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The external effect of marketing accountability in business relationships: Exploring the role of customer perceived value

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ABSTRACT

This paper explores where and how marketing accountability of a supplier meets customer perceived value in a business relationship setting. If the supplier's firm implements marketing accountability processes, marketing activities are improved, as well as the communication of the value proposition to customers. The supplier's value proposition is in turn reflected through the creation of superior customer perceived value, which triggers attitudinal and behavioral value outcomes. Hence, the marketing accountability of the supplier, through its external manifestation with customers, ultimately influences the supplier's financial results. The aim of the paper is to discuss the external effect of marketing accountability in a business relationship context, which is often suppressed by the prevailing focus on the internal manifestations of marketing accountability, or the inside-out approach. As marketing accountability is an evolving field, bibliometric co-citation analysis is carried out to gain a better understanding of the marketing accountability's domain and scope. On the grounds of the relationship marketing theory and resource-based view, qualitative research was carried out and insights from interviews with marketing managers from different industries were analyzed. The paper concludes by suggesting the operationalization of the marketing accountability construct and pointing out the need for a multilevel and dyadic design of further empirical studies for testing the proposed external effect of marketing accountability.

1. Introduction

The question of accountability has recently been reinforced in marketing theory (McDonald, 2010; Verhoef & Leeflang, 2009). The American Marketing Association (2005, p. 1) defines marketing accountability as, "The responsibility for the systematic management of marketing resources and processes to achieve measurable gains in return on marketing investment and increased marketing efficiency, while maintaining quality and increasing the value of the corporation." Therefore, marketing actions should be connected with the financial results of the company (Stewart, 2009) in order to prove marketing's contribution (O'Sullivan & Butler, 2010). This step is crucial for marketers when arguing for a marketing budget and when proving the importance of marketing activities in the firm. However, interpretation of the marketing accountability definition and underlying structure of the concept itself remains vague. Researchers still need to unveil the dimensions of the marketing accountability concept and to help marketers in firms to implement marketing accountability in the best way possible. Namely, there is still a question of how marketing accountability is to be achieved in firms. This paper contributes to answering this question and at the same time points out that marketing accountability is not only important for a firm's internal processes, but that it also has external effects on consumers in business relationship settings.

One of the main tasks of marketing in a firm is to provide and communicate a value proposition to customers. There are enduring debates on the different facets of value. Many researchers are particularly focused on customer perceived value, which is defined as "… the customer's overall assessment of the utility of a product based on perceptions of what is received and what is given" (Zeithaml, 1988, p. 12). We see customer perceived value as a trigger for attitudes and behavior, and therefore it is of particular importance in value analysis. Customer perceived value cannot be controlled by a company directly; however, different actions of the company, especially appropriate marketing actions and marketing tools employment, have an impact on customer perceived value.

This paper aims to establish a link between marketing accountability and customer perceived value in a business relationship setting. We start from the view that demonstrating marketing accountability is necessary for improving marketing's position within a firm. Hence, if the supplier's firm implements marketing accountability, marketing activities can deliver a better value proposition for clients, which is the essence of business marketing (Anderson & Narus, 2004). An increase

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in value perceptions is connected to an increase in perceptions of different value antecedents, such as a supplier's reputation and trust. The greater the value perception, the more likely the value outcomes will be favorable for the supplier firm, which is reflected in the supplier's financial results. This means that marketing accountability in the supplier's firm externally affects customer perceived value. Its internal effects are evident through increased marketing efficiency and improved marketing activities, while external effects are apparent through the better value proposition for clients. In order to link marketing accountability and customer perceived value, we apply the relationship theory and resource-based view driven perspective to marketing accountability and its constituents.

In the paper, we first present the theoretical framework on the external effect of the supplier's marketing accountability and review accountability and customer perceived value. We analyze marketing accountability and related fields through bibliometric co-citation analysis, exploring the basic building blocks of this area in order to form a proposal for the conceptualization of the accountability concept. Furthermore, we concisely present previous research findings on the domain and scope of perceived value and propose an adapted definition of customer perceived value in a business relationship. In order to link theoretical framework with practice, we conduct exploratory research through a series of interviews with managers from different sectors. Finally, we suggest an operationalization of the marketing accountability construct and research design of further empirical studies for testing the proposed external effect of marketing accountability.

