

Role of competences in creating customer value: A value-creation logic approach[☆]

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Received 19 October 2005; received in revised form 21 March 2006; accepted 13 April 2006
Available online 10 July 2006

Abstract

This paper addresses the issue through what kind of competences companies are producing value for their business customers. First, a value typology, clarifying the complex character of value, is constructed, together with suggestions on how the question of value creation can be framed. In order to understand and manage supplier–customer relationships, it is essential to comprehend how both customers and suppliers perceive value and their roles in value creation. The matching of customers' and suppliers' perspectives is discussed by developing a framework depicting the business-to-business marketing types. Then the competences needed for creating value for customers and suppliers alike are examined by identifying what kind of competences are required in each marketing type.

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Keywords: Customer value; Value creation competences; Relationship marketing; Value-creation logic; Supplier–customer relationships

1. Introduction

What constitutes value in business-to-business marketing, how is value perceived by the supplier and by the customer, through what kind of competences and processes is value produced? Golfetto and Gibbert, the Guest Editors of the Special Issue on “Creating value for the customer through competence-based marketing,” suggest that suppliers and customers do not always agree on what constitutes ‘value.’ In their words, “Whereas suppliers still focus on the level of products, buyers are more interested in suppliers’ competences, e.g. the ‘availability’ of the supplier, the efficient delivery of the supplier’s solution, and the supplier’s expertise in the customer’s own business.”

These questions and the point made are related to an important discussion on the ability of the Resource-Based View (RBV) (e.g. Barney, 1991, 2001; Wernerfelt, 1984) to offer a viable theory of competitive advantage. Several marketing and strategic management authors argue that RBV, because of its basically intra-organisational orientation, does not adequately cover

the fundamental processes by which resources are transformed into something that is of value for customers (Priem & Butler, 2001; Srivastava, Fahey, & Christensen, 2001; Zerbini, Golfetto, & Gibbert, 2003). Although RBV recognizes that “the value of the firm’s resources and capabilities is determined by the market context within which the firm is operating.” (Barney, 2001, 645) and that such marketing related resources as brands and customer and distribution relationships are valuable (Srivastava et al., 2001) it does not address the processes of transforming resources and capabilities into customer value. This is paradoxical as these processes can be considered as highly important competences themselves. Golfetto (2003, p. 7) expresses this eloquently “...the market-based-competences view requires the supplier to develop a clear understanding of its own competences, not so much in ‘internal terms’, but in terms of customer benefits.”

Because of its internal character RBV has also tended to overlook what can be called relational perspective emphasizing the role of joint exploitation and creation of resources by the supplier and the customer in value production (Dyer & Singh, 1998; Möller & Törrönen, 2003; Ulaga & Eggert, 2005; Zerbini et al., 2003). Relational perspective has received strong empirical support by the IMP Group research on industrial customer–

[☆] This study is part of the Liike 2 Programme of Academy of Finland.

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supplier relationships (Håkansson & Snehota, 1995; Ritter, Wilkinson, & Johnston, 2004), which indicates that the competences of both parties are generally needed in successful customer, and supplier, value creation.

The questions posed and the phenomena involved, customer and supplier value creation, and the competences involved, are highly relevant to understanding 21st century business marketing in general and supplier competitiveness in particular. The urgency of these questions is related to the fundamental change which is transforming business markets.

There is increasing evidence of an unprecedented growth in supplier–customer collaboration, partnerships and network formation resulting from firms' extensive externalization of their business activities, except for those providing competitive advantage (Achrol & Kotler, 1999; Brandenburger & Nalebuff, 1996; Gulati, 1998; Powell, Koput, & Smith-Doerr, 1996; Spekman, Isabella, & MacAvoy, 2000). This process is driven by several factors (Möller & Halinen, 1999; Ritter & Gemünden, 2003). Global competition forces firms to increase their operational efficiency leading to outsourcing and higher specialization. Another aspect increasing the cost of operation is the rapidly advancing technological complexity. Most industries are becoming more knowledge-intensive. Multiple technological platforms are needed to master the development of, for example, the next generation of telecommunication systems and services, Internet services and pharmaceuticals; even automobiles are turning into computer controlled vehicles. The need to be able to combine several competences is enhanced by customers' request of more extensive offerings including not only the core product or service but financing, installation, service and maintenance, upgrading and disposal (Ford et al., 2002; Golfetto, 2003; Ulaga & Eggert, 2006). This calls for collaboration between different service providers demanding networking capabilities (Möller & Svahn, 2003; Ritter et al., 2004).

