, or, in contrast actively driving the market. Jaworski et al. (2000) introduced this distinction in order to refine the market orientation literature.

Essentially founded on the cultural definition by Narver and Slater (1990) and the behavioral (market information processing) definition by Kohli and Jaworski (1990), market orientation has