

Saimaa University of Applied Sciences
Master of Business Administration Lappeenranta
Degree program in International Business Management

Sergei Medvedev

Marketing mix design based on customer value analysis

Thesis 2018

Abstract

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Instructor: Senior Lecturer Anu Kurvinen, Saimaa University of Applied Sciences.

The aim of the study was to determine the Case company product's perceived value, to identify potential value drivers and make recommendations on how to create, improve and deliver customer value.

The theoretical part of the master's thesis focused on value essence, carrying out assessment, determination of value drivers, development of customer value propositions and communicating it with the market. The empirical part included both qualitative and quantitative approaches. There were in-depth interviews used to determine value attributes as a basis for competitive comparison, uncover customer attitude and expectations in line with getting insights from customers based on their experience and market expertise to utilize received knowledge in the marketing plan. Customer surveys were employed to measure the attributes' relative importance and performance to build customer value map showing the current status of customer perceived value.

Findings, received in the empirical part, were then used to design a relevant marketing mix complex, to improve customer perception and deliver customer value to the targeted audiences. The results of the study could be applied further by the Case company on how to use this framework for other segments and products which were out of the scope in this research.

Keywords: Marketing Mix, Customer Value Proposition, Value Map, Importance performance analysis

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1 Introduction

In the public version of the thesis the empirical part and summary are left out due to the commercially sensitive information.

The chapter highlights the general information about the Case company and specifically what and how it is going to be studied. It also covers a variety of literature to be researched.

1.1 Background

Rotork is a leading company in flow control automation. It is one of the world's biggest designers and producers of actuators, gearboxes and instruments. Rotork products are used in a variety of applications including oil and gas, water, power, petrochemical, marine and many other markets, all in one, where flow control function is needed. Many of the products are used in mission-critical applications. The group includes four business units: Controls, Fluid Systems, Gears, Instruments along with cross-divisional Site Service Team which provides planned and emergency works for all Rotork products worldwide. (Rotork annual report 2017.)

The group serves clients worldwide, in 168 countries through its own offices, manufacturing sites and sales local partners such as agents and distributors. The revenue split by end-destination markets shows that oil and gas occupies the half of the total group income while the rest are water (13%), power (15%), industrial and other markets (22%). Controls division which includes electric actuators for a wide range of applications as on-off and process ones occupies 49% (325,2 M GBP) in a total group revenue which reached the mark of 642,2 M GBP in 2017. (Rotork annual report 2017.)

The scope of this study implies products manufactured by Schischek GmbH, the German manufacturer which was acquired by Rotork in 2013 to join Control division.

Historically Rotork has grown through a combination of organic expansion and acquisitions. Schischek has been a leader in the design, manufacture and sale

of explosion-proof electric actuators, principally for the heating, ventilation, and air conditioning (HVAC) market place. The company has been founded in 1975 and since then, became a reliable partner for HVAC designers, automation companies, contractors, HVAC installers, OEM manufactures and for end-users. (Rotork GmbH 2018.)

The acquisition of Schischek aimed to enhance Rotork's range of electric actuators in its Controls division. Geographically, acquisition of Schischek could empower Rotork position in Germany and Central Europe market. In terms of product portfolio, Rotork extended its product range in small actuators. One of the most important issues, what was behind the acquisition, lies in the position of Schischek as a market leader of high specked actuators for HVAC which is considered to become a door for the whole Rotork group to the new end-user destination sector. (Rotalk magazine 36 issue, 2013.)

After the acquisition, a subsidiary of Rotork - Rotork RUS, LLC became responsible for sales and marketing of Schischek product range on the markets of Russia and CIS countries.

There is no direct competitor on the Russian market with the same product, which is an explosion proof actuator specially designed to be used for HVAC industry. There have been some Schischek actuators supplied to a few projects in Russia as a part of other products such as different types of dampers or to be used in air handling units. Before Rotork RUS took over responsibility for Schischek in Russia, the number of products supplied was insignificant compared with the alternative. The standard application, which is considered as a competitor in the thesis, as damper automation on explosion proof HVAC Russian market is made of non-explosion proof actuator installed in an explosion proof casing (Figure 1, left side).



Figure 1. Two competing actuation solutions for explosion proof HVAC (Author's photo- left side, right side - Rotork Schischek HVAC product catalogue, Rotork GmbH, 2018)

Figure 1 represents two competing solutions for HVAC applications with a requirement related to explosion proof atmosphere. There are different casings used as well as there could be different non-explosion proof actuators fixed inside casings (Figure 1, left side). Despite of minor differences between such implementations, the offering on the left generally represents one possible solution which is studied in the thesis in comparison with the specially designed Schischek quarter turn actuator (Figure 1, right side).

1.2 Research questions, objectives and delimitations

Schischek actuators have advantages versus a variety of similar competing offerings which are used in Russia and CIS, but the costs and consequently the price of such an actuator is considerably higher than what is traditionally used on the market.

The purpose of the thesis was to analyse the position of the Case company's products on the Russian market in terms of customer product's perceived value, to identify potential value drivers and make recommendations on how to build and deliver customer value through a design of marketing mix complex. Since the moment when Rotork RUS took responsibility over sales of Schischek products in Russia, the sales increased significantly. This work should play an important

role so that based on four years' experience of sales on the Russian market it is time to structure results and take next steps for increasing the market share.

The key markets for Schischek product range are Oil and Gas and Chemical markets, those ones which are under challenging conditions today due to on-going weaknesses of the oil price worldwide and in Russia particularly. It resulted in growing the competition which requires to find new approaches in marketing and promotion to become a part of the updated marketing plan.

Besides the practical objective of the study to find a way to increase a market share, there is one more justifier for such a work. Schischek products represent for the Russian market a step forward in providing safety for projects where explosion proof is required. Therefore further effective promotion will contribute to the development of the higher safety standards in levelling the market up in Russia. The author takes this challenge as a socially significant aspect.

Considering the purpose of the thesis, the main research question is

RQ: How to design a marketing mix to increase the market share on the Russian market?

To create a marketing plan a cascade of the following sub questions should be answered:

SRQ1: What are attributes that matter to customers, what is important to customers when making a decision?

SRQ2: What is today's customer perception of Schischek products in relation to the competitors' ones?

As products are characterised by premium pricing while the competition places in economy price segment, we also need to understand:

SRQ3: How to educate the market to fully appreciate added values that Schischek products bring?

SRQ4: How to secure that our customer value can generate higher profit level?

SRQ5: Is there a way to create a customer value not incorporated in a product?

In order to explore these research questions to come up with our specific objectives, several delimitations are set. The thesis examines the market in Russia where all Case company's products and price limits are accepted as given and not changeable data (the products are imported from the factory in Germany upon defined level of price). Therefore, the marketing mix implies mainly 3 P's such as Promotion, Place and People, out of 5 P's, leaving Product and Price to be covered briefly.

There is one more delimitation related to several products studied. The typical Air Handling Unit used in a ventilation system consists of a number of components to which different Schischek products are used (Figure 2).

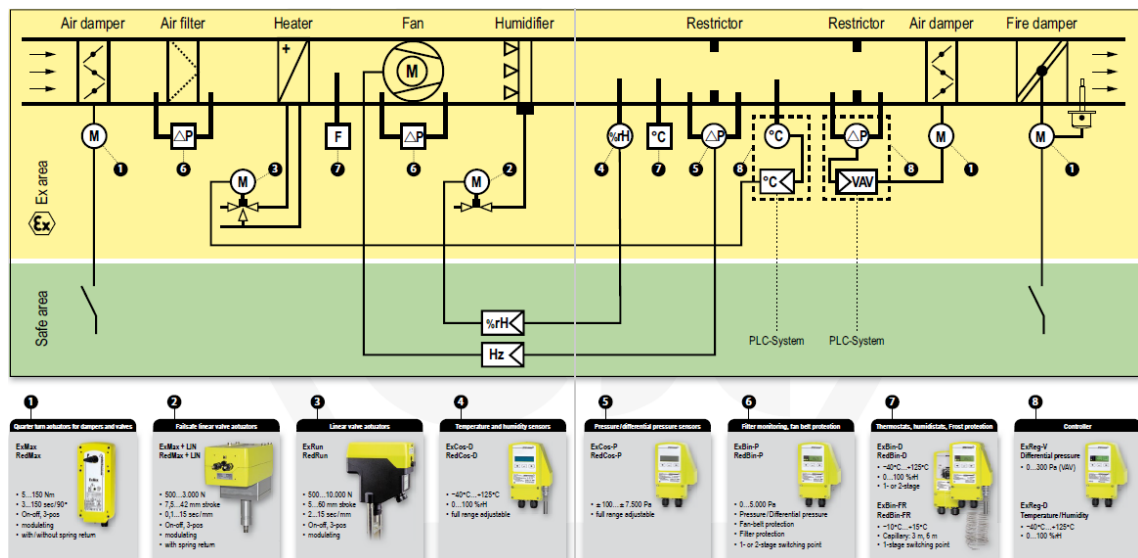


Figure 2. The typical air handling unit with location of Schischek products' applications (Rotork Schischek HVAC product catalogue, Rotork GmbH, 2018).

The picture above shows a variety of Schischek products. There are linear actuators which are used to manage valves, sensors and controllers designed to work with fans, humidifiers, air filters and restrictors. The subject of this study is limited only to quarter turn explosion proof actuators which are used for different dampers' automation (marked 1 on Figure 2). (HVAC product catalogue, Rotork GmbH, 2018). This is a core product of Schischek product portfolio (Figure 3).



Figure 3. Quarter turn explosion proof actuator installed on a damper (Rotork Schischek HVAC product catalogue, Rotork GmbH, 2018).

There is another delimitation regarding a targeted audience to study. Schischek actuators are used in construction of industrial projects. Typically, it starts from an investor which could be a private or state one. The investor requested a project from a design organization. Once the project is designed, there is a general contractor which is responsible for building it. As Schischek is related to engineering part (usually HVAC) there is a subcontractor responsible for this part. And finally, there is an end-user. It takes for granted that each party in the chain has its own interests and demands which requires each audience to be studied thoroughly and separately so that to form a specific message to be addressed. Though in the thesis the focus is aimed at OEM manufactures (damper and air handling unit producers) which are, in most cases, customers who buy actuators. The marketing mix is designed as common one mentioning only two targeted groups, OEM customers and designers, based on the received data processed from a number of surveys.

1.3 Structure of the thesis

The thesis consists of 4 chapters: an introduction, a theoretical part, an empirical part, a summary and a discussion. The introduction part covers the background information and methodology describing the logic the author follows during the research process. The theoretical part covers the nature of customer value definitions, the main concepts and models which are then to be used in the empirical

part. The empirical findings part includes the description of collection, processing and structuring of the received data in connection with theories given in the theoretical chapter. Finally, the summary and discussion chapter summarizes the author's findings bringing up questions which could be a scope for further researches.

1.4 Literature review

Different sources such as relevant books, articles and dissertations are studied, mentioned and structured in the theoretical framework chapter. It starts from value definitions through a few concepts, then the second part is devoted to assessment and measuring value. The third part highlights materials on creating and improving value finalized by the literature concerned on delivery and communication value to the customer through marketing mix tools (Figure 4).