2. Theoretical framework

The link between accountability and customer perceived value was never explicitly drawn in previous research. However, a review of established theories and prior research in related fields shows evidences that such a link should exist. Based on Day's (1994) framework, we argue that marketing accountability should be positioned as the distinctive capability of a firm and that marketing accountability as such influences actions and performance of the firm. Gupta and Zeithaml (2006) state that, in order to ensure marketing accountability, the link between customer metrics and profitability should be better understood. The theoretical framework for customer metrics and their impact on firms' financial performance starts with firms' external actions (labeled as “what firms do”), which impact perceptual/unobservable measures (“what customers think”), which then in turn impact behavioral outcomes/observable measures (“what customers do”), and in the end impact the financial performance of the firm (“what firms get”). They propose that unobservable measures, such as perceived value, have both direct and indirect effects on the performance of the firm. Through the framework given by Gupta and Zeithaml (2006), marketing accountability is linked with the antecedents and consequences of perceived value, as well as value itself.

It is well known that value represents a cornerstone of business relationships (Anderson & Narus, 2004). Value is defined as the worth of the supplier's offer, taking into account all its benefits and sacrifices. Supplier firms are focused on understanding, creating and delivering value to customer firms. One of the main challenges for suppliers is in showing that their value proposition is superior relative to their competitors' offers (Anderson, Kumar, & Narus, 2007). Here we argue that together with the tactics for managing and demonstrating superior value proposed in Anderson et al. (2007), supplier's marketing accountability can additionally facilitate this process. On one hand, marketing accountability assumes the efficient management of marketing resources and clear presentation of marketing effects on the financial statements of the firm. On the other hand, utilizing this approach increases the efficiency of standard marketing tools such as brand and reputation management, trustworthiness and relationship focus. Thus, capitalizing on superior value is enabled if marketing accountability is in place in the supplier's firm, yet this capitalization can be accomplished only through the external effect of marketing actions on customers and their connection with customer perceived value.

The construct of perceived value plays an important role in relationship marketing theory (Grönroos, 1996). Relationship marketing is presented as a resource-oriented perspective, while the importance of the value perceived by customers is strongly pointed out in the framework. Namely, “only activities which produce value for customers should be tolerated” (Grönroos, 1996, p. 10). On the other hand, perceived value is presented as the unobservable measure in the customer metrics framework based on the resource-based view (Gupta & Zeithaml, 2006). Here, the relationship marketing perspective meets the resource-based view, and the concept of value emerges from both theoretical bases.

The resource-based view (Wernerfelt, 1984) is a bastion for many theoretical frameworks. This is also true for the framework explaining the capabilities of market-driven organizations (Day, 1994), which facilitates the link we are drawing between marketing accountability and customer perceived value. Distinctive capabilities are built by business assets, the capabilities of the business and the competencies of the corporation. When created, these building blocks directly position the competitive advantage and distinctive capabilities of a firm, which in turn influence the performance outcomes of the firm. This is how the resource-based view explains what leads to the business performance of a firm. Accordingly, marketing accountability can be viewed as a distinctive capability of a firm that serves to increase business performance. As such, marketing accountability represents capabilities, a central construct in resource-based view (RBV), which is defined as “an organizationally embedded non-transferable firm-specific resource whose purpose is to improve the productivity of the other resources possessed by the firm” (Makadok, 2001, p. 389).

The importance of the resource-based view for marketing (and vice-versa) is now emphasized more than ever (Barney, 2014; Day, 2014; Kozlenkova, Samaha, & Palmatier, 2014; Wernerfelt, 2014). In line with recent discussions, we use the resource-based theory to show the connection between marketing accountability and customer perceived value. This can be concluded from the four different perspectives of RBV in the marketing field as summarized by Kozlenkova et al. (2014), and which are in line with our proposition on accountability in the following ways: (1) marketing strategy is used as a primary marketing domain in this paper, while accountability and value reflect strategic issues in business relationships, (2) the client's perceptions of market-based, intangible resources is assessed, such as reputation, trust and relationship quality with the supplier, and we postulate that their effect on value is stronger if accountability is in place in a supplier's firm, (3) the discussion is extended to the exchange level of analysis, which means that we examine “socially complex resources … trust- and value-based relationships … between firms” (Barney, 2014, p. 24), and finally (4) we bring RBV closer to the related relationship marketing theory.

Marketing accountability can be understood as a distinctive capability of the firm (Day, 1994), derived from the combination of (1) the firm's assets, (2) its business capabilities and (3) the core competencies of the corporation. Core competencies should reflect competencies of the senior executive who is in charge of marketing. The basis for this proposal is evident from the work of Prahalad and Hamel (1990), where the core competence of the firm is “communication, involvement, and a deep commitment to working across organizational boundaries” (1990, p. 5), all of which are built by senior executives of the firm.

We also conclude that marketing accountability as a distinctive capability serves to increase business performance. Business performance is mostly assessed by indicators from the financial statements of a firm. Focusing on internal competitive advantages and unique competencies may help a firm to lower negative effects (e.g., lower costs or expenses), while internal actions seldom increase positive effects (e.g., lowering the firm's liabilities) in the financial statements. In order to increase positive effects and have stronger influence on performance, evidence