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Value Co-Creation in Seller - Reseller Relationships

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The purpose of this study is to analyze the roles and activities of the seller and the reseller in co-creative relationships. The research outlines how the quality of participation influences the process of value co-creation in seller-reseller relationships.

The study discusses the participatory approach as the prerequisite for co-creation and presents how the gains and limits of value co-creation depend on this impetus. The study represents the process of defining value propositions on the seller as well as on the reseller side and it delineates the causal relationship of the variables value proposition and value perception. With the qualitative, cross-sectional research of business dyads represented by four strong Finnish sellers from different consumer goods industries and their various international resellers the study assesses the attitude for and the quality of collaboration in their value co-creation processes.

The research on the interrelations of participatory processes and co-creation provides new insights into the management of the course of value co-creation. The study takes a dyadic approach on collaborative relationships by giving both sides the possibility to describe their value propositions and the creation and co-creation of value with the particular business partner. The study conceptualizes possible motivators for value co-creation and it presents the perspectives of the companies under research on such motivating elements. It reveals a rather poor quality of dialogue among the researched companies what results in a low level of value co-creation and the missing causal relation between the variables of consciously provided value proposition and value perception. Each company focuses on its own forthcoming but is not genuinely interested if its value propositions match the value perceptions of the business partner.

The study concludes with various managerial implications that might provide new perceptions for practitioners in business dyads.

Key words: co-creation, value co-creation, value propositions, value perception, seller-reseller relationship, buyer, supplier, relationship marketing

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1 Introduction

1.1 The background of the study

There has been an increasing interest in collaborative exchange in business relationships over the past two decades and it continues to be an attractive topic for exploration (Bolton, 2010; Ulaga & Eggert, 2006; Dwyer et al., 1987). In many industries managers have observed a strong trend towards closer relationships with selected manufacturers, where buyers have reduced the number of companies down to just a few key suppliers (Ulaga & Eggert, 2006; Tuten & Urban, 2001). The increasingly important question is how to become a key supplier by building a collaborative relationship, and defend this position against competitors. This market evolution has forced suppliers to think of new ways of differentiating themselves and to understand how to create and deliver value apart from just developing new products and shipping them in time and high quality (Ploetner & Ehret, 2006). Equally buyers and resellers must rethink their position and their possibilities for contribution and collaboration in value creation in their partnerships with suppliers. It is no longer feasible for buyers to rely on the supplier's innovation processes but rather get actively involved and leave their own fingerprint on the new developments. Business relations are a two-way street and the recent development of the global markets forces managers to continuously adapt their view on this unit of business (Prahalad & Ramaswamy, 2004b). Both sides of the business relation are equally responsible and important for its success and neither one nor the other can keep its market position when isolated from its partners. For a mutually beneficial arrangement for both parties a multifaceted, substantial relationship with key constituents must be established (Kotler & Keller, 2006). The reduction of costs cannot be the only key to survive a market crisis. It is very well possible that business model innovation will become the only way to manage the discontinuous pace of change in the business environment (Tanev et al., 2009; Mathieu, 2001). Research is required to define the role of the seller and the reseller in value co-creation processes - meaning the processes of interaction and integration of resources of two collaborating parties. It is therefore necessary to identify methods to motivate and to guide each side to collaborate and thereby improve the results for all parties involved. Managers now realize that co-creation with partners is to produce value for each participating side through shared inventiveness (Bolton, 2010). A partner like approach to the co-creation of value between buyers and suppliers, seller and resellers must characterize the future of competition, for which the solution is the design and implementation of value co-creation mechanisms, tools and environments (Prahalad & Ramaswamy, 2004a). In order to do so, new values for collaboration must be established and embraced by the interactive partners. Such relationships demand a change of perspective on the level of participation and involvement in co-creation of each side as well as a new quality of democracy during the development process (Wilson J. , 2009).

The value is contributed by each individual actor but in addition, there is also jointly created or partnership value, which is larger and qualitatively different in its outcome than the sum of the individual shares (Kirah, 2009).

Business activities, its stakeholders and resources are characterized by the interactions in which they are involved (Ford et al. 2010). Research in relationship marketing has identified different examples of interest regarding this topic, such as commitment and trust (Anderson & Weitz, 1992) and these in combination with satisfaction (Hewett et al., 2002). Other research concentrates on the distinctive phases through which relationships change; the importance of communication and information sharing as well as the more efficient use of resources and the distribution of costs (Dwyer et al., 1987).

Collaborative exchange in business relationships has been an attractive and gainful research topic (Bolton, 2010; Ulaga & Eggert, 2006; Dwyer et al., 1987) and many studies discuss the processes of interaction (Wang et al., 2008; Ford et al., 2010; Ploetner & Ehret, 2006; Celuch et al., 2006; Mehta et al., 1996; Halldorsson et al., 2007; Jap et al., 1999), but the perspective is in line with just one side of the dyad. The studies mainly focus on the benefit of the customer in a B2B or a B2C relationship and on how the supplier should change its approach in order to serve his customer better. Today, companies are part of integrated business networks where the boundary between customer and supplier has vanished (Gummesson, 2007). The outcome is co-creative relationships that interact with each other. The purpose of co-creation in a relationship is to produce value for each participating side through shared inventiveness (Bolton, 2010). Value propositions are contributed by each individual actor, yet there is also jointly created value (Kirah, 2009). Such relationships demand a change of perspective on the level of participation and involvement by each side as well as a new quality of collaboration.

Very little known about the motivators and processes that encourage stakeholders to interact in business relationships. Research is required to define the role of the seller and the reseller in co-creative relationships and thereby improve the results for all parties involved. The study takes a dyadic perspective on collaborative, interactive relationships and focuses on the interdependencies of the two parties. It evaluates the benefits and limits of value co-creation for each side of the relationship.

1.2 Research purpose and research questions

The author has more than ten years of work experience in seller-reseller relationships and therefore knows the challenges of such interrelations thoroughly. Hence, there has been a constant interrogation for better understanding of both sides of the dyad. The research questions have been omnipresent since a longer period of time, even though they have not been expressed in the particular form as presented in this study.

This research is initiated out of the concern for the continuity and improvement of successful seller-reseller relationships. This study wants to investigate how to motivate the parties to continue and maintain interaction and how to make sure that each party perceives the expected value.

The overall purpose of this study is to evaluate the necessary principles and prerequisites for successful value co-creation in long-term seller-reseller relationships and how value proposition and perception is functioning in such business relations. For this purpose, three research questions are outlined:

RQ1: Is the quality of the participation process in seller-reseller relationships sufficient in order to co-create?

RQ2: What are the value propositions of the seller to the reseller and do these enable the reseller to create value for him?