The identified pressures on resources and competences contain an inherent paradox. On the one hand, competition and the expanding scale of business operations press firms to specialize in a narrowing set of core competences. On the other hand, both business and consumer customers demand more extensive offerings, even solving their problems for them, because this creates ultimate value for customers. How to master these contradicting tendencies, how to produce extensive offerings in spite of increasing specialization? Can this be done without involving more and more also the customers and their competences in the value creation? The recent views within relationship marketing (Vargo & Lusch, 2004) and the interaction approach of the IMP suggest that customers have a prominent role in the final value realisation. The role of customers is also recognized, although more implicitly, in the knowledge-based view literature where the absorptive capacity construct presumes a certain learning competence before a supplier (customer) can utilize the customer's (supplier's) resources or learn from him. In this sense, there has to be a level of competence overlap or redundancy before value can be accrued (Cohen & Levinthal, 1990; Zahra & George, 2002).

The discussed shortcomings in the existing RBV research and in the competence-based-marketing literature are not trivial.

There is a clear need for research that explores inter-organizational collaboration in value-production where the traditional roles of suppliers and customers are becoming more complex and intertwined, and where the players have to be able to develop new collaborative competences. This paper addresses these issues by discussing first what kind of value business customers are expecting from their suppliers and how the expected value can be created. A value typology, clarifying the complex character of value, is constructed together with suggestions on how the question of value creation can be framed. In order to understand and manage supplier–customer relationships, it is essential to comprehend how both customers and suppliers perceive value and their roles in value creation. The matching of customers' and suppliers' perspectives is discussed by developing a framework depicting the business-to-business marketing types. Then the competences needed for creating value for customers and suppliers alike are examined by identifying what kind of competences are required in each marketing type. This involves exploring the competence combinations of the supplier and buyer, and discussing the factors that act as barriers to or enablers of competence transfer and the co-creation of competences. Managerial suggestions conclude the paper.

The issues to be discussed are both extensive and complex. We have chosen to emphasize the relational value creation aspect and competences related to it as this domain has received much less attention than the so-called market-related resources and competences domain in general (Day, 1994; Morgan & Hunt, 1994; Srivastava et al., 2001; Zerbini et al., 2003). A primarily dyadic level of analysis is chosen, although it is recognized that this is a great simplification of the network of business relationships influencing the behaviour of both buyers and sellers (Ford & McDowell, 1999). Relationships, however, form the constituent units of networks, and as such our results will also be relevant for networked value production.

2. Types of value and value creation in business marketing

Value and perceived value have received considerable attention in literatures on such wide-ranging issues as pricing, consumer behaviour, business marketing, and strategy. Based on an extensive review of value studies Ulaga and Eggert (2005, 75–76) identify four recurring characteristics: (1) customer value is a subjective concept, (2) it is conceptualized as a trade-off between benefits and sacrifices, (3) benefits and sacrifices can be multifaceted, and (4) value perceptions are relative to competition. They summarize further that “On a high level of abstraction, customer value is defined as the trade-off between the benefits and the sacrifices in a market exchange”.

This received view contains a number of limitations. First, it views value predominantly from a buyer's perspective, and in a more limited manner from a supplier's perspective. Second, by focusing on such value creation where the value is embodied in a marketable offering, the received view is silent about the joint value creation requiring combined activities of the buyer and the seller. Third, the view does not provide much guidance on such supplier–buyer activities which create value that is only realized

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