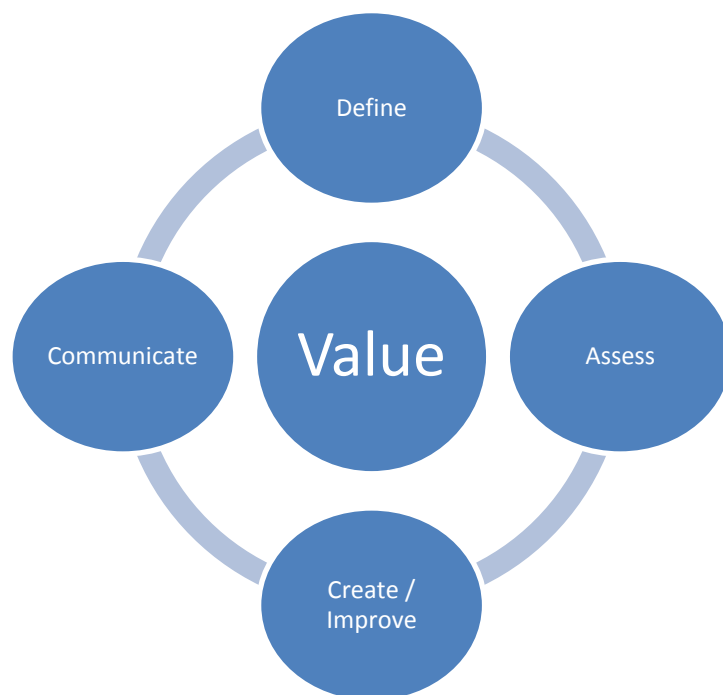


Figure 4. Theoretical framework of the thesis

1.5 Methodology

1.5.1 Research approach

The case study method gives the opportunity to examine a rich variety of data to describe the context settings and to explain the processes (Saunders et al. 2009). The thesis has a basis on exploratory single case study research where the author is trying to answer the research question through asking questions and processing the data collected in surveys.

1.5.2 Process of gathering and information

Based on the main research question it was decided to use a qualitative research method. Qualitative research refers to data that are not quantified and can be a result of various research strategies which then have to be analysed and meanings understood (Saunders, Lewis, Thornhill, 2009). Qualitative approach is applied in identification of value attributes, creating a customer profile which includes customer jobs, gains and pains, as well as then in discussion on value proposition related to measuring the relative importance and relative performance of the attributes which were identified earlier. Then results are used to discuss on value proposition modification. The primary data was gathered through a diversity of sources as interviews with respondents, group discussions and brainstorming together with distributors. It was combined with a secondary data received from available Case company resources. There were three persons as respondents from the customer side, each representing a valuable function in customer decision making process (sales and engineering). Some group interviews and discussions were conducted with three employees of Case company's distributor. The research stages, data collection plan and analysis are given in Table 1 below.

Stage	Goal	Outcome	Link to theoretical part, mainly to

Stage 1	To design a questionnaire on B2B value attributes	List of prepared questions will be used to conduct stage 3	B2B Elements of value (Almquist, et. al, 2018), Components of customer perceived value (Kotler, Keller, 2012)
Stage 2	To adopt value proposition canvas in order to convert it into relevant questions used in a customer survey	List of questions will be used to conduct stage 4	Value proposition canvas (Osterwalder et.al, 2014), right part of the diagram customer profile, Components of customer perceived value (Kotler, Keller, 2012)
Stage 3	To identify value attributes and to collect answers from questionnaire done in stage 1	Collected data will allow to conduct analysis to evaluate a various aspect of customer perception and to find out what customers value the most and the least in terms of value attributes	Customer value proposition, mainly related to B2B Elements of value (Almquist, et. al, 2018), The Customer Value Hierarchy Model by Woodruff (1997), Customer value model (Naumann, 1995)
Stage 4	To conduct customer survey based on questions structured through value proposition canvas from stage 2	Collected answers will help to understand most important functional, emotional or social jobs, pains and gains of the customer	Value proposition canvas (Osterwalder et.al, 2014), right part of the diagram customer profile

Stage 5	To conduct Importance performance analysis (IPMA) based on primary data collected in stage 3	Analysis will be the basis to identify the current position of Case company, to work out areas to improve and modify and to create value customer proposition	Performance Importance Matrix Analysis, Martilla & Games (1977), Customer value model (Naumann, 1995)
Stage 6	To conduct a value map based on data collected on stage 3 and 5	Understanding of the current position on value map allows to recognize where Case company offering stacks up against the competition in the eyes of customers	Customer value map. (Gale, 1994), Customer value model, five strategic factors influencing value (Naumann, 1995)
Stage 7	To conduct group discussion with distributor on customer value proposition canvas	Discussion will help to create a value proposition for a Case company	Value proposition canvas (Osterwalder et.al, 2014), Kelly et al. (2017), Creating a value proposition (Anderson et al. 2006), Value proposition builder (Barnes et al.,2009)
Stage 8	Proposal and validation of customer value proposition	A selected variant is used as a base to build a marketing mix	Value proposition creation (Kelly et al., 2017), Concepts (Rackham and DeVincents,1999) and (Snyder and

			Kearns, 2008), Creating a value proposition (Anderson et al. 2006)
Stage 9	Design of marketing mix	Based on the accepted value proposition, marketing mix is designed to communicate value with the target market	Marketing mix (Kotler, Keller, 2012.), Steps in developing an effective communications (Kotler, Keller, 2012), Value chain (Porter, 1985)

Table 1. The research stages and data collection

1.5.3 Type of interviews

The research combines different types of interviews. Based on the desired outcome on each stage it is decided to use a relevant type of interview. First, in order to create a customer survey questionnaire a semi-structured group interview is implemented with employees of Case company's distributor. Then structured interviewer-administered survey questionnaire is conducted in order to validate values and to get data then to be processed statistically for conducting importance performance matrix analysis. This differed from semi-structured and unstructured (in-depth) interviews in our study as there are questions, from which interviewers could not deviate. (Saunders et. al 2009). In order to make a list of questions on customer profile for a customer survey, a group unstructured interview is conducted with the distributor. In its turn, the prepared list of questions is then used in a group semi-structured in-depth interview with customers. This is an exploratory study, where in-depth interviews are helpful to find out what is happening to seek new insights (Robson 2002). After that a group discussion together with the distributor is conducted in order to create and discuss a customer value proposition. The schedule of conduction interviews is given in Table 2 below.

Inter- view	Stage in re- search plan	Type	Participants	Time	Dura- tion	Appen- dix
1	Stage 1, Stage 2	Semi- structured group in- terview	Sales engi- neers, Head of sales de- partment of the distribu- tor	13.09.18	2 hours	1,2
2	Stage 2	Structured survey question- naire in- terview	Project man- ager, Project engineer, Sales man- ager (cus- tomer)	06.10.18	1 hour	1
3	Stage 4	Semi- structured interview	Project man- ager, Project engineer, Sales man- ager (cus- tomer)	12.10.18	2 hours	2

4	Stage 7	Group discussion	Sales engineers, Head of sales department of the distributor	20.10.18	2 hours	Data collected and structured in table 6,7
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Table 2. Interview schedule

2 Theoretical framework

The chapter outlines the material collected from different sources such as relevant books, articles and dissertations. As described above, in the literature review, the framework has an order starting from considering what is value through a few definitions, how it is assessed, measured, created, delivered and communicated.

2.1 Defining value

The definition of customer value in literature can be used mainly in two opposing ways: value from a customer and value for a customer. Value from a customer is a worth of a customer for a seller which will not be considered in the study. Further, in the research only value for a customer is considered definitions of which are examined below.

2.1.1 Value definition

There are various definitions of value in the marketing literature. Definitions belong to different authors, each of whom sheds a light on value aspects under a diverse variety of angles. Taking them in one place helps to portray a broad range of senses and to follow how value meaning has been changed over time.

- The consumer's overall assessment of the utility of a product based on a perception of what is received and what is given (Zeithalm, 1988).

- Value presents a combination of performance and cost. Value increases by decreasing costs while maintaining performance—or by increasing performance while maintaining cost, considering that the customer needs, wants and is willing to pay for more performance. (Miles, 1989.)
- The ratio between perceived benefits and perceived sacrifice (includes all the costs the buyer faces while making a purchase (Monroe, 1991).
- Market perceived quality adjusted for the relative price of (the seller's) product (Gale, 1994).
- A function of both episode value and relationship value, where there is a special relationship between the elements in the function (total episode value = episode benefits + relationship benefits / episode sacrifice + relationship sacrifice (Ravald, Gronroos, 1996).
- Customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes (Woodruff, 1997).
- The customer's perception of what they want to have happen (i.e., the consequences) in a specific kind of use situation with the help of a product or service offering, in order to accomplish a desired purpose or goal (Flint, Woodruff, and Gardial. 1997).
- The sum of transactional cost advantages and constraints together with the emotional costs and benefits in relative to alternative options (Gassenheimer, Huston, Davis, 1999).
- Perceived value is a set in what customer receives related to benefits including quality and what he gives away in terms of cost for him such as money, time and other resources (Lapierre, Filiatrault, Chebat, 1999).
- The perceived worth in money of the economic, technical, service and social benefits received by the customer, in exchange for the price paid, taking in to consideration the competitive offers (Anderson, Narus 1999).
- Customer perceived value in business market as the trade-off between the multiply benefits and sacrifices of a supplier's offering, as perceived by the decision makers in the customer's firm, and taking into consideration

the available alternative suppliers' offerings in a specific use situation (Eggert, Andreas and Ulaga, Wolfgang, 2002).

- The customer's estimate of the product's or service's ability to satisfy their economical and emotional needs (Doyle, 2000).
- An industrial buyer's overall appraisal of the net worth of a particular transaction, based on the buyer's assessment of what is received (benefits provided by the transaction) and given (cost of acquisition and utilizing the transaction) (Han, Sung, 2008).
- The customer's evaluation of the difference between all the benefits and all costs of a market offering relative to those of competing offers (Kotler, Armstrong, 2010).

There are differences in these definitions. For example, there are no sacrifices mentioned in the definition given (Flint et al., 1997). Tangible and intangible benefits are introduced in relation to competitive offers but intangible sacrifices are not considered (Anderson, Narus 1999) or there are no factors of benefits and sacrifices in the definition (Zeithalm, 1988). This variety leads to difficulty in finding a common and agreed concept of customer value. Miles (1989) claimed that the term value does not have a common translation as it depends on the context and the author.

In the marketing literature customer value is generally recognized as a trade-off between what a customer gives and what receives in a market exchange. The first theory which was built on the equation: $\text{Value} = \frac{\text{quality of the product offering}}{\text{price}}$ (Newman, 1988). No matter what is the value definition, it must account for the inclusion of total benefits which contains direct and indirect benefits received from attributes and consequences, that arise from company activities and behaviours, minus total costs (direct and indirect ones) and be determined from the customer perspective. (Simpson et al, 2001).

2.1.2 Value of offering

Kotler, Wong, Saunders and Armstrong (2005) introduced a product model which consisted of core benefits or service, actual product and augmented product. Then Kotler & Keller (2012) expanded the model and called it a customer value

hierarchy which was built on five product levels in where each of the level adds customer value and is connected to each-other (Figure 5)

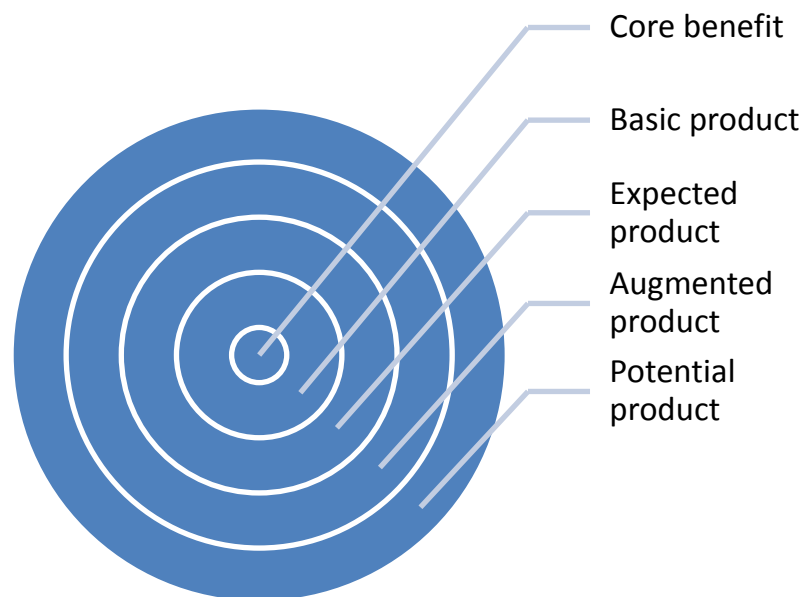


Figure 5. Products' levels (Kotler & Keller, 2012)

The core benefit is in the centre representing what a customer is really buying, what is satisfied by consuming a product or service. The next level's location is what is turned from a core benefit into a basic product which is considered to include only features and attributes strongly necessary for it to function. The expected product's level consists of those aspects of offering which are expected by the customer when they buy it. The fourth level is named as augmented product which exceeds customer expectation. It refers to additional features which allow the offering to stand away from competition including those aspects as positioning, brand identity and image. The circle is bounded by potential product level which includes expansions and transformations that the product may undergo in the future. (Kotler & Keller, 2012.)