RQ3: What are the value propositions of the reseller to the seller and do these enable the seller to create value for him?

1.3 Research method and process

The study is a qualitative, cross-sectional research of collaborative processes in international seller-reseller relationships. During ten years of work experience in international consumer retail the author has gained fundamental pre-understanding of the complex character of seller-reseller relationships and the challenges that occur in such business relations. The understanding of the concepts of participation, co-creation and value co-creation has been gained through studies of relevant literature.

The material for research is provided by the author's longstanding work experience of more than seven years in retail business, of detailed field observations between March and December 2010 and by 12 in-depth interviews with representatives from the sellers' as well

as the resellers' side of these relationship cases. The sellers are represented by four, domestically well established Finnish consumer brands from quite different industries. The presented resellers operate with just one of the four sellers, either in Finland, Austria or Germany. However, in addition to the business relation that is topic of this research, each reseller maintains numerous relations with other sellers of its industry. The research process can be described as deductive as it departs from existing theory and concepts and tests the hypothesis in practise (Ghauri & Gronhaug, 2005; Gummesson E. , 2000). Deeper insights into the research method and process will follow in chapter three.

1.4 Outline of the study

The study describes the impetus and business environment for interdependent seller-reseller relationships, in order to provide the platform for value creation for the end customer and the motivating factors that influence and convince the stakeholders to participate in value co-creation processes. The study takes a dyadic approach on collaborative relationships by giving both sides the possibility to describe their value propositions and the creation and co-creation of value with the particular business partner.

The study begins with a general introduction on the research topic and gives an overview on its theoretical background. The first chapter contains introductory definitions of the most important concepts of the study and presents the research questions.

The second chapter gives an overview on the current understanding of the characteristics of seller-reseller relationships and what influences such collaborative dyads. In this chapter seller-reseller relationships are viewed before the societal background and it is examined how these theories relate to co-creation and value co-creation. The review explains the theory of co-creation of value, how it is translated into practice and what in particular might be its impetus for co-creative seller-reseller relationships. It also gives an insight to the motivators that might encourage stakeholders to participate in co-creative processes and innovation management.

The research method is discussed in chapter three. This chapter outlines the reasons for the choice of a qualitative research method and why the particular cases were chosen to provide the data. At this point also pre-understanding and the strategy of data collection is discussed, in particular how the qualitative interviews were conducted.

In chapter four the study presents results of field interviews with informants, coming from different industries and from different positions from the seller's as well as the reseller's side. Of particular importance are the interrelations between the two parties and not just the

one-sided perspective of either party. In this chapter the value propositions of either side are identified and an analysis of the possible value perception follows.

Chapter five contains discussion and managerial implications for the practitioner. This chapter of the study outlines the answers to the research questions, a reflection on the main findings and finally suggests consecutions for managers.

The study concludes with chapter six by suggesting future research implications and by delineating some final comments.

1.5 Introductory definition of key concepts

In order to make the base for a coherent discussion, it is necessary to consensually define the different notions that are used in this study because their meaning can differ greatly, depending on the author and the context they are used in. The purpose of these introductory definitions is to provide a common understanding of the substantial concepts used in this study and why they are underlying this discussion instead of other, similar descriptive terms. A more thorough discussion of the concepts of participation, co-creation and value co-creation is provided in chapter two.

1.5.1 Seller

The Collins English Dictionary (2009) defines manufacturer as '*a person or business concern that manufactures goods or owns a factory*'. This characterization remains behind the meaning of the *seller* as it is understood in this study. Herein, the term *seller* is introduced to describe not just the obvious purpose of a manufacturer - manufacturing goods - but other activities that are usually executed by manufacturers today. The seller is foremost a manufacturer of goods but the same enterprise is performing other activities such as packing and logistics, employee training as well as numerous other non-manufacturing activities such as the development of marketing communication material (catalogues, displays of merchandise, mass-media advertising, direct mailing etc.) and the multifaceted work of sales network development and maintenance. Last but not least, the manufacturer's position is also that of a loan originator, in the form of extensive and flexibly adjustable payment terms for its buyers. In addition, the type of manufacturer that is behind this study possesses own points of sales (POS) and runs it with its own employees. Sales and marketing have become equally important factors to holistically characterize the work of a manufacturer (Davis, 1993). As in this study the focus is on the sales and marketing activities of the manufacturer, the notion *seller* seems more adequate and is used in this research.

1.5.2 Reseller

In the same way as the manufacturer's situation has considerably changed so has that of the retailer. Its activities cannot be summed up any longer as the 'final activity and steps needed to place merchandise made elsewhere' (Dunne & Lusch, 1999)¹. The role of the modern retailer in the supply chain, regardless of its size or type is to interpret the demands of its customers and to find the goods those customers want (Lazarus, 1961)². Wingate (1931, p. 28)³ delivers a well-conceived definition for a retailer that integrates the philosophy of marketing: *'Any individual, firm, or corporation that performs the last step in the marketing of goods from producer to consumer. He buys from wholesaler, commission merchant, or manufacturer and sells direct to consumer. To be significant as a distinct economic unit, the retailer must act as a purchasing agent for the community rather than as a distributing agent for manufacturers'*.

In order to become this *purchasing agent for the community* the retailer is differentiating himself through increasingly resourceful marketing techniques (Kent, 2007; Davis, 1993) and can therefore be engaged in various non-store selling and marketing activities that focus on the establishment of store loyalty of the customers and the sales of different brands. The activities can be the development of marketing communication material, trade show attendances, the creation of atmospheric retail environments in the POS, sales training, delivery and assembly of purchased goods and increasingly often the operation of its own production plants (Kent, 2007). In his own interest and on its own cost the reseller makes additional services available that are associated to the brand, as he is also the leading force when it comes to product marketing, rather than the seller itself (Hua et al., 2011; Ploetner & Ehret, 2006). The non-store activities are similar to those of the manufacturer and the design and production of own goods approximate the retailer into the same position as the manufacturer. Yet the reseller is a customer of the seller, which is an important fact for the process of value co-creation that shall be discussed later in this study.

However, the foremost important activities relevant for this study are the selling and marketing of purchased goods as well as the participation in the development of new products and services in collaboration with the seller, which is why the notion *reseller* seems appropriate to be used throughout this study.

