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Nature and role of customer satisfaction in the solution business

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ABSTRACT

The paper focuses on the solution business. Here we argue that the strategy can only lead a company to perform better if it encompasses a direct and positive effect on satisfaction with a supplier's consulting capabilities. Hence we introduce the concept of consulting satisfaction, identify antecedents and analyze its consequences. To do so, we apply a mixed-methods approach. Content analysis from open interviews with company professionals yields a list of antecedents of consulting satisfaction used to devise a set of hypotheses. The latter was translated into a questionnaire based measurement instrument in order to first collect and then analyze data from a larger sample survey. Since three of the antecedents could not be supported by our study, possible explanations are presented. With our approach we tap new dimensions of solutions research. First, we inaugurate research on buying behavior within the field of solutions. Second, we stress the role of capabilities in this field and extend service–profit chain thinking. And third, we present consulting satisfaction as a lever to translate the S-D logic of marketing into more practical applications. To our knowledge this is a novel insight and can help industry decision makers better prepare for the solution business.

Introduction

The dynamic nature of markets and ever-increasing competition means companies remain on a permanent quest to find new ways to differentiate themselves from competitors (Alderson, 1957; Day & Wensley, 1983; Hunt & Morgan, 1995; Morgan & Hunt, 1994). A possible route to differentiation in business markets in particular is to implement a customer solution strategy (Ceci, 2009). Solutions refer to "combinations of products and services that solve specific problems" for the customer (Davies, Brady, & Hobday, 2006, p. 43; for an overview of various definitions, see Toellner, Blut, & Holzmueller, 2011). Therefore, this strategy involves a "level of customization and integration that sets solutions above products or services or bundles of products and services" (Johansson, Krishnamurthy, & Schlissberg, 2003, p. 118; see also Tuli, Kohli, & Bharadwaj, 2007), so a supplier who adopts it likely can attain and maintain a competitive advantage.

Yet prior research has not conclusively confirmed the effectiveness of a solution strategy. Prencipe, Davies, and Hobday (2003) provide anecdotal, case-based evidence that a solution strategy enhances firm performance, whereas Hancock, John, and Wojcik (2005) paint a darker picture with industry survey data that suggest no positive effect (see also Bertini & Wathieu 2012; Simonson 2005). We posit that this inconsistency is due, at least partly, to the omission of a critical contingency parameter from these studies, namely, customer satisfaction (as notable exceptions see Bertini & Wathieu 2012; Ceci & Masini 2011). Instead, most research focuses on the link between the degree to which the firm implements a solution strategy and the company's overall business performance (e.g., Fang, Palmatier, & Evans, 2008; Smirnova, Naudé, Henneberg, Mouzas, & Kouchtch, 2011) and uses the level of correlation between these two parameters to assess supposed causality. But this approach neglects the pivotal role of the customer in the chain of effects that moves from company strategy to company performance (Simonson, 2005). This role is particularly prominent in a service–profit chain (Heskett, Jones, Loveman, Sasser, & Schlesinger, 1994) in which customer satisfaction is indispensable for explaining the effectiveness of any operating strategy. There is no good reason to ignore this impact in the context of a solution strategy. This has also been acknowledged by Davies, Brady, and Hobday (2007) when they call for more customer centricity in solutions selling and a special emphasis on customer consultancy as a defining feature of solutions. We therefore investigate the specific effects of a solution strategy on customers' satisfaction with a supplier's consultancy performance—that is, on consulting satisfaction. Determining these effects should help clarify the general advisability of a solution approach to market differentiation, as well as detail customer-related drivers and constraints of solution strategy success. To our knowledge, this contribution is novel to marketing literature.

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In turn, we demarcate the specific research goals that guided our efforts. First, we aim to identify the antecedents of customer-perceived satisfaction with the solution supplier's performance, which we refer to as consulting satisfaction. Second, we examine the outcomes of consulting satisfaction across the service–profit chain. Third, on the basis of our findings, we outline theoretical contributions from our research and also suggest practical recommendations for customer solution providers. To pursue these objectives, we use business-to-business markets as a general setting.

We begin by considering extant theoretical and empirical findings that suggest a general framework for understanding the meaning and relevance of consulting satisfaction within a solutions context. Our first study combines interviews and content analysis to pinpoint and define the key categories. With these categories, we can derive a set of hypothesis pertaining to solution-specific antecedents and consequences that relate to consulting satisfaction. In a larger, more structured survey, we also validate these hypotheses. Finally, we conclude with a discussion of the implications of our findings for theory and practice.