Palmer (2000) deems that the augmented product level consists of intangible aspects that exceed regular standards which make the offering to surpass the customers' expectations. There is a broad range of features which could allow the company to stand out from the competition as support services, financing, providing credits and extended warranty.

From the other perspective (Pynnönen, Ritala, Hallikas, 2011) point that company's offerings often deliver a few types of value which should be analytically broken down into a cascade of smaller functions which meet customers' demands on a more detailed level (Figure 6).

There are seven aspects in analysing product or service which are features, reliability, availability, assurance, empathy, conformance and security (Ma, Pearson, Tadisina, 2005). It helps in systematic value analysis in where identified elements of desired customer value can be met through delivery of these desired elements. Those seven elements are very generic which should be classified as customer value attributes linked to specific offering. (Pynnönen et al., 2011.)

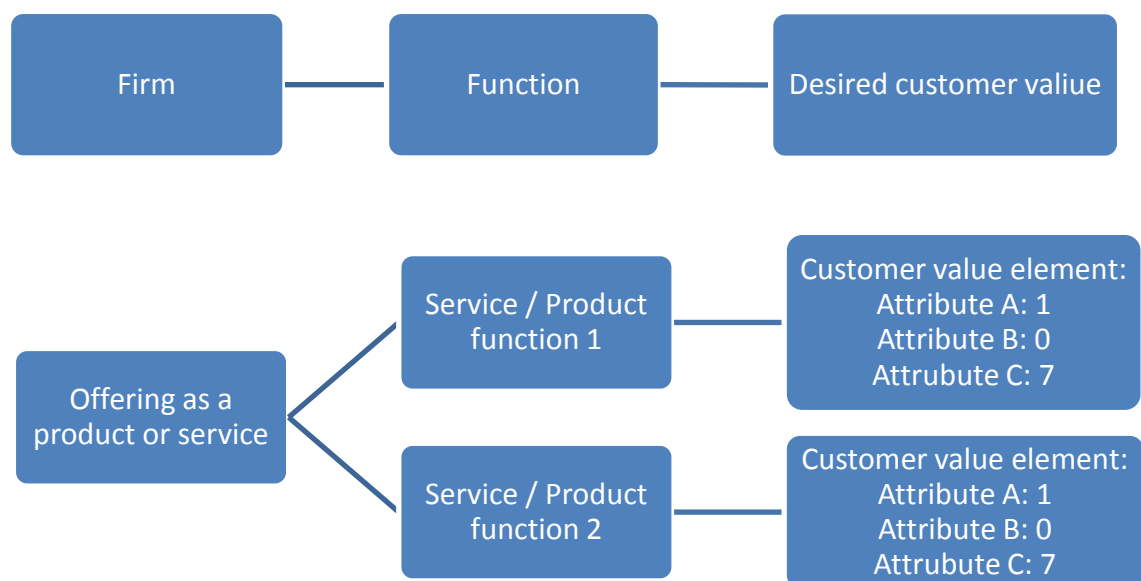


Figure 6. Framework for systematic value analysis (Pynnönen et al., 2011)

2.1.3 Five categories of value

There are a few elements of value which can be considered as an onion of value (Figure 8). Their nature is different but they form together a solid construction. There is an economic value at the centre as transactional and functional dimension which is built on the cost of transactions. In this value category, the supplier

wins upon providing the better price and quality versus competitors. This category includes price considerations and basic utility of the offering. (Kelly, Johnston, Danheiser, 2017.)

The second value category is customer perceived value. In today's competitive marketplace, customers are well educated and informed than before and they have instruments to search superior alternative options. (Glen, 2004).

Customer value includes three basic components as price, product and service quality. All of them formed relevant axes in value cube. The value can be increased by treating each dimension separately or simultaneously along all three dimensions. Therefore, value can be defined as product quality plus service quality divided by price. (Duchessi, 2004).

Customer perceived value represents a difference between what a customer gets and what the customer gives which is the customer evaluations of all sorts of benefits versus of all the costs of an offering in relation to perceived alternatives. In the equation, total customer benefit is the perceived value which a customer receives based on a set of economic, functional and psychological benefits. Total customer costs are the perceived set of costs including monetary, time, energy and psychological ones which are related to evaluation, purchase, usage and dispose of an offering (Figure 7). (Kotler, Keller, 2012).

Doyle (2000) states that product benefits imply offering's performance and quality while price is the purchasing costs, costs of owning and all related costs linked to installation, training, maintenance but also psychological risk and uncertainty of switching to suppliers.

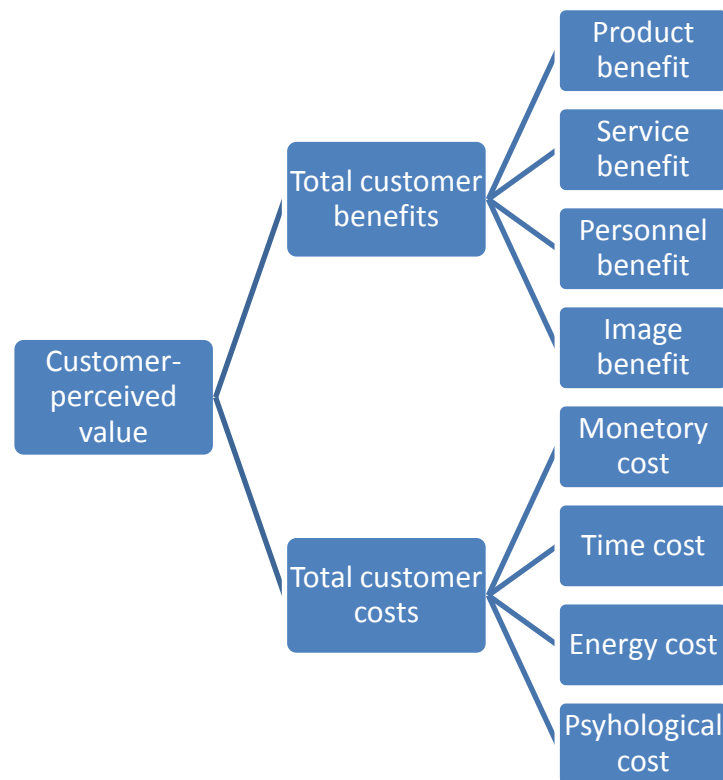


Figure 7. Components of customer perceived value (Kotler, Keller, 2012)

Customers have a different perception on what they give and on what they get as the value is not a constant data but which is depending in relation to the competition. The nature of perceived value shed a light on difficulties in finding a common value denominator as value is subjective, changeable over time considering of tangible and intangible elements, in addition linked to specific circumstances (Kelly, Johnston, Danheiser, 2017.)

The third value category is relational value. It is the kind of value which is not added to the product and then sold to the client but it is a result of relationship. Generally, relationships themselves can contribute of adding value to an offering, as value can be subtracted in the course of relationships and can be mutually created for both supplier and customer. It is specifically applicable for B2B business when there are more people involved in a decision-making process. Both supplier and the customer can create and get the value through their transactions. There are the following things which add value such as specific competence,

trust, market knowledge, problem solving and dialogue, and effective communication. On the contrary, unhelpful staff, inadequacy, lateness, inconsistency and unrealised guarantees are those things which subtract value. (Kelly, et al, 2017.)

Ravald & Gronroos (1996) suggested that in close collaborations value for the consumer is not implanted in exchange of a product for money but customer value is developed and delivered over time as the relationship evolves.

The forth value category is called as experimental value. The general concept of value as trade-off between benefits and sacrifices (Zeithaml, 1988) is the most popular while it does not consist of a few important things which is related to complicated nature of value. One of the aspect is extracting value through consumption which is especially important experience in the service industry. Experimental value refers to customers' perceptions of value arising from the consumption experience (Keng & Ting, 2009). Mathwick, Malhotra & Rigdon (2002) deem that experiential value perceptions are strongly connected to interactions between direct usage and distant evaluations of goods and services, and these interactions provide the foundation for experiential value perception. (Jin, Line, Goh, 2013.)

And finally, the fifth category is social value. Kelly et al. (2017) think that social values present an idea of value system to its most distant extent. Generally, it is opposed to a common belief that the main goal of every company is making money for their shareholders. In a nutshell, social value is about trading ethically and having clear social responsibility.

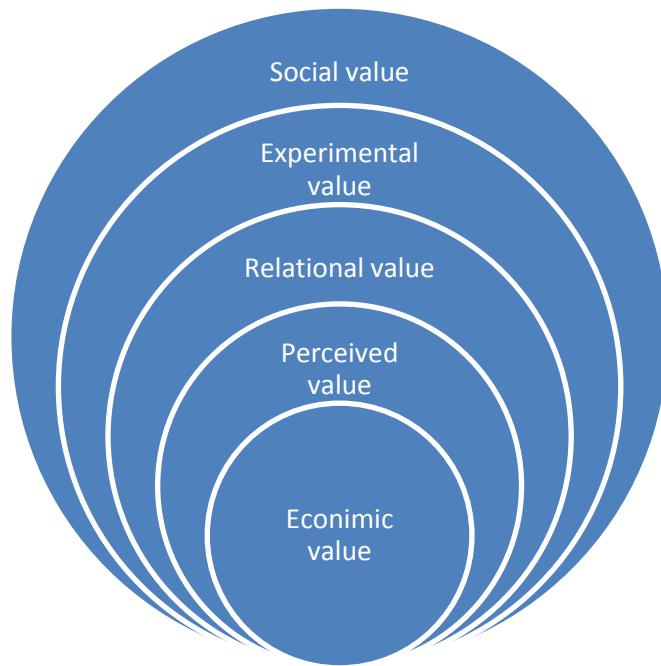


Figure 8. Five categories of value (Kelly et al., 2017)

2.1.4 The difference between quality, satisfaction and value

Zeithaml (1988) separates quality and value so that quality is an objective assessment of offering's features while value is a subjective judgement of a product or service. Woodruff (1997) counts that often value is used as satisfaction, which is also wrong because satisfaction can be measured only after the consumer has used it and received an experience while value can be measured before, during and after the usage. (Kelly et al., 2017.)

There are many companies that adhere to the concept of total quality management often become obsessed with the process of improving the internal business of product quality, ignoring what consumers really want in the environments that customer resources are always limited. They want only to pay for the quality they need and can feel. (Fleisher, Bensoussan, 2003.)

2.1.5 Brand value in B2B markets

Leek & Christodoulides (2011) counts that researches on B2B branding show that the decision-making process on B2B markets is counted to be more rational focusing on functional qualities than on B2C markets where emotional qualities matter. Though they argue in their own research that brand value incorporates

both the value of offering and added functional and emotional value resulting from the brand name (Figure 9). According to their research functional values were identified as quality, technology, after sales service and innovation as primary factors in decision making process. Yet it was found that emotional qualities such as risk minimization, providing reassurance and trustworthy counted to be significant as well for a B2B brand. The research has identified some specific characteristics based on which further brand development can be built. There is quality, technology, capacity, infrastructure, after sales service, capabilities, reliability, innovation and price were found to be functional qualities while risk reduction, credibility, trust and reassurance were identified as emotional qualities.