¹ As cited in (Peterson & Balasubramanian, 2002), p.10

² As cited in (Davis, 1993), p.2

³ As cited in (Peterson & Balasubramanian, 2002), p. 11

1.5.3 Seller-Reseller relationship

The *seller-reseller relationship* described in this study is an alliance of at least two parties that have decided to sell and to market the seller's goods and services on a collaborative basis. Apart from such simple dyad, business relationships can be complex networks containing one seller and numerous resellers that perform different functions within this network. Ideally, over time such a relationship is developed into a partnership; characterized by the continuous development of innovative and co-creative processes. Therefore, the major goal for all parties involved becomes the retention of the relationship (Gummesson, 2003). The term *relationship quality* is used to describe business relations that are typically validated through a compound of commitment, satisfaction and trust (Crosby et al., 1990). The seller-reseller relationships described in this study are of complex and long-term nature and contain always more than two parties. The primary functions are selling and reselling goods and services but are often extended as described earlier in this study.

1.5.4 Participation

The notion *participation* is coming from Latin and means *allowed to take part*. In this study it is defined as the voluntary attendance in a collaborative decision process that is characterized by evenly distributed power constellations and by commonly accepted responsibilities (Biedermann, 2006). Participation appears in different qualities and depends entirely on the attitude and contribution of the individuals in the participatory process. The concept of participation is thoroughly discussed in section 2.3 of this study.

1.5.5 Interaction

Interaction describes the active contacts between the parties of a relationship (Gummesson, 2003; Grönroos C. , 2009b) and it is defined by the relation of their individuals, activities and resources - the principal means of the relationship (Gummesson, 2003; Ford et al., 2010). In this study interaction is seen as a long-term and frequently appearing process between the seller and the reseller, involving multiple resources and actors of either side.

1.5.6 Co-creation

The term *co-creation* is very broadly used and some relate it to design and co-design (Sanders & Stappers, 2008), but it is generally described as a plot of collective creativity experienced jointly by two or more parties. The process of co-creation overlaps with innovation as a collaborative and networked activity between producers and users (Allen et al. 2009; Wilson & Stokes 2005; Kirah 2009) and it enables the parties to lay base for value co-creation. In this

study co-creation is understood as underlying participatory processes between the seller and reseller as important prerequisites for value co-creation. The stakeholders unite in a non-hierarchical environment for the development of new products and services - namely value propositions (Kirah, 2009).

1.5.7 Value creation and value co-creation

In this study the term *value co-creation* is used to depict high-quality interactions and the integration of resources between two parties, based on the descriptions of Prahalad & Ramaswamy (2004b), Grönroos (2009b) and Vargo et al. (2008). During active interaction, the seller as well as the reseller has the opportunity to become a co-creator of value by getting involved in the other side's utilization and value creating process. *Value creation* is causally determined by the beneficiary and appears by making use of the value propositions of the provider (Vargo et al., 2008; Gummesson E., 2009; Grönroos C., 2009b). Sanders and Simons (2009) define four types of co-creation:

- Co-creation within communities
- Co-creation inside companies and organizations
- Co-creation between companies and their business partners
- Co-creation between companies and the people they serve (any stakeholder)

This study focuses on the co-creation between companies and their business partners. The relation to other stakeholders, i.e. end customers is considered in the context of this relationship but is not a topic of study. The concept of value co-creation is outlined in detail in chapter 2.4 of this study.

1.5.8 Value proposition

Value propositions are value offerings from the provider to the beneficiary based on the competences and capabilities of the provider. These value propositions can be accepted, ignored or left unnoticed (Vargo et al., 2008). In this study the seller as well as the reseller offer value propositions to each other and therefore both sides should be enabled to create value for themselves - a process that can be described as value co-creation.

1.5.9 Value perception

Value perception describes the subjective experience of the beneficiary during the value creation process. Value is conceived as being the trade-off between benefits and sacrifices (Ulaga & Eggert, 2006). In business relations the expected value perception is mainly related - and often limited - to monetary value. This study shifts the reader's attention to further attributes of value that relate to the social and empirical aspect of the business relation, e.g. the benefits and sacrifices that come with a long-term relationship and the allegiance to a charismatic brand.

2 Operational perspectives for the management of seller-reseller relationships

2.1 Organizational theories of business relations

As this study discusses the specific business relation between seller and reseller - a meta-organization of independent companies involved in exchange processes (Halldorsson et al. 2007; Mehta et al. 1996) - the focus is on organizational theories for the management of these particular networks. In many industries, sellers depend on interposed parties to sell their products to end customers (Hua et al., 2011; Hughes & Ahearne, 2010). Seller-reseller relationships are open networks of independent companies, where the seller is the provider of a charismatic brand and where the numerous resellers form the distribution channel. Together they provide an interactive supply chain for the brand's products and services. The assumption that interaction is the key to economic success is common throughout the social and economic science (Ulaga & Eggert, 2006; Weber, 2001; Jap et al., 1999). Research has lead to the conclusion that business activity with its resources and actors involved is defined by the form of interaction (Ford et al. 2010). Thus such collaborative organization of a business network requires complex and diverse managerial decisions for the structure of operations, the nature and purpose of processes as well as the role and power of the various participants. It is therefore necessary to approach the topic from this angle.

Reference to Mathiessen (2009), Halldorsson et al. (2007) and McQuiston (2001) reveal that the dominant theories to explain the structural and managerial issues of relations in open business networks are:

- the principal-agent-theory (PAT) and
- the network theory (NT)

The literature does not provide a singular scientific definition of the PAT. While some descriptions strongly relate to juridical issues, more recent studies have a rather general approach and suggest that any agency-relationship is determined by its reciprocal dependency

(Grönroos C. , 2009b) and does not allow a definitive assignment of principal or agent (Mathiessen, 2009; Weber, 2001). Distinctive for the agency relationship are the following key points (adapted from Mathiessen 2009; Halldorsson et al. 2007):

- the agent can influence the principal's wellbeing positively as well as negatively, depending on its actions and decisions
- both parties have predominantly economical interests
- usually, the agent has an information advantage towards the principal, which causes an information asymmetry
- different risk aversions of either party.

In order to manage and to alleviate certain effects of potential conflicts due to the agent's leeway in decision making the aim is to design a contract that governs the relationship (Mathiessen, 2009). The weak point of this theory is the bias in the approach that results in the assumption that the agent is the potential violator of the agreement due to his low moral motivation (Halldorsson et al. 2007; Néron 2010). A thorough reflection could discover the principal's opportunism and his equal interest to achieve information advantage, i.e. by keeping information about the profit situation of the company to avoid requests for better commissions.

On the other hand, the agent can also be interested in mitigating the information asymmetry, when he directly benefits from such change. PAT is therefore limited to explain the multiplicity of agency-relations (Neus, 1989)⁴ that should not just entirely rely on dictate but on establishing a strong organizational culture of trust and reliability (Néron, 2010). However, the PAT describes the mutual dependency of both parties in such an indented work relation as well as the commitment of the agent, and it can give recommendations on how the performance can be steered with the help of contractual regulations (Mathiessen, 2009; McQuiston, 2001). Furthermore, PAT supports the findings on the influence of incentive and controlling systems (Hughes & Ahearne, 2010).