Theoretical background

The solution as a strategy

The origins of solutions as a strategic approach to creating a competitive advantage can be traced to Ansoff and Stewart's (1967) taxonomy of four marketing strategy types: application engineering, first to market, follow the leader, and me-too. The application engineering strategy is "based on product modifications to fit the needs of particular customers" (Ansoff & Stewart, 1967, p. 81); it anticipates what we now call a solution strategy. Wheelwright (1984) also identifies manufacturing flexibility as a key support for such a strategy. Lampel and Mintzberg (1996) contrast the logics of individualization and aggregation in strategic planning, noting that the latter characterizes a company perspective that regards customers and their demands as homogeneous and therefore justifies mass production and product standardization as strategic paradigms. In contrast, the logic of individualization acknowledges individual customer idiosyncrasies, in support of an approach to business in which "the individual customer can be deeply involved in every aspect of the transaction and expects key product decisions to be negotiated jointly" (Lampel & Mintzberg, 1996, p. 23). Although the main focus of this research stream remained on customization, rather than solutions, it provides a viable foundation for our current discussion (see also Ghosh, Dutta, & Stremersch, 2006). Not too much later the terms "solution" (Shepherd & Ahmed 2000) and "integrated solution" (Wise & Baumgartner 1999) were introduced to label the focal strategy.

Other authors have sought to define success mechanisms for a solution strategy more analytically, in relation to the concept of customer value (Sawhney, 2006), which refers to the customer's "overall assessment of the utility of a product based on perceptions of what is received and what is given" in a market exchange (Zeithaml, 1988, p. 14; see also Anderson & Narus, 1998). Solutions maximize customer value by increasing the benefit received from an exchange, because the designed product/service features and functionalities perfectly match the customer's idiosyncratic requirements (Brady, Davies, & Gann, 2005). A supplier of solutions thus enjoys a comfortable position from which to leverage the benefits of applying a pricing strategy that indexes the created value (Franke, Keinz, & Steger, 2009; Roegner, Seifert, & Swinford, 2001). That is, the strategy maximizes customer and supplier advantages simultaneously (Sharma & Iyer, 2011).

Industry data concur that companies in business-to-business markets often adopt this formula to ensure their market success (Frauendorf, Kaehm, & Kleinaltenkamp, 2007). Accordingly, we argue that a customer solution strategy is widely accepted in practical marketing and topical for marketing research.

Shift from product to capability

Following a solution strategy has significant implications for how the company can define its offering (Windahl, Andersson, Berggren, & Nehler, 2004). Perhaps the most noticeable effect pertains to the final product and its marketing role. That is, in traditional settings, pre-manufactured products constitute an input, contributed by the supplier to transactions. With a solution strategy, they become an output, jointly created by both supplier and customer. The "product" is largely deprived of its power to stimulate customers to buy or provide a marketing instrument for suppliers (Kleinaltenkamp, Ehret, & Fließ, 1996). Therefore, companies need to reconceptualize their offering by shifting their focus from products to capabilities (Shepherd & Ahmed, 2000; Storbacka, 2011). The company's pool of resources and competencies determines its ability to develop profound solutions that attract solution customers (Li, 2011). Capabilities in this context are enduring skills that a company possesses and can activate repeatedly, for the purpose of creating advantages for customers (Day & Wensley, 1988). In this case, capabilities replace products as the focal category for marketing planning and action.

Several authors (e.g., Ceci, 2009; Dhar, Menon, & Maach, 2004; Jacob 2006; Shepherd & Ahmed, 2000) also identify more detailed capability profiles for solution businesses, usually related to the relevance of those capabilities for customer consultancies (Davies et al., 2007). This capacity involves "the ability of an organization to understand the needs of its customers and tailor solutions to those needs" (Ceci, 2009, p. 30). A supplier's consulting capabilities are essential for solutions because of the vast amount of customer uncertainty that characterizes demand for solutions (Dhar et al., 2004). Customers often have great difficulty expressing the character of their problem or articulating it to their supplier (Kleinaltenkamp et al., 1996; Simonson, 2005; Tuli et al., 2007), so suppliers need a consultancy dimension to their market offering (Helander & Moeller, 2008), whether to clarify complex issues, specify customer requirements, or evaluate alternative routes to meet demands (Toellner et al., 2011). Firms "moving into the provision of integrated solutions... will have to be able to leverage a number of additional capabilities, including... business consulting" (Davies, 2004, p. 746; also Ceci & Prencipe, 2008). One approach that features consulting as a permanent component of a supplier's market offering is consultative selling (Hanan, 1986), which reflects the general emphasis on value and value-based marketing (Anderson, Narus, & Narayandas, 2009; Le Meunier-Fitzhugh, Baumann, Palmer, & Wilson, 2011). In this scenario, customer consultancy capabilities represent a distinguishing feature of a supplier's customer solution offerings.

Solutions as services

Wise and Baumgartner (1999) include customer solutions as one way a manufacturing company can transition from products to services in business markets (in addition to product-related services, product-embedded software, and deeper distribution channels). They stress the reciprocity of solution and service (Davies, 2003; Salonen, 2011). In particular, specific service characteristics mark customer solutions: Intangible competencies replace tangible product features as a unit of marketing planning, and resources represent input into transactions rather than products that appear merely as output (e.g., Le Meunier-Fitzhugh et al., 2011; Matthyssens & Vandenbempt, 2008; Vargo & Lusch, 2008). In introducing the service-dominant (S-D) logic for marketing, Vargo and