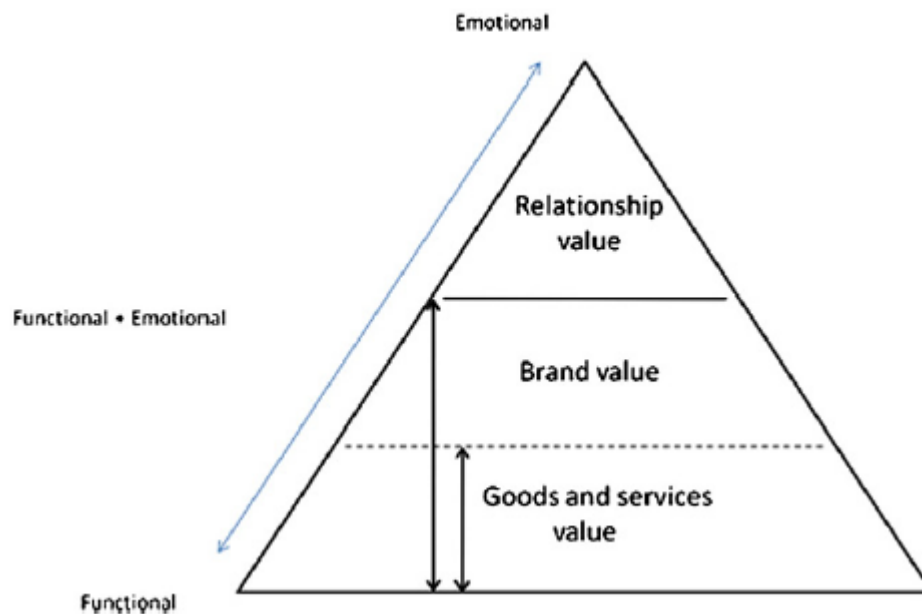


Figure 9. Brand value hierarchy (Leek & Christodoulides, 2011)

2.2 Customer value assessment

The chapter includes literature review on how value is assessed, emphasizing value map and importance performance analysis as they play a major role in the research.

2.2.1 Customer value analysis

Miles (1961) concept based on engineering value considering value analysis as an engineering tool was the earliest idea to study value assessment in relation to economic value on identification of unnecessary costs. The goal of value analysis was to determine the main product's function to decide whether they can be realized at lower costs by alternative means. (Kearney, 2014).

Customer value analysis was developed on the basis of the previous papers by Lawrence Miles, which combined the principles of market orientation and quality management. Consumer value was defined as the most important source of competitive advantage. Since resources are always limited, the most profitable strategy is to allocate resources to provide the highest customer value only in those segments that are more attracted by this value. The largest study in this area supporting this theory was made by the Institute of Strategic Planning to study the relationship between profitability and companies focusing on providing customer value. The most important factor affecting profitability was determined by the quality of goods and services in relation to the quality offered by competitors. (Fleisher, Bensoussan, 2003.)

One of the models of customer value was developed by Naumann (1995) where perceived benefits were considered against perceived sacrifices (Figure 10). The model was based on the statement that expected customer value is made by the comparison between expected benefits and expected sacrifices. The expected benefits include the product and service attributes, while the expected sacrifices contain transactions and life cycle costs plus risks. Expected benefits are divided into several types. Search attributes consist of material properties and search characteristics that the buyer can identify before purchasing. Experience-based attributes include the intangible properties of goods and services that can only be assessed after sales. Credence based attributes include those properties of goods and services that can only be assessed after a long period of use. Markets that are based on search attributes experience strong price competition as material properties are easier to imitate than in markets based on experience-based and credence-based attributes. At the same time, expected benefits also include three types of costs such as transaction costs, life cycle costs and risk which is

associated with costs when the actual costs are higher than the expected ones. (Naumann, 1995.)

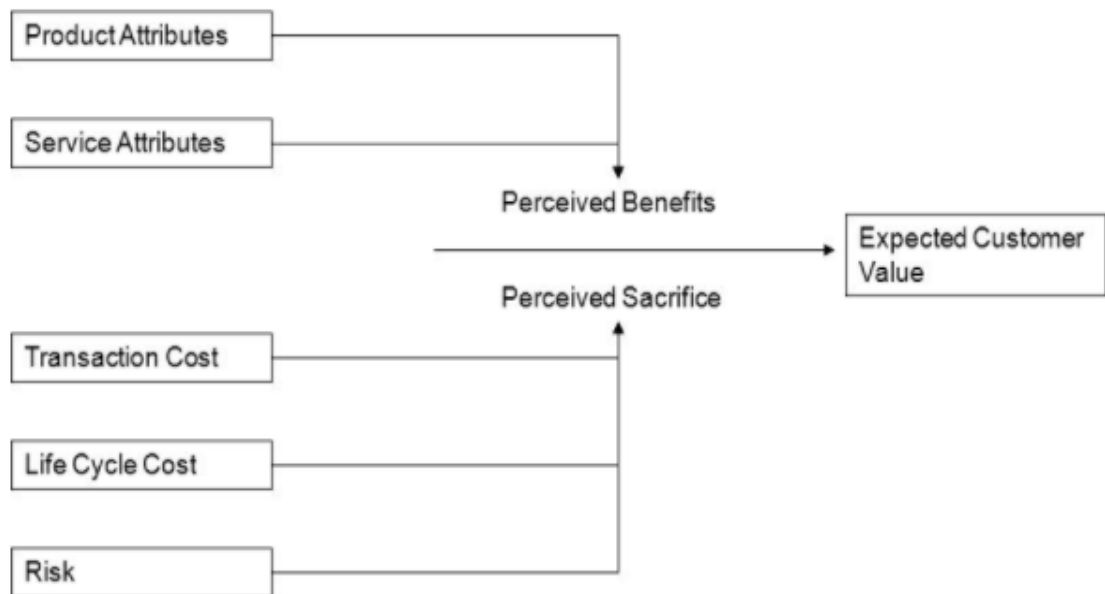


Figure 10. Customer value model (Naumann, 1995)

Parasuraman, Ziethaml, Berry (1998) developed a model SERVQUAL on customer value assessment which was mostly associated with services (Figure 11). Creators of the model believe that customer perceived quality depends on the gap 5 reflecting the difference between expected and perceived value. This gap can be lowered through eliminating gaps 1-4. Due to the essence of the services, the purchaser's behaviour when making a purchase is largely due to both after-sales and long-term after-sales attributes. There are ten dimensions identified influencing on measuring these gaps as reliability, responsiveness, competence, access, courtesy, security, communication, knowing the customer, credibility and tangibles. (Fleisher, Bensoussan, 2003.)

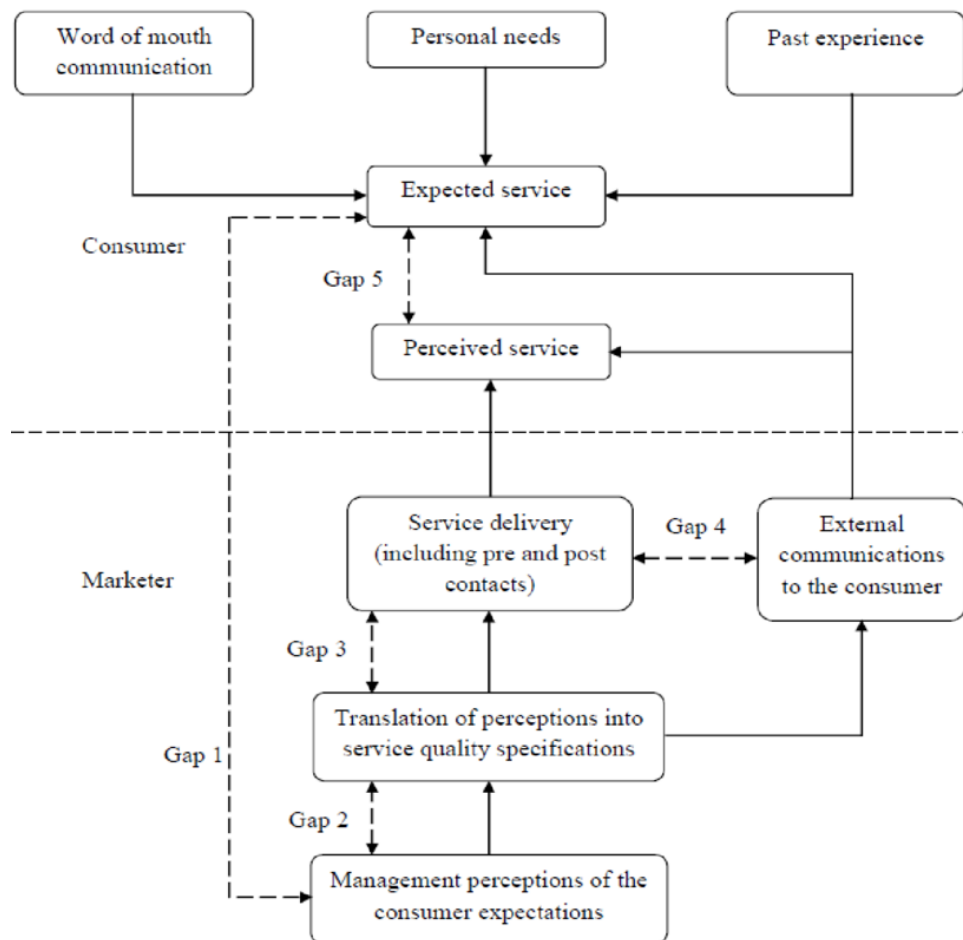


Figure 11. Service gap model (Parasuramam et al.,1998)

Woodruff (1997) developed a customer value model shown in Figure 12. It has three levels where lower level are the means by which the level above ends are achieved. The model shows consumer motivation, as opposed to attribute models, which analyse only the display of these motivations. In addition to this, this is a dynamic model, since it assumes that other aspects of the model also change. From this point of view, customer value can be considered as constantly changing. This model also explains why achieving consumer satisfaction with the properties of a product is not enough. Customers who are satisfied with only product attributes can leave if their goals and motivations are better served by competitors. Similarly, if the unmet needs of a customer are suddenly met by a competing product or service, previous customer value standards lose their importance. For these reasons, a close relationship with customers is an important part of the consumer value analysis process. (Fleisher, Bensoussan, 2003.)

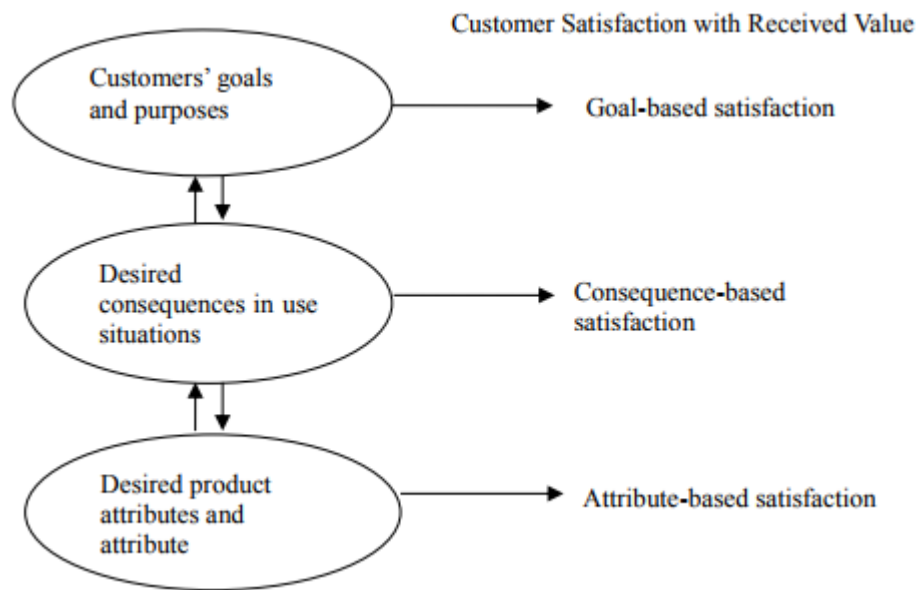


Figure 12. The Customer Value Hierarchy Model by Woodruff (1997)

Naumann (1995) identifies five strategic factors that should drive the practical application of customer value analysis:

1. customer value (quality of goods, quality of services and price) is determined by the buyer
2. customer value is determined in relation to competitors' offering
3. customer value changes over time
4. customer value is created when the full value chain is included
5. customer value is a joint effort that includes every employee of the company.