Business activity with its resources and actors involved is defined by interaction (Ford et al. 2010) and in particular by continuous interaction in the development of innovative and co-creative processes. Network theory describes the dynamics of inter-organizational relations by focusing on the personal connections between the stakeholders and their social exchange of routines and systems in order to achieve more advantage than through individual efforts (Kirah 2009; Halldorsson et al. 2007; McQuiston 2001). The firms link with each other through two closely connected types of interaction, which are exchange (information, goods, services) and adaptation processes (personal, technical, legal elements) (Johanson & Mattson, 1987)⁵.

⁴ As cited in (Mathiessen, 2009), p.56

⁵ As cited in (Halldorsson et al., 2007), p.287

While PAT is important for management decisions of the network structure, such as the distribution of activities between the parties as well as their roles and responsibilities, NT has emerged from modern sociology and describes the form of interactions and adaptations of processes and how to develop trust and assurance in inter-organizational networks. Both theories contain very important factors from the economic as well as the social science and are descriptive for functioning inter-organizational relationships. However, the foundation for sustained competitive advantage is joint innovation and co-creation of value (Prahalad & Ramaswamy, 2004b), thus the conditions for such an environment are more complex than both organizational theories can describe.

Sanders & Stappers (2008) and Halldorsson et al. (2007) indicate that it is not possible to rely on just one unified theory to describe the functions and processes of such complex business organizations but to introduce further reaching theories, even from other scientific disciplines. Thus a further theory from the socio-pedagogical field that considers the demands of a co-creative environment in more detail is discussed later in this study.

2.2 Co-creation as an integrated part of the business strategy

2.2.1 Co-creation

The term *co-creation* is very broadly used with an immersive range of purport and the literature gives different definitions. Although some relate it to design and co-design⁶ (Sanders & Stappers, 2008), it is generally described as a plot of collective creativity, experienced jointly by two or more persons. This characterization is based on the belief that all people are creative and able to express it (Sanders & Simons, 2009). The process of co-creation overlaps with innovation as a collective and networked activity, related to a social process (Allen et al., 2009; Wilson & Stokes, 2005)⁷. Various disciplines meet at an intersection that is located beyond confines of different fields of study, revealing a new intellectual landscape (Wilson J. , 2009). As Wilson (2009) indicates, it is necessary to collaborate with individuals from different fields in order to minimize the risk of so called *group-think*, because the solutions to tough problems can often be found at the margins of the field of research. This eliminates the risk to confirm previously used solutions over and over again. By opening up the process of collaboration and decision making to the crowds, it is easier to reach these margins. Co-creation seems to be a highly developed team work towards a given objective. Several variations of a prototype are evaluated over and over

⁶ There is no single, universally accepted, concise definition of design (Botero & Saad-Sulonen, 2009). Participatory design is a practice of collective creativity in design; research projects of user participation date back to the 1970th (Sanders & Stappers, 2008). In the described context, design means shaping, forming, moulding and organizing, used i.e. in graphic-design, service design, product design etc.

⁷ As cited in (Kent, 2007)

again and each new version brings the team closer to the target (Sanders & Simons, 2009). Each participant brings up relevant criteria in every new evaluation round until all team members find the result satisfying and declare the development process finished (Petruschat, 2009).

Burow (2000) associates co-creation with the performance of a jazz band and herewith does not only explain the term but rather the process of co-creation. He points out that in a *good* jazz band several very diverse personalities come together. Each of them is an expert on their own instrument. Without a conductor these individuals improvise about a commonly chosen topic and - if successful - they create something completely new. It is not necessary for the individual to be an extraordinary virtuoso on the instrument but each of them must be able to listen, to get into the dialog, to pick-up something from the others, to modify it and to redeem oneself at a certain point. If the team succeeds, these individuals are united and they appear to the audience as a coherent gestalt. Petruschat (2009) explains that the metaphor of the jazz band shows the link of collaboration in operation and leads to a central moment of co-creation: the community of the team and the possibility that - apart from any choreography or leadership - the proliferation of one stimulates and encourages that of the other and vice versa. The quality of this dialogue is defined by the quality of participation, meaning the level of engagement of the parties in the creative process. Co-creation is one underlying collaborative activity in the process of value co-creation (Sanders & Stappers, 2008).

2.2.2 Prerequisites for co-creation

The following definitions of creative levels are based on Sanders' & Simon's descriptions (2009). The most basic level of creativity is expressed through productive creativity. A person is consciously productive. The more advanced level of creativity is called *adapting*, meaning to modify a given object to its own preference. The next level of creativity is called *making*, what is motivated by using its own experience and knowledge to come up with something that did not exist before. The fourth and most developed level of creativity is *creating*, in order to be innovative and to express one's creativity in a unique, singular way. The concept of creativity is challenging. People approach a certain field with their own level of creativity and might also act simultaneously on various levels. (Sanders & Simons, 2009.)

The target must be to identify the levels of creativity of each actor involved in a co-creative process and to guide and encourage these persons to express and share their ideas and thoughts openly (Sanders & Stappers, 2008). Such creative process demands a free and open minded environment with a democratic and appreciating atmosphere. The thorough understanding of the diversity, dynamics and quality of such interactions between different

stakeholders is the key to the business innovation success of any organization (Tanev et al., 2009; Grönroos C. , 2009b). From ‘making, selling and servicing’ the organizational culture must change to ‘listening, customizing and co-creation’ (Payne et al., 2008). Research has shown that other psychological forces besides normative pressure and financial incentives are effective influences on the stakeholder, such as the identification with the company they work for and the brand they sell (Hughes & Ahearne, 2010). However, the power structures in many organizations are built on hierarchy and control but the motivation for those being in control and in the position to implement changes is not very high because participation of stakeholders is seen as a radical step into the unknown, rather than as a source of innovation and participatory thinking (Sanders & Stappers, 2008).