These five guidelines are equivalent, because each of them is only a necessary condition. Together, these five principles work to effectively deliver customer value. (Fleisher, Bensoussan, 2003.)

2.2.2 Customer value map

The customer value map (Figure 13) was introduced by Gale (1994) as an instrument to analyse if a product or service or even a company provides superior customer value in the axes of market perceived quality against market perceived price.

Market perceived quality profile was developed by identifying key buying factors of the offering. Respondents were asked to weigh the attributes by their importance and then to measure how well the company's offering and its competitors satisfy them on each quality attribute. Market perceived quality is the sum of multiplications between performance and importance ratios on each attribute. Consequently, market perceived price profile was developed where a sum of price factors influencing on total costs such as purchase price, life cycle cost, trade in allowance and interest rates. Both performance and importance scores are identified by customers through a survey or an interview. (Higgins, 1998; Setijono & Dalgaard, 2007.)

According to the customer map model, there is a fair line which is the points where competitors do not gain or lose market share referring price quality trade-offs. It is considered that if an offering is located outside this zone then it provides customer value depending on the location on the map. The company is counted as more competitive if it provides more customer value. (Gale, 1994.)



Figure 13. Customer value map (Gale, 1994).

At any location, where companies occupy positions lower and to the right of fair zone, they are in the most advantageous position to increase market share in their current price level. Consequently, if companies are higher and to the left of the fair value zone at current prices then they are likely to lose market share. Moreover, these companies are likely to be forced to lower the price in order to increase or save their market share. There is an important finding based on a value map: to keep the higher price for a quality product it is essential that customers should recognize that quality means more than its price. The main applications for having a value map updated are both understanding of where a company is located on a static competition snapshot and understanding of fair line angle which allows to design a desirable movement to gather more customer value. (Fleisher, Bensoussan, 2003.)

2.2.3 Performance Importance Matrix

Importance Performance Matrix Analysis was introduced by Martilla & Games (1977) as a tool to evaluate various aspects of customer's perception. The analysis method identifies satisfaction as the function of two mechanisms: the importance of an offering to a customer and the related performance of a supplier to provide this offering. The IPMA contains of axis X and axis Y which means relatively performance and importance (Figure 14)

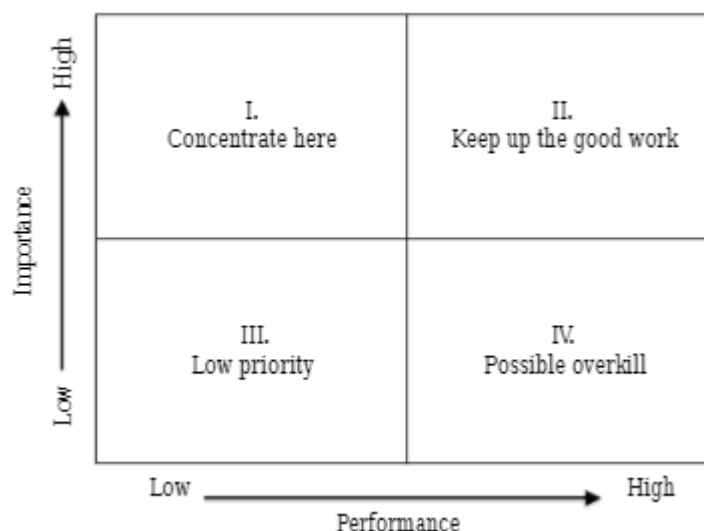


Figure 14. IPMA Grid (Martilla and James, 1977)

According to the analysis there are four areas which are defined as (Martilla & James, 1977, p. 78):

- “- I. Concentrate here - high importance, low performance: requires immediate attention for improvement and are major weaknesses;
- II. Keep up with the good work - high importance, high performance: indicate opportunities for achieving or maintaining competitive advantage and are major strengths;
- III. Low priority - low importance, low performance: are minor weaknesses and do not require additional effort;
- IV. Possible overkill - low importance, high performance: indicate that business resources committed to these attributes would be overkill and should be deployed elsewhere”

2.3 Creating a value

The chapter gives an overview on how value is linked to chains, discusses the current practices to design a customer value proposition. The main attention is devoted to the role of sales in value creation, the value proposition canvas (Osterwalder et.al, 2014) and B2B Elements of value (Almquist, et. al, 2018) according to the role they play in the thesis.

2.3.1 Value chains

Value chain scheme (Figure 15) created by Porter (1985) was intended to find out activities contributing value and creating competitive advantage. This chain is used to examine activities then to be analysed for connections between them. The activities are studied in terms of how they affect profits and determine costs so that to examine the sources of value. It consists of five elements combining five primary activities and four support activities. The scheme observes activities in order to consider opportunities or steps ensuring to identify costs, to provide differentiation opportunities and design an organizational structure. (Porter, 1985.)



Figure 15. Value chain (Porter, 1985)

Two main objectives of the value chain analysis are to identify opportunities for providing cost advantages and opportunities for creating offering's differentiation. Companies get a competitive advantage by performing some or all of these actions at a lower cost or with a greater degree of differentiation in customer value than from competitors. (Fleisher, Bensoussan, 2003.)

Porter (1985) introduced five forces analysis (figure 16) which demonstrates company's competitive environment of a firm. These forces contain – so called horizontal competition as the threat of substitute products or services, the threat of established rivals, and the threat of new entrants and vertical competition as the bargaining power of suppliers and the bargaining power of customers. (Porter, 1985.)

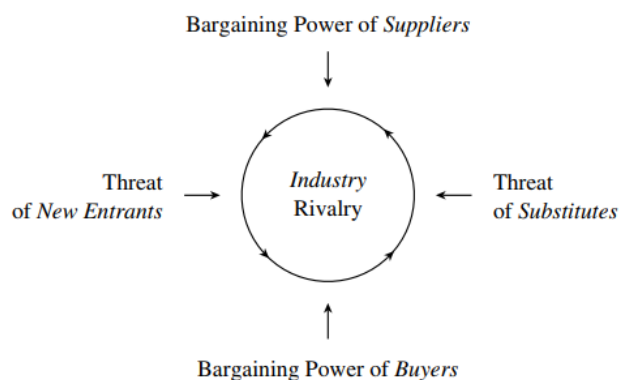


Figure 16. Porter's five forces (1985)

Both Porter's value chain and five forces are interrelated to each other. The relative power of each force will determine industry's profitability while the relative power of the company in the value chain will determine the share of the company in the total industry income. The value chain analysis is used to determine the power of the firm at the moment and suggests how this power can be strengthened with the aim of obtaining a higher share of industry revenues by guaranteeing competitive advantages. (Fleisher, Bensoussan, 2003.)

Based on Porter (1995) there are value activities within a company's own chain but also between these value chains. The companies are linked horizontally where it is counted that each company provides and delivers value through activities further in the sequential value creating chain (Figure 17). Each actor in the chain concentrates on its own activities. (Herrala, Pakkala, Haapasalo, 2011.)



Figure 17. Value creating chain (Herrala, et al. 2011).

Throughout the time this traditional view on the way has been changed because of relationships and links in a chain becoming more complicated such as vertical and horizontal integrations, outsourced processes, etc. Johnston and Lawrence (1991) present a concept named value-adding partnership which was based on working in cooperation of a set of independent companies to manage offering's flows. Normann and Ramírez (1994) presented another concept, a value constellation, where parties act together to create value by performing activities simultaneously. Then Parolini (1999) proposed value net (Figure 18) where the system is seen as sets of activities jointly involved in creating value and the flows of material, information, money and resources. (Herrala, et al. 2011).

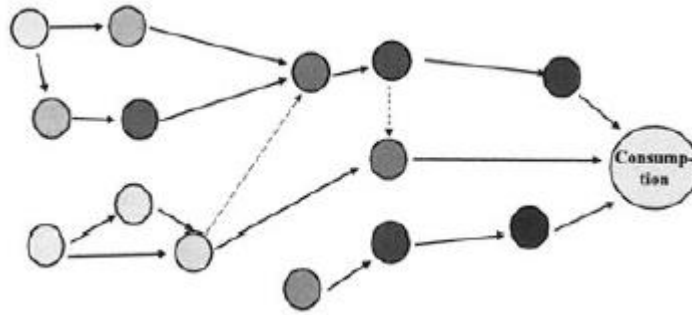


Figure 18. Value creating net (Parolini, 1999)

2.3.2 Customer value proposition

Customer value proposition states how value is mounted and then communicated to the client before purchase. Barnes et al. (2009) describe how it was developed from the term of unique selling proposition concept rooted in 1950s to the term of value proposition. Have started from an approach of coaching sales teams to transfer product features to customers benefits, then it was evolved to consider benefit only where it solves a customer problem. Bower and Garda (1985) proposed the concept of the value delivery classification and the differentiating benefits of an offering. They deemed that there are two processes as physical process sequence, which includes making and selling a product, and the value delivery system, which involves choosing, providing, and communicating the value proposition. Value proposition is made by defining customer value needs and positioning. Then, Lanning and Michaels (1988) introduced a value statement of benefits offered to customers at a price they were willing to pay. (Kelly et al., 2017.)

Based on Lanning and Michaels (1988), it was emphasized customer experience in the context of value proposition by other authors. Smith and Wheeler (2002) emphasized the importance of focusing on the design and delivery of the customer experience for determining the critical dimensions of the value proposition. (Payne, Frow, 2017.)

Kelly et al. (2017), when defining what is value proposition, deem that it should be about customers benefits, customer impact, monetary calculation, uniqueness based on deep customer understanding and it is a promise for the future.

Gronroos and Ravald (2011) defined a value proposition as suggestion and projection of what impact on their practices customers can expect. When a projection is proposed to customers it is a promise given on potential future value creation. The definition emphasizing a projected impact on customer. Benefits of an offering in relation to a target customer should be well communicated in demonstrating how the actual capability adds to the business of the customer through revenue, more customers, improving their performance, productivity or experience. (Kelly et al., 2017.)

In B2B business it is especially important that customer value proposition should demonstrate how monetary calculations of the benefits are related to outweigh costs. Then when working on a value proposition there is a need to set you apart from the competition in terms of being unique so that to show the customer how customer value can be uniquely delivered in terms that the customer recognizes the value and accepts it. It cannot be formulated unless possessing deep knowledge on customer business. As a summary, a value proposition should contain an impact, a capability which provides to produce this impact for a customer, costs showing costs the customer is expected to pay, monetary calculation referring a value formula with benefits and costs, uniqueness which sets you apart from the competition, alignment which refers to the customer needs. These requirements in formulating a customer value proposition should be MUSICAL. Where M stands for monetary calculation, U for unique, Spend for costs, I for impact, C for capability, Al for aligned). (Kelly et al., 2017.)

Anderson et al. (2006) defined a value proposition in where the focus should be done on key benefits that can be calculated to show superior value to chosen customer segments. They admitted that it was extremely difficult to frame value propositions that resonate with customers so combining the best practices in business markets they identified in their research three forms of value propositions that suppliers use: all benefits, favourable points of difference, and resonating focus. The first form called “all benefits” united suppliers which believe that all the benefits which the company delivers to the customer would be a customer value proposition. This approach does not necessarily mean that value proposition states on knowledge about customers and competitors so that it leads to

claiming advantages for features that do not prove benefits to target customers. Many of the benefits which are claimed may be points of parity to the alternatives. Upon this approach points of parity and points of difference are not clearly identified. Another form which is called “favourable points of difference” admits that the customer has an alternative so it is based on justifying why customers should purchase instead of competitors. In this case it requires knowledge of a market offering and the next best alternative. Upon this approach, suppliers can stress points of difference that bring relatively little value. The third form is called “resonating focus” which the authors acknowledge that it should be a golden standard of value proposition consisting of one or a few main points of difference the improvement of which will deliver superior value to a target customer in the future. In its turn, it requires deep knowledge on how offering deliver superior value compared with the best alternatives available on the market. It is important to mention that the last approach differs from the second one in two ways. The first one is resonating focus acknowledges limited customer resources and concentrates on one or two points of difference the customer would value most and it may include a point of parity. (Anderson et al., 2006.)

Anderson et al. (2006, 2007) defined some following research methods in order to frame compelling customer propositions on B2B markets for commanding price premiums. The first one is conducting internal engineering assessment which presents using laboratory tests to measure performance of an offering. The second one is field value in use assessment through interviewing customers to measure the worth of each cost element. Among the other methods are focus group value assessment when customers are asked what value they would put on a market offering and direct survey questions where customers are examined in terms of dollarization on a change in an offering. Benchmarking method is based on demonstrating a benchmark offering and finding out how much they would pay more for new features or less for some if they are removed. Importance ratings method is used through asking the customers to rate the importance of different attributes and relative performance on each. After the research is done, then proposition is created on a couple of principles: validate proposition by concrete specifying the difference between your product or service related to competitors on the dimensions which are most valued to the client, and the second principle

is documenting the value delivered through written accounts of costs savings or value added that customers already captured by using your product or service. (Kotler, Keller, 2012.)

Barnes et al. (2009) suggests that a value proposition cannot be embodied by only benefits so that costs should be taken into account as well. Value propositions must contain aspects what you can do for a customer, how it will help the customer to succeed and how much the customer should pay for that. Relatively that means capability, impact and cost where costs include financial exposure and other aspects as time, risk, etc. Following the prior explanations, they introduced a Value proposition builder (Figure 19) as a six-step sequent process. It starts from analysing and identifying a targeted audience to whom value is viewed to be profitably delivered. Then analysing and defining a value experience that customers derive from your company. After that, to define a bundle of products or services which provide this value experience and to assess the benefits of the offerings referring this value experience. The next step is to define how far your offering distinguishes from alternatives backing with the last step of to come up with relevant and substantiated prove. (Barnes et al., 2009.)



Figure 19. Value proposition builder (Barnes et al.,2009)

There are more methods as frameworks for identifying customer value proposition. One of these is referring to Rintamäki et.al (2007) which proposed three aspects for identifying a customer value proposition as identification of key dimensions of customer value, developing the value proposition and evaluation of value proposition regarding the ability to provide competitive advantage. This framework includes value dimensions (Figure 20) which are hierarchically placed from more objective to less objective, from more concrete to less concrete, from more transaction based to more interaction based. It has a logic based on a customer experience through the following layers as economic value to functional value, then emotional value and symbolic value. Value proposition based on economic scale usually requires resources and competencies based on economies of scale and is addressed to those who buy on the basis of low price and are not willing to make the monetary sacrifice required for higher quality. Functional value proposition is addressed to those customers who buy on the basis of convenient solutions. Both economic and functional value proposition can combine offer of customer convenience at a fair price. Emotional value is addressed to those customers who are driven by experiential aspects. This value can also be combined with economic and functional value. In the next turn symbolic value is addressed to those customers who are driven by self-expressive features of consumption. It can also be combined with the previous ones. (Rintamäki et.al, 2007.)

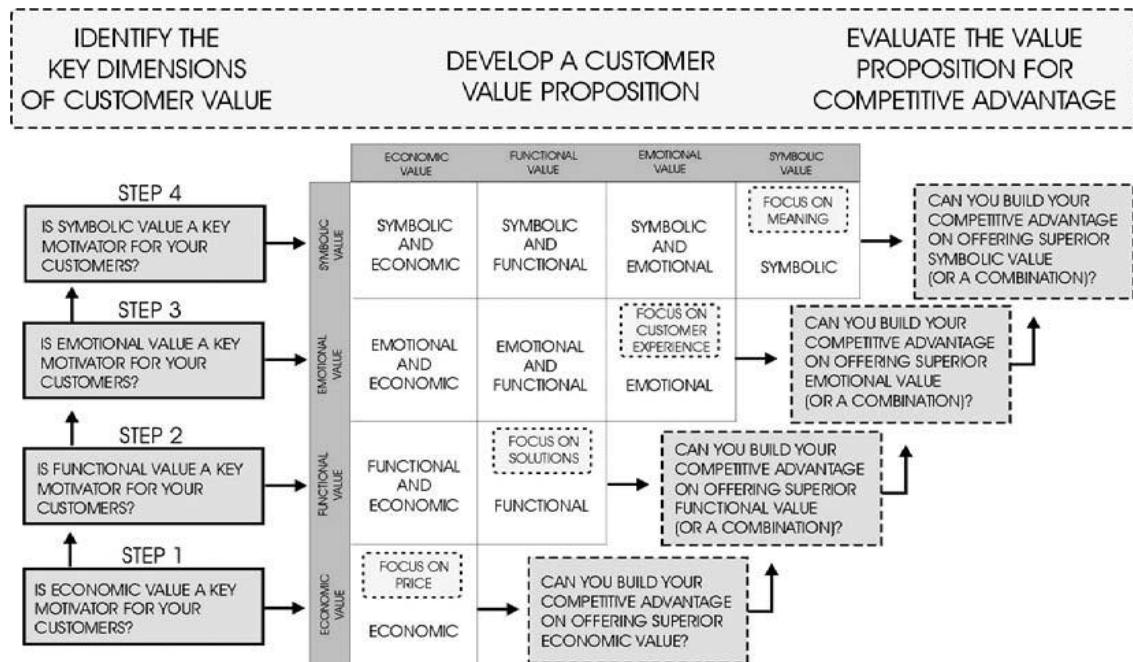


Figure 20. Identifying Customer Value Propositions (Rintamäki et.al, 2007)

Another method of creating value proposition was proposed by Osterwalder et.al. (2014). Value proposition canvas (Figure 21) consists of customer profile made through customer understanding in a structured way by splitting it to customer jobs, benefits and sacrifices and value map where you describe how value is created for that customer. Between customer profile and value map there is a link to be built named a fit. Fit is achieved when customers get excited about value proposition, which happens when important jobs are addressed, alleviate customer pains are alleviated and essential gains are created. (Osterwalder et.al, 2014.)

It is suggested that value proposition should be assessed to be sure that it focuses on the most important functional, emotional or social jobs, pains and gains of the customer, to be addressed also to what the customer has unsolved in his job or areas of dissatisfaction, that it is in line with customer measure success, that it distinguishes from competition and is difficult to be copied. (Osterwalder et.al, 2014.)

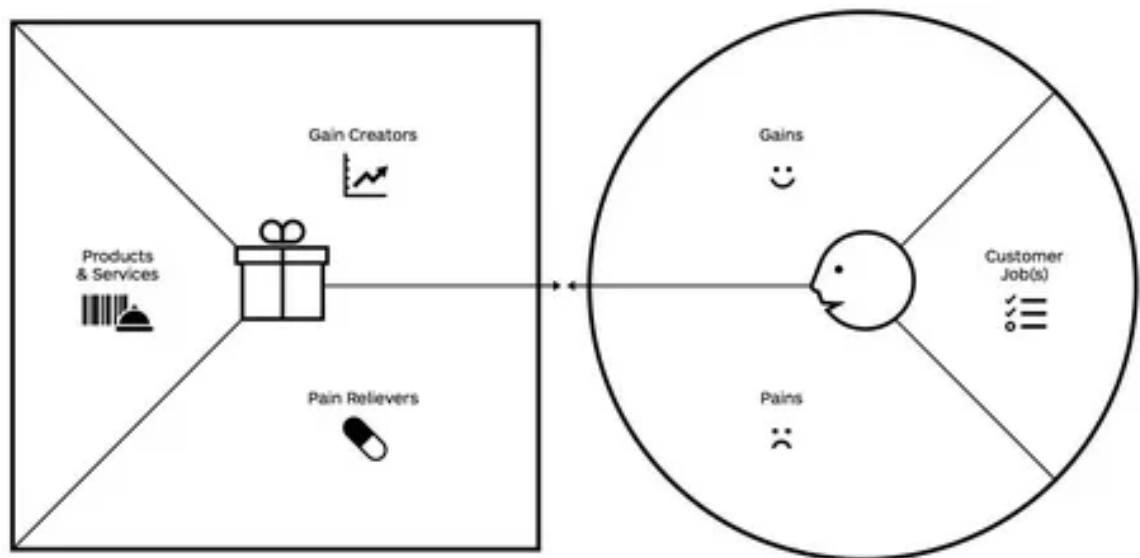


Figure 21 Value proposition canvas (Osterwalder et.al, 2014)

Almquist (2016) discusses that marketers can comparatively simply understand what people think about the price but understanding what consumers value is much more complex. There has been identified 30 elements of value flowing into four categories: functional, emotional, life changing and social impact. These four value categories should answer what a product does for customers, how a product makes customers feel, how it changes customers' life and how a product delivers value to society. The basis for model of value elements was a hypothesis that value is not monolithic but consisting of various factors. (Almquist, 2016.)

Almquist, Cleghorn, Sherer (2018) deem that the purchasing decision making process for B2B customer has been changing becoming more commoditized, subjective and even more personal than before. In order to avoid the commodity trap, suppliers should recognize a full variety of factors, rational, emotional and others to ensure that their value proposition fits. Based on qualitative and quantitative studies conducted, 40 elements of value for B2B business were identified breaking down the pyramid into five main categories: table stakes, functional, ease of doing business, individual and inspirational (Figure 22). The pyramid of value has more objective value at the bottom to the more subjective value to the top. (Almquist, et. al, 2018.) The explanation what is behind each value attribute is given in Appendix 1.

INSPIRATIONAL VALUE

PURPOSE



Vision



Hope



Social
responsibility

INDIVIDUAL VALUE

CAREER



Network
expansion



Marketability



Reputational
assurance

PERSONAL



Design &
aesthetics



Growth &
development



Reduced
anxiety



Fun &
perks

EASE OF DOING BUSINESS VALUE

PRODUCTIVITY



Time savings



Reduced effort



Decreased
hassles



Information



Transparency

ACCESS



Availability



Variety



Configurability

RELATIONSHIP



Responsiveness



Expertise



Commitment



Stability



Cultural
fit



Organization



Simplification



Connection



Integration



Risk
reduction



Reach



Flexibility



Component
Quality

OPERATIONAL

STRATEGIC

FUNCTIONAL VALUE

ECONOMIC



Improved
top line



Cost
reduction



Product
quality

PERFORMANCE



Scalability



Innovation

TABLE STAKES



Meeting
specifications



Acceptable
price



Regulatory
compliance



Ethical
standards

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FROM "THE B2B ELEMENTS OF VALUE," BY ERIC ALMQUIST ET AL., MARCH-APRIL 2018

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Figure 22. B2B Elements of value (Almquist, et. al, 2018)

2.3.3 The role of sales in creating customer value

Rackham and DeVincents (1999) summarized some statements they collected asking sales managers about the role of sales. Still it is a widely spread view that the sales role is to transfer information to the customer on offering's value but

time has significantly changed and nowadays salesmen have to create value for customers. Based on the statement that value is a difference between benefits and costs, there are two ways for sales to affect value: either to provide additional benefits to an offering or to decrease costs. In its turn, there are two strategies to affect value. To realize the strategy role through increasing benefits, salesmen are expected to provide the superior technical support or adapt an offering to customers' needs based on deep understanding of their business. In this case, salesmen will increase value and create sustainable competitive advantages for the company so that the profit from investing in related sales process will be more than costs. On the contrary, if this strategy seems impossible, one of the ways is to find less cost-consuming means of products distribution through decreasing sales costs. (Rackham and DeVincentis,1999.)