For example according to Kirah (2009), Pedrosa (2009) and Sanders & Stappers (2008) co-creation replaces the hierarchical approach to management and provides a collaborative and influential environment for all stakeholders to participate in new product and service innovations. The co-creation of value that emerges by jointly created value propositions is the conclusive result of co-creation (Kirah, 2009). In line with this statement, this study is researching the theoretical background of the environmental conditions for *participation* in co-creative business relations and how such participation is evolved and encouraged. Many studies have discovered the strong influence of trust as a single driver of successful business relations (Wang et al., 2008; Jap et al., 1999; Ploetner & Ehret, 2006; Anderson & Weitz, 1992), others found trust combined with commitment and satisfaction (Ulaga & Eggert, 2006) or balanced interdependence plus adaptability to change (Weber, 2001) as necessary conditions. However, Wang et al. (2008) claim that authoritative mechanisms work as safeguards to limit unwanted distribution of creative innovations. This study is taking into account the socio-pedagogical aspects for participation and interaction and outlines generally valid conditions for co-creative environments.

2.3 The participatory approach

The single most important component for succeeding in co-creation is an appropriate mindset towards the innovative process (Sanders & Simons, 2009) and therefore a democratic, social and participatory approach is needed to support it. Grönroos (2009b) suggests that the quality of interaction is the foundation for co-creation. The challenge for co-creation is the innovation of management itself (Tanev et al., 2009; Mathieu, 2001), thus changes in the approach to managerial theory are indicated. The *building blocks of interactions* described by Prahalad and Ramaswamy in their DART-model (2004a; 2004b) consider *dialogue*, *access*, *risk-benefits* and *transparency* as the base for co-creation between supplier and end customer.

On this basis it may be appropriate to look deeper into this subject and how it relates to seller-reseller relationships. Since these four facilitators for co-creation - *dialogue*, *access*, *risk-benefits* and *transparency* - are of such complexity and importance for the success of the process, it is necessary to describe and discuss these facilitators accurately and in more detail, i.e. the quality of the dialogue and the level of engagement need more attention. Néron (2010) lines out that it is necessary to include also the political point of view when examining modern corporations. Thus social participation theory seems appropriate to be introduced as the additional perspective when examining distribution networks that want to lay base for a co-creative environment. This convergence comes from the belief that all people are creative and able to express it (Sanders & Simons, 2009) and are therefore able to engage in participatory processes.

In the following, the notion of *participation* is defined as it is applicable for this study. The following discussion is adapted from Biedermann (2006) who identifies seven transdisciplinary basic elements to compile the concept of participation theory:

1. *Decision making:*

Where and what for one has to participate? The topics of discussion must be addressed to the participants' spheres and the reasonable chance of impact must be given, in order to achieve direct concernment and interest.

2. *Discursivity:*

Discursivity is often called the central element of participation; strictly speaking, the most important or even the only element (Reichenbach, 2002)⁸. By communicating discourse and contradiction the participants tout for their validity claim and have to exchange arguments of diverse aspirations, interests and opinions (Prahalad & Ramaswamy, 2004b).

3. *Dissemination:*

Dissemination refers to two different meanings in this context; on one side it is the aspect of publicness and the other it is the aspect of 'opening up', disclosure.

4. *Communality:*

It describes the community of a group, based on social, political, economical and/or simply motivational aspects. Different studies confirm that experienced trustworthiness is directly corresponding with higher satisfaction and higher commitment in business partnerships (Jap S. , 1999; Ploetner & Ehret, 2006).

⁸ As cited in (Biedermann, 2006), p. 104

5. *Assumption of liabilities:*

This topic is important for the sobriety and balance during the decision finding process, as the participants must carry the responsibility for the implementation and consequences of their decisions (Prahalad & Ramaswamy, 2004b). It is furthermore necessary to define, who is responsible for what and to whom.

6. *Distribution of authority:*

All participants have to search jointly for a consensus of the adjudication of power. Such bestowing bears the danger of misuse of the authority by single persons, which is the monopoly of power must be limited, i.e. by dividing the group in equal parts according to democratic ideals.

7. *Internal Voluntariness:*

Voluntariness is the constituent element and results of the elements outlined before. As participation means to open up to a public environment and therefore presenting and expressing oneself (in the meaning of true participation), it is always accompanied by the danger of criticism or even degradation of the self. Taking ethical aspects into account, just the existence of such possibility of self-referred mortification requires voluntariness throughout the participation process. This element also bears the option of refusal in the participatory process but such attitude must be ensured and permitted, as participation contains the freedom of joint decisions but also the need for responsibility and with it commitment.

Considering the contents of these elements participation can be understood as the voluntary attendance in a public and open collaborative decision process that is based on discursivity and characterized by clearly defined and at best, evenly distributed power constellations and by commonly accepted responsibility (Biedermann, 2006). It reflects the practice of the jazz band (Burow, 2000) as it is described in the previous chapter. That is the theoretical background of participation as the base for interaction in co-creative seller-reseller relationships and how it is understood and used in this thesis. However, these seven elements of participation do not explain the different levels of quality or intensity that could be associated with such participatory process.

Therefore, Oser et al. (2001) distinguish these levels in their *Hierarchies of Participatory Living Models*⁹. The hierarchy model is a gauge for the configuration of participation and it visualizes the quality of holistic structures in organizations under the consideration of collaborative interaction and participation.

⁹ As cited in (Biedermann, 2006), p.120

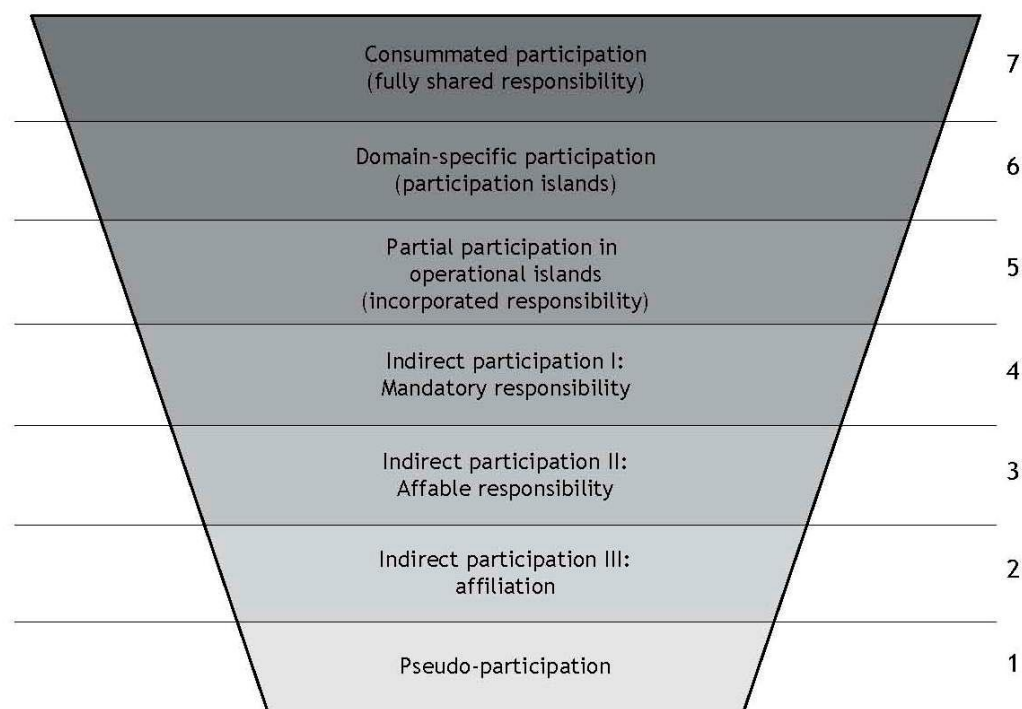


Figure 1 Hierarchy of Participatory Living Models,
(adapted from Oser et al. (2001), p.20 ¹⁰.)