There are three types of customers in relation to value: intrinsic, extrinsic value customers and strategic value customers. For the intrinsic customers, value is embodied in the product itself. They primarily focus on cost related value. They have knowledge on the product by themselves so salesmen do not add any value but, on the contrary, salesmen are viewed often as expenses. Extrinsic customers focus mainly on benefits or extrinsic aspects in value formula. These customers are interested in solutions and application in terms of how the product is used, expecting salesmen to give them new understanding of their demands and how it could be met. It significantly depends on salesmen if they add value to such customers. The third type of customers is named as strategic value customers who need a high level of value creation since they need more than a product or an advice. They tend to form mutual teams with the seller in where roles are mixed as it is intended to be more as a strategic partnership. For each type of customers there should be a related strategy to apply (Figure 23). (Rackham and DeVincentis,1999.)

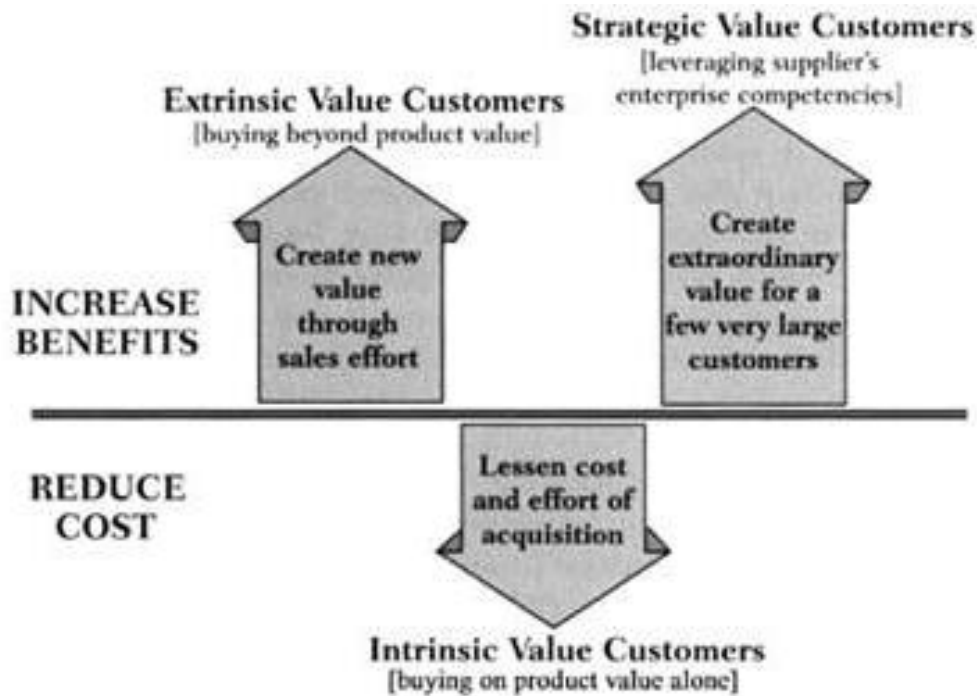


Figure 23. Value creation strategy (Rackham and DeVincentis,1999)

These three types of customers require related sales efforts which means time, approach and competences which salesmen need to possess. So, three selling strategies are introduced to match each type of customers: transactional, consultative and enterprise selling (figure 24). (Rackham and DeVincentis,1999.)

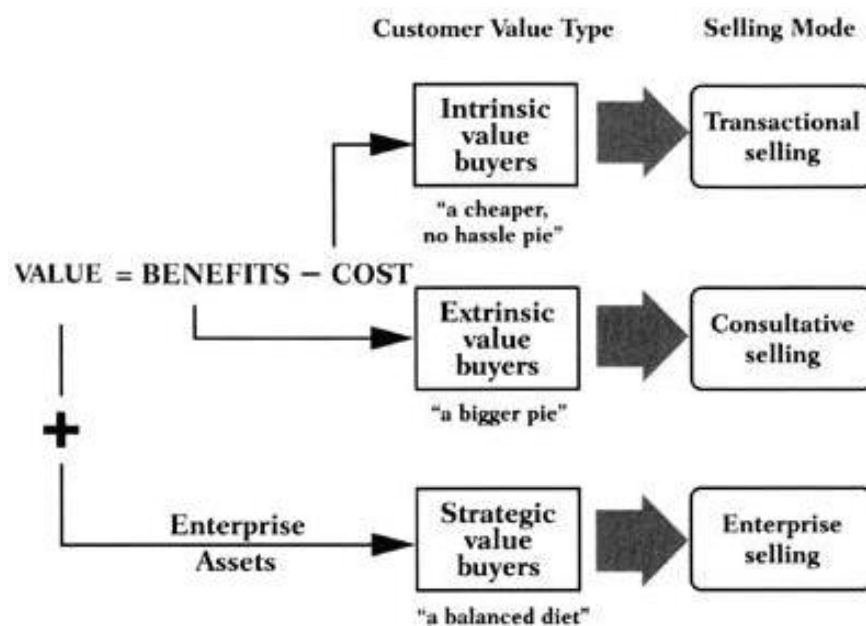


Figure 24. Three selling models in relation to customer value (Rackham and DeVincentis,1999)

Transactional selling cuts resources allocated to the selling process as the clients don't value sales efforts. This model of sales affects value equation by lowering costs. The sales process should be designed as easy and convenient for customers as possible. Consultative selling requires effort and time to invest both from the seller and the buyer. This type is more about listening and gaining deep knowledge on customer business. To create value, customers require more than product knowledge. It is required from salesmen to help customers to understand their demands and problems in a new or other way, to suggest customers more effective ways of solving their problems and to act as customer's advocate in salesmen's companies. Enterprise selling is the model of selling in where a priority function is to leverage salesmen's companies' resources to contribute to the customer's business. Mostly it requires involvement of cross functional teams both from the seller and buyer to succeed (Figure 25). (Rackham and DeVincentis, 1999.)

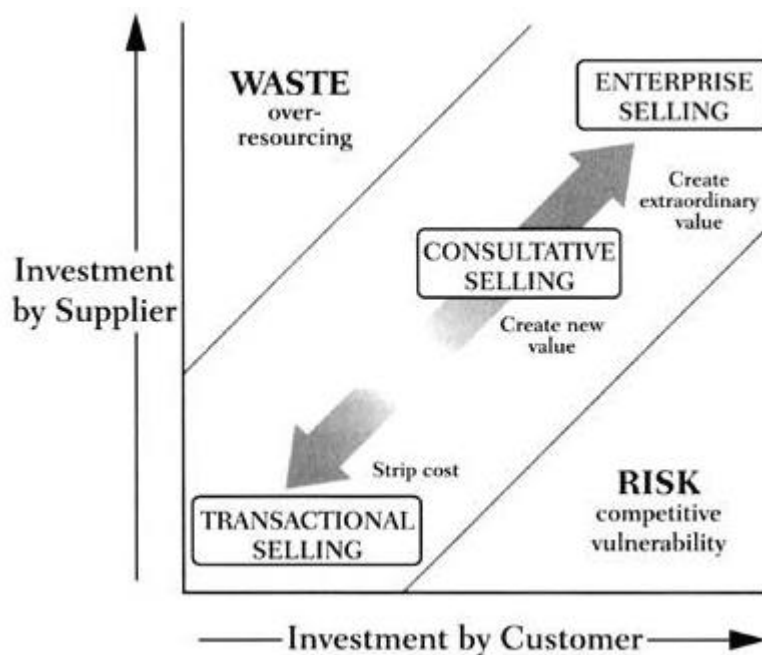


Figure 25. Investment to add value in relation to the sales model (Rackham and DeVincentis, 1999)

Snyder and Kearns (2008) deem that value creation in sales lies on the border of market expertise and deep understanding of customer's business. In order to transfer opportunity into a tool to influence on customer's business, sales force is required to possess competences to ask the customer right questions in order to

extract information needed and used further in value creation (Figure 26). The salesmen need to possess knowledge on industry and competition market, know how to fit an offering to the customer business and what impact can be expected. All of this is intended to be a valuable asset for the customer. (Snyder and Kearns, 2008.)

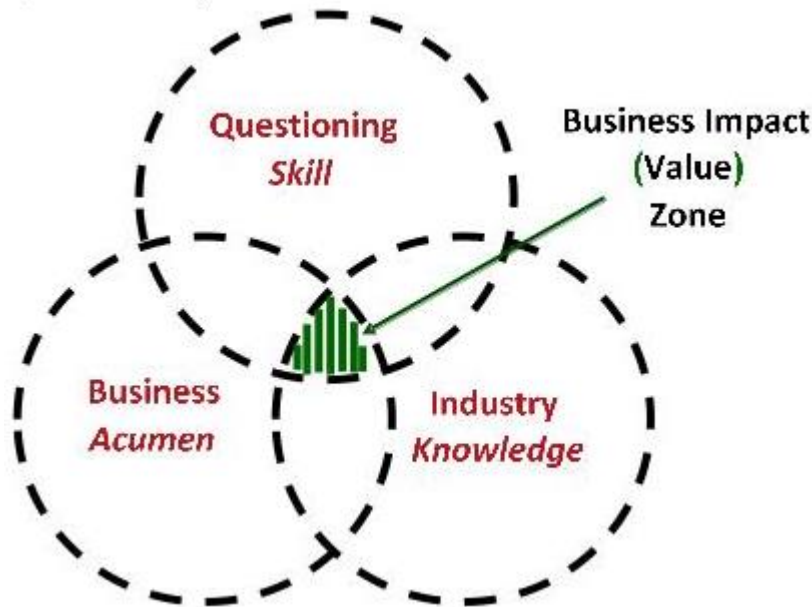


Figure 26. Opportunities to create value (Snyder and Kearns, 2008)

Harri, Haas, Eggert, Ulaga, (2012) conducted a series of interviews in order to conceptualize value-based selling. Three following dimensions were identified: understanding of customer's business model, crafting the value proposition and communicating the value. Value based selling behaviour was determined as the extent to which the salesman works with the client to craft a product in such a way that benefits are transferred into monetary terms, based on thorough understanding of the customer business model, thus persuasively representing their contribution to the client's profitability. In its turn three types of potential consequences for value based selling were suggested in terms of relation to the seller (resulted in sales, improved conversion rate, increasing profitability), relationship outcomes (resulted in customer satisfaction, loyalty and reduced price sensitivity) and customer outcomes (resulted in attainment of business targets and financial performance). (Harri et.al., 2012.)

There have been dramatic changes in business which produced a great impact on suppliers. The sales model should be adopted to these changes (Figure 27). The X axis of substitutability and/or of obtaining alternatives represents the dimension on availability and how easy and costly to replace products by competitors' ones while the axis Y shows an assessment on offering's relative importance either strategically or related to costs in the customer's business. Each area on the diagram requires the relevant sales approach. The figure illustrates purchasing models by quadrats. For example, to buy products from different suppliers if the suppliers' importance is relatively low and there are many suppliers on the market (quadrat Shop). The opposite, to develop partnership with those suppliers which have products to be hardly replaced and their impact on customer business is relatively high (quadrat Partner). The supplier should recognize in what quadrat they are located to plan the sales strategy accordingly. (Rackham and DeVincentis,1999.)