Oser et al. (2001)¹¹ indicate the following definitions for the different levels and explain that according to this model (Figure 1) only from level 5 upwards it is reasonable to speak of genuine participation:

Level 1 - Pseudo-participation:

At this level none of the criteria are implemented, except for hierarchy. Identification with the situation is not possible.

Level 2 - Indirect participation III:

Can be understood in the meaning of ‘following a command’, while information flow is limited to answer-back of the command receiver.

¹⁰ The suggested levels are based on the weighting of seven criteria that are especially focusing on the business field (Oser;Biedermann;& Ullrich, 2001), as cited in (Biedermann, 2006), pp.120-121:

1. Authority - the legal access to make directive decisions.
2. Responsibility - analyses if the responsibility is shared or if the liability is pointed to just one individual.
3. Competency - defines the level of professionalism and skills that are conditional for taking actions.
4. Hierarchy - evaluates if the actions are demanding leading functions or if they rather need to be executed.
5. Information flow - a high level of participation is often characterized by access to a large amount of information, while a low level of participation is often lacking sufficient information flow. Anyhow, in many places extensive information flow is confused with genuine participation, which is evaluated by this criterion.
6. Allegiance - can be less or better marked and must therefore be considered carefully.
7. Initiative - describes the dimension of the possibility to stage oneself at given tasks.

¹¹ As cited in (Biedermann, 2006), p. 121-122

Level 3 - Indirect participation II:

At this level participation is understood as the assignment of particular tasks and the responsibility is limited to that. Information is wider spread, in order to improve the atmosphere. Individual initiative is not encouraged.

Level 4 - Indirect participation I:

At the fourth level a person is appointed to a definite task within a process and carries the responsibility for the results of the task. Discursivity is characterized by 'talking to the superior'. The possibility for identification is mediocre and the individual initiative is restricted.

Level 5 - partial participation in operational islands:

At this level autonomous work in definite areas is possible and the responsibility of the individual is integrated into a holistic, hierarchical system. The information flow is high; decisions are made in a steering committee or by single persons. As the individual can understand itself as a part of the entirety, the grade of identification is strongly pronounced.

Level 6 - domain-specific participation

Equality concerns specific areas in the system and therefore the responsibility for planning and execution of tasks is equally distributed among the team members. The information flow is very good and even though the acknowledgement is related just to the 'participation islands' the identification with the system is very good.

Level 7 - consummated participation

This level represents the ideal of participatory thinking. Everything is jointly planned, decided and executed and each team member carries the same amount of responsibility. The relations are symmetrical and the information flow is complete and transparent. At this level hierarchy is abandoned which increases the degree of identification to the best possible.

Each level of this model measures the various intensities of participation and shows furthermore the structural entirety that determines the collaboration of human beings (Biedermann, 2006). The hierarchy implies a progression from 'me to we' (Simon, 2010). Therefore, the challenge for co-creation is the innovation of management itself (Tanev et al., 2009; Mathieu, 2001). The prerequisites to implement the mindset for collaborative and innovative processes are clearly based on the participatory living models of Oser et al., but they also give an idea of the challenges that might occur during interspersation.

2.4 Value Co-Creation in Seller and Reseller relationships

Value creation is seen as the essential purpose for organizations to join a partnership (Wilson D. T., 1995; Walter et al., 2001; Payne et al., 2008). It can be considered a part of a successful and sustainable business strategy, when the incentives for the stakeholder are well

articulated, visible and measurable (Pedrosa, 2009; Payne et al., 2008). The higher the value that is received or expected the stronger is the motivation to participate and to maintain interactive relationships (Ulaga & Eggert, 2006). In addition, the work of Jap (1999) indicates that such arrangement is giving the dyad a long-term competitive advantage that is hard to duplicate. Traditionally, the selling firm decides on the products and services that should be produced and therefore, these firms also decide on the value experience of the buyer (Prahalad & Ramaswamy, 2004b; Hua et al., 2011). However, the previously described situation of modern seller-reseller relationships illustrates the equality of the partners and the power shift in the distribution channel (Hughes & Ahearne, 2010; Celuch et al., 2006), thus both parties must equally contribute to the value co-creation process with the customer and with each other.

Co-creation of value depicts high-quality interactions and the integration of resources between two parties (Prahalad & Ramaswamy, 2004b; Grönroos C. , 2009b; Vargo et al., 2008). During interaction, the seller as well as the reseller has the opportunity to become a co-creator of value by getting involved in the others' side usage and value creating process. Value creation is causally determined by the beneficiary and appears by making use of the value propositions of the provider (Vargo et al., 2008; Gummesson E. , 2009; Grönroos C. , 2009b). Value co-creation appears when the partners of a relationship are co-creative, when they are able to actively influence the outcome of a process or procedure (Sanders & Simons, 2009). Therefore co-creation can be understood as one underlying synergistic activity between the seller and reseller as a prerequisite in the process of value co-creation.

As Grönroos (2009b) suggests, the firm cannot be the value creator for the customer but is only the value facilitator. Value is created and experienced when a good or service activity is consumed, a process that is entirely controlled by the customer (Vargo et al, 2008). The widely accepted notion for this process is *value-in-use* (Grönroos C. , 2009b). It is the customer as a part of the business relation who determines the value and by merged interactive processes the customer can influence the processes of the company and thereby become a co-creator (Grönroos C. , 2009b; Gummesson, 2007). Assuming that the company or - as in the actual case - the seller and reseller jointly use this opportunity in return and engage themselves with the end customers' value creation process, they mutually or individually become co-creators of value with the end customer (Grönroos C. , 2009b).

Adapting this theory to the seller-reseller relationship, the seller cannot create value for the reseller but only provide the facilitators to be integrated into the resellers' processes. The value is created by the reseller. Ideally, the reseller provides such facilitators for the seller in return as such merged interaction is the key for co-creation (Grönroos C. , 2009b). Service-dominant logic provides the base of understanding the nature of such networks that

interrelate through their exchange of competences in order to achieve advantage for themselves (Lusch et al., 2007; Vargo et al., 2008). The seller and the reseller are mutually service providers and customers to each other and therefore create value as well as provide value facilitators for the other party (Grönroos C., 2009b). Both sides must contribute as well as benefit from the relationship (Gummesson E., 2007). As Gummesson (2007) suggests, a satisfied customer cannot be the only motivator of success but the interests of all participants must be considered. In long-term relationships all stakeholders have the right to satisfy their needs and therefore a network approach is required.

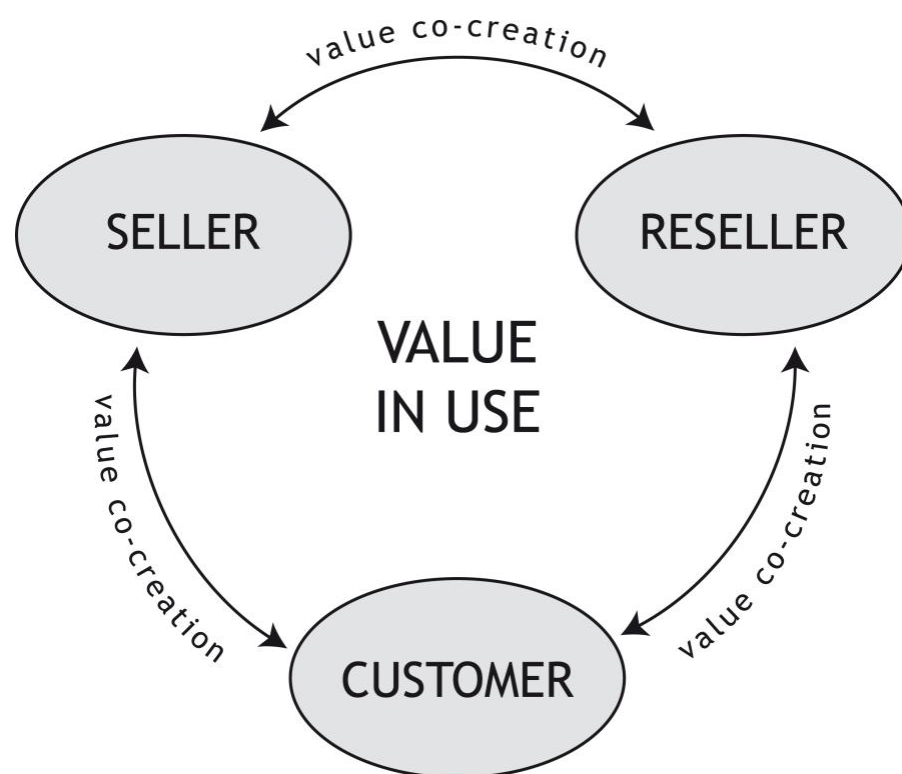


Figure 2 Relations between co-creative parties

Figure 2 illustrates the conceptual model for co-creation between the seller, the reseller and the end customer. Such merged, participative interactions provide the platform for value co-creation for and between all parties (Vargo et al., 2008).

2.4.1 The purpose of value co-creation

The first topic to discuss in this chapter is the meaning of value. As Sanders & Simons (2009) indicate, value is a multidimensional concept. In a value chain of businesses, it applies to all functions and activities that organizations need to provide value propositions to their stakeholders (Sanders & Simons, 2009; Gummesson, 2007). However, not all of these

functions and activities are part of the value creation process (Grönroos C. , 2009b). The type of value that is created is very individual (Grönroos C. , 2009b; Gummesson, 2007). In order to structure the research the study focuses on a specific set of values that represent superordinate motivators to participate in co-creation, applicable and relevant for all co-creative business relations. The content of this set is developed in the following.

Sanders & Simons (2009) define three different types of value in co-creative relationships: monetary, use/experience and social, which can all be inextricably linked. While the economic value of co-creation is often considered as the most desirable in business relations (Ploetner & Ehret, 2006; Mathieu, 2001), use or experience value as well as social value have indirect but constant influence on the economic factor (Kent, 2007). However, social value can provide economic reward as well as use/experience value (Sanders & Simons, 2009; Gummesson, 2007), thus it is the most desirable form of value co-creation because it combines financial with ethical aspects. This perspective is in line with Néron (2010) who states that companies should see themselves and should be seen through a political lens as social institutions that serve larger purposes than profit seeking. Social value is therefore chosen as a superordinate value that all businesses should strive for and is discussed in more detail in the following paragraph.

To come next is a description on the components of co-creation of social value, based on the *Comparison of the Three Types of Value Co-Creation* by Sanders & Simons (2009), considering Gummesson's (2007) approach that value-creation takes place in a network of multiple stakeholders. Therefore the end customer must always be included in the contemplation. He is a coequal member of the seller-reseller relationship, in fact only the end customer gives this relation its *raison d'être*.

The objectives of social value are the improvement of life in general and the demand for sustainability in products, services and relationships. The desired target is to live and work in an environment of modesty and continued existence (Payne et al., 2008). When communities emerge, they have to be formed around something; they need a common purpose (Sanders & Simons, 2009). This purpose can be served by a brand. The participants - meaning all stakeholders - fully identify with the brand and their dreams and experiences match with the brand's promises (Gummesson, 2007). Thus anyone identifying with the brand is investing in its survival and its growth (Sanders & Simons, 2009). Therefore their level of involvement is very high and can be described as notional ownership. In order to generate long-term relationships lasting over many generations, the stakeholders approach is human-centered and based on ecological values. From this discourse three components that equally serve as drivers of co-creation of social value can be extracted:

- brand
- profitability and
- sustainability.

The motivators to co-create social value and their relation to the value creators - seller, reseller and customer - are depicted in Figure 3. The responsibility is equally distributed among the members and each of the motivators - profitability, sustainability and brand - is fully integrated and of tantamount significance. The three motivators are equivalent and must be in synergy with each other. Seeking for the co-creation of social value demands that all motivators are incorporated by all stakeholders alike. The seller and reseller should maintain their relationship in the best way possible; in order to facilitate value for each other and to provide value propositions to the end customer in a mutual way.