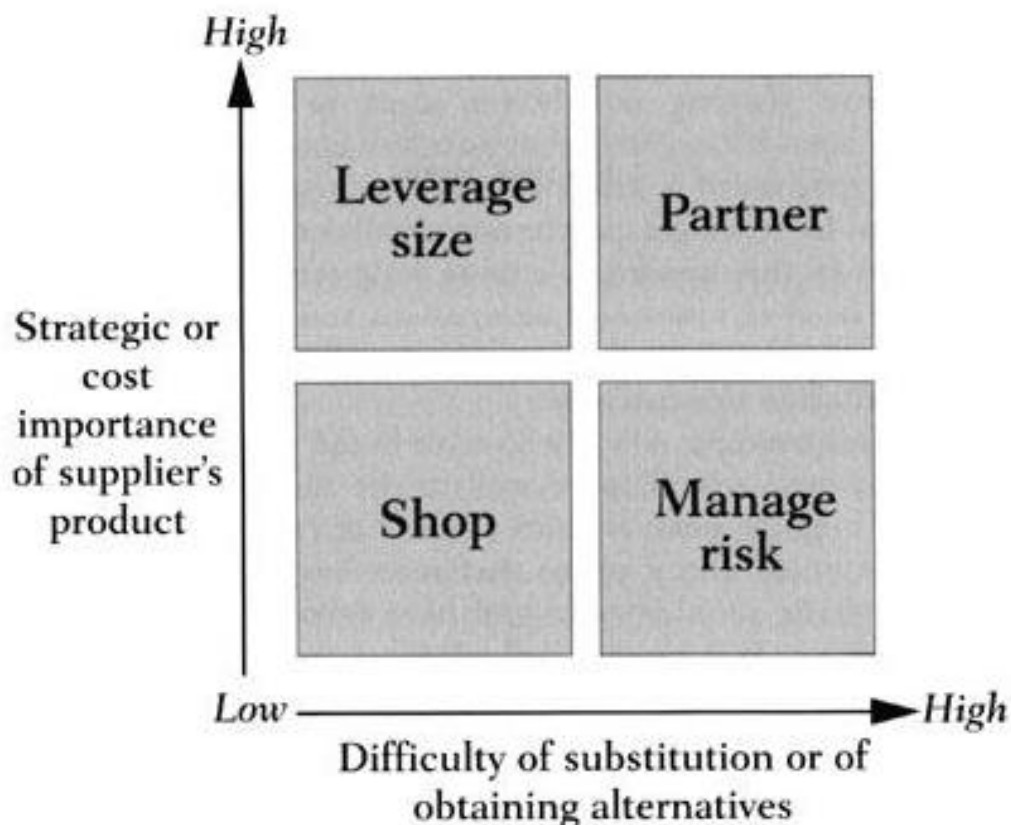


Figure 27. Supplier segmentation matrix (Rackham and DeVincentis,1999)

2.4 Communicating a value

The chapter overviews the theoretical framework on value delivery aspects.

2.4.1 Value delivery system

Value delivery system (Figure 28) was introduced by Lanning and Michaels (1988) in McKinsey staff paper where they argue that firms need to develop value proposition and create a value delivery system. It contains the following processes along, what they called value delivery system: analysis and segmentation of the market, assessment opportunities in each market segment referring to delivering value and choosing the value proposition that enhances these opportunities. In order to deliver a convincing value proposition, a business process should be in line with customer-oriented stages as choosing, providing and communicating the value to the customer. (Ballantyne, Varey, 2008.)

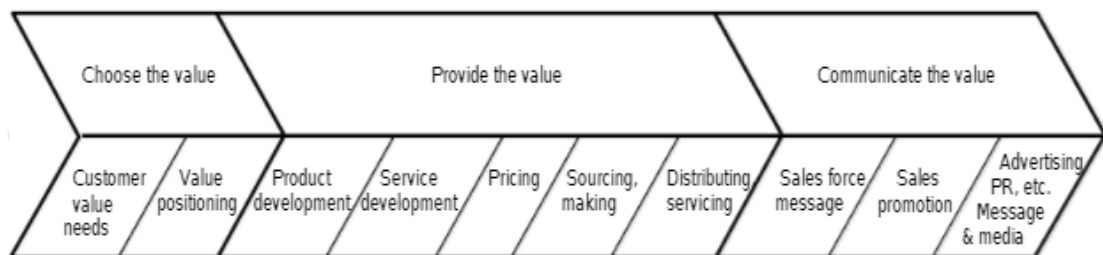


Figure 28. McKinsey & Co.'s Value Delivery System Model. Based on Lanning and Michaels (1988)

2.4.2 Marketing Mix

Marketing mix is one of the most mentioned and fundamental concepts in marketing literature. McCarthy (1960) introduced the concept of 4P's as components of marketing mix, the term which was invented by Borden (1965). McCarthy (1964) defined a term of marketing mix as a combination of all the factors at the command of a marketing manager to satisfy the target market. This 4 P's tool contains price, place, product and promotion (Figure 29). But in line with updating the tool with holistic marketing concept, there is a modified marketing legality in where other P's are added as people, processes, programs, performance (Figure

30). One additional P People states that marketing success depends on employees inside the company. Processes relates to structure, creativity and discipline as components of marketing management. Programs means all consumer directed activities so that they should be integrated with synergy effect compared with the sum of their parts. In its turn, Performance is defined as capturing the variety of financial and non-financial outcomes such as profitability, brand equity, etc. (Kotler, Keller, 2012.)

Marketing mix presents the suppliers' point of view of the marketing instruments in influencing the buyers. From the customers' point of view each P is designed to provide an advantage. This model is named SIVA which stands for a solution demonstrating how the customers can solve their problems, information showing where they can learn from it, value meaning what is the total sacrifice for the offering and access clarifying where customers can find it. (Kotler, Keller, 2009.)



Figure 29. The four P components of Marketing Mix (Kotler, Keller, 2012)



Figure 30. The evolution of marketing management (Kotler, Keller, 2012)

2.4.3 Development marketing campaign

Promotion in 4P represents actions which communicate the advantages of the product directed to the target audience, using all the possible instruments to promote the company's products or services (Armstrong & Kotler 2009, 84).

Marketing campaign is defined as a multi-faceted communication strategy with customers which aimed to execute a key business objective (Kelly et al., 2017).

Marketing communications are the ways which a company can use to inform, persuade and remind customers both directly or indirectly about the offerings. Marketing communications combine the following tools as advertising, sales promotion, events, public relations, direct marketing, word-of-mouth marketing and personal selling. In its turn, each communication tool unites a few activities, such as meetings, presentations, incentive programs, etc. under personal selling. In order to design effective marketing communications eight steps should be considered (Figure 31). The process starts with the definition of the target audience which is considered an important decision for all other steps depending highly on it. The next step lies in the determination of the campaign's objectives. Rossiter and Percy (1997) suggest to identify brand awareness, brand attitude and brand purchase intention which is aimed to move customers to purchase decisions. The next phase is to design communications which is answered to what to say, how to say and who should say. After the selection of the channels, deciding on means to bring the message to the target audience, the marketing budget should be estimated to select the marketing communications mix which in its turn includes

all the activities to be considered under their characteristic and costs. (Kotler, Keller, 2012.)

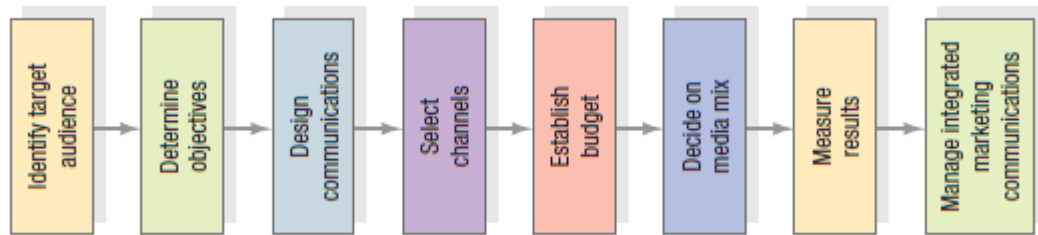


Figure 31. Steps in developing effective communications (Kotler, Keller, 2012)

Kelly et al. (2017) emphasize the importance of messaging in a marketing campaign which should resonate with customers so that value proposition should be well defined and foundational through a campaign. One page campaign plan is suggested (figure 32). (Kelly et al. 2017.)

Core Theme: (Choose from your top customer themes)			
Campaign goal: (Overarching campaign goal)			
Product Focus: (Which products/ services are you going to highlight during this campaign?)			
Target Audience description and decision maker profile: (Firmographics and Job titles/ departments)			
Objectives	Approach	Measurement	Tactics
Objective #1: Be specific and time-bound	Which marketing and sales levers will help drive this objective?	- How will you measure success against your goal?	- For example email campaign, webinars, events, sales training, etc.
Objective #2			
Objective #3			

Figure 32. One page campaign plan (Kelly et al. 2017.)

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Appendices

Appendix 1. The questionnaire on B2B elements of value

THE QUESTIONNAIRE ON B2B VALUES				
Functional Value				
Attribute	Explanation	Importance 0-10	Score Case Company 0-10	Score Competitor 0-10

Influence on revenue	Helps the customer increase revenue			
Cost reduction	Reduces cost for the customer's organization			
Product quality	Provides high-quality goods or services			
Scalability	Expands easily to additional demand, processes or tasks			
Innovation	Provides innovative capabilities			
Acceptable price	Extent of satisfaction with price, general estimation of price for life cycle			
Ease of doing business value				
Simplification	Reduces complexity and keeps things simple			
Configurability	Offers goods or services that can be easily configured to the customer's needs			
Variety	Provides a variety of goods or services to choose from			
Availability	Ensures the good or service is available when and where needed			
Risk Reduction	Protects the customer against loss or unnecessary risk			
Reach	Allows the customer to operate in more locations or market segments			

Flexibility	Moves beyond standard goods or services to allow customization			
Importreplacement	Does it meet requirements of some customers for import-replacement trend			
Component quality	Improves the perceived quality of the customer's own products or services			
Stability	Is a stable company for the foreseeable future			
Commitment	Shows it is committed to the customer's own success			
Responsiveness	Responds promptly and professionally to my organization's needs			
Expertise	Provides know-how for the relevant industry or market			
Information	Helps users become informed			
Decrease hassles	Helps the customer avoid unnecessary hassles			
Time savings	Saves time for users or the overall organization			
Reduced effort	Helps an organization get things done with less effort			
Individual value				
Design and aesthetics	Provides aesthetically pleasing goods or services			

Growth and Development	Helps users and colleagues develop personally			
Reduced anxiety	Helps buyers and others in the organization feel more secure			
Fun and Perks	Is enjoyable to interact with or otherwise rewarding			
Network expansion	Helps users and colleagues expand their professional network			
Marketability	Makes users and colleagues more marketable in their field			
Reputational assurance	Does not jeopardize and may enhance the buyer's reputation at work			
Inspirational value				
Purpose	Gives buyers and users hope for the future of their organization			
Social responsibility	Helps the customer be more socially responsible			
Vision	Helps the customer anticipate the direction of its markets			

Appendix 2. Questions for a customer survey on customer profile

1. Customer jobs

- 1.1. Describe functional jobs are the most important for the customer (such as to produce a product, complete tasks, solve problems)
- 1.2. Describe social jobs which are important for the customer (such as to raise status around colleagues, expand influence, etc)

- 1.3. Describe what kind of emotional jobs are relevant to the customer?
2. Customer gains
 - 2.1. In what areas decrease of cost would make the customer happy (for example such costs of time or other resources)?
 - 2.2. What results would make the customer happy (for example increasing revenue, achieving particular level of quality, etc.)?
 - 2.3. Is the customer satisfied with the current products (in terms of quality, features, etc.)?
 - 2.4. What are the areas, aspects which could make the customer's life easier?
 - 2.5. What would the customer like to change (in any area, such as terms of contract, particular features, etc.)?
 - 2.6. What kind of social aspects does the customer care (respect from colleagues, status, increasing power, etc.)
 - 2.7. What are criteria's for measuring success if failure in customer's job (revenue, margin, etc.)?
 - 2.8. What are the terms for increasing business with Case company (lower price, increasing discounts, expanding features, etc.)?
3. Customer pains
 - 3.1. What are the areas which seems to the customer too cost consuming (such as time, efforts, other resources)?
 - 3.2. What are the main concerns of the customer referring current products (such as features, functions, etc.)?
 - 3.3. What kind of social consequences are the customer afraid of (such as lack of respect, etc.)?
 - 3.4. What prevents the customer from expanding the business with Case company (lack of functions, low performance, etc.)?