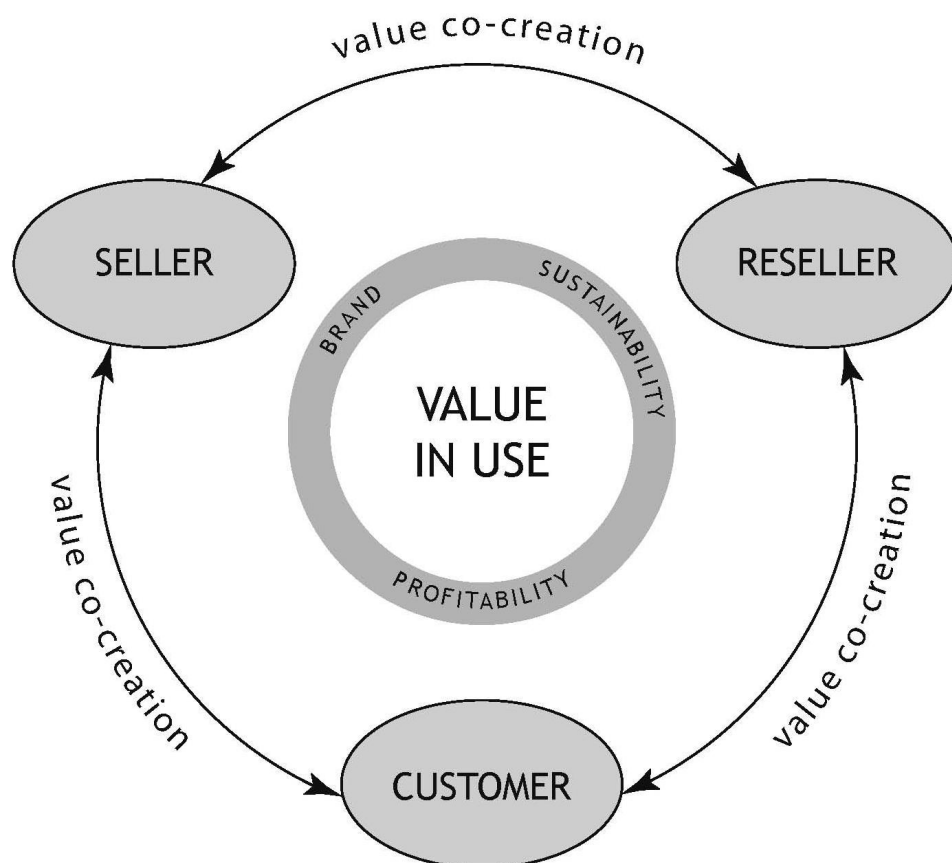


Figure 3 Components for the co-creation of social value

The focus should be on social value and responsibility as this contributes to define the strategy of the companies and can be a potent source of innovation and competitive advantage (Foote et al., 2010). The intention is to move from individual to communal or collective value perceptions. The purpose of value co-creation is to create social value but its

components - sustainability, brand and profitability - provide the platform for co-creation and innovation.

These components of social value provide focus on the research questions. In the next paragraphs, the meaning of the motivators for co-creating social value is explained and how it is understood in this study.

2.4.2 Brand

Taking into account the co-creation viewpoint, de Chernatony (2006)¹² suggests the following brand definition: *'A brand can be regarded as a cluster of functional and emotional values, which promises a unique and welcome experience.'* As mentioned in the previous chapter, brand can serve as a gathering purpose for a community (Sanders & Simons, 2009) and by identifying with the brand the community invests in its survival and promotion (Gummesson E. , 2007; Hughes & Ahearne, 2010). The brand and its promises give the relationship its meaning.

2.4.3 Profitability

Profitability describes the financial reward of a business and it is the substratum for its survival. Profit can be seen as the reward for the business owners for the risks that have been taken. Ideally, profit gained through business transactions serves for the creation of reserves and for new service and product developments as well as for the support of the community.

2.4.4 Sustainability

In the context of this study sustainability is related to the longevity of the seller-reseller relationship. According to Gummesson (2003) and Payne et al. (2008) long-term relationships can be more efficient for the parties involved, as in business-to-business it usually takes a long time to build a functioning and effective relationship. The initiative for maintaining the relationship should come from all parties involved and should not be left to just one participant (Gummesson E. , 2003). However, sustainability can be related to many further aspects, i.e. also to the brand and to the generation of profit.

¹² As cited in (Payne et al., 2009), p.380

3 Research approach, method and process

3.1 Research approach

This research is done out of the concern for the continuity of successful seller-reseller relationships. The research problem is that there is very little known about the quality of the development processes of value propositions and how these propositions are perceived in the value creation process by the opposing side of the business relation. This study investigates this development procedure. It further examines how to motivate the parties to continue and maintain interaction, and how to ensure that each party perceives the expected value.

Qualitative research has been traditionally prevalent in business-to-business situations, i.e. in order to manage the complexity of numerous contextual variables that influence business interactions and to achieve an in-depth insight into a research phenomenon (Martinez & Albores, 2003; Byrne, 2001; Ghauri & Gronhaug, 2005). In qualitative research the participants are providing the orientation as their perspective on the topic is in the focus of interest (Bryman & Bell, 2007). Thus this study uses qualitative methods to attain the information from different participants of seller-reseller relationships in order to record what they find important and significant. The study takes a deductive approach by using existing theories and concepts to be tested in practice (Gummesson E. , 2000) and conclusions follow the available facts.

This research is a cross-sectional, qualitative case study of collaborative processes in international seller-reseller relationships. The cross-sectional research design was chosen as it enables the researcher to compare what is common and what is unique across the multiple cases (Bryman & Bell, 2007; Gummesson E. , 2000) and the variables of cause and effect are measured at the same time (Ghauri & Gronhaug, 2005). The qualitative method of semi-structured interviews seemed to serve best to deliver the required answers to the research questions as they are most suitable for data collection that should represent people's verbal behavior and mindset (Ghauri & Gronhaug, 2005; Janes, 2001).

The study presents the findings and conclusions based on in-depth interviews, conducted with representatives on the seller's as well as on the reseller's side. With these interviews the author gathers the motivations, opinions and attitudes of the interviewees for participation, value proposition and value perception, in order to describe the situation in the seller-reseller relationships under research.

3.2 Research questions

This thesis evaluates the quality of current interactive and co-creative processes of different organizations in the context of participatory living models as the base for the co-creation of value. It furthermore investigates the co-creation of profitability, sustainability and brand as the components of social value. Three research questions remain to be answered with this research:

RQ1: Is the quality of the participation process in seller-reseller relationships sufficient in order to co-create?

RQ2: What are the value propositions of the seller to the reseller and do these enable the reseller to create value for him?

RQ3: What are the value propositions of the reseller to the seller and do these enable the seller to create value for him?

3.3 Sampling and data collection

During fifteen years of work experience in international consumer retail the author has gained fundamental pre-understanding of the multiplicative character of seller-reseller relationships and the challenges that occur in such business relations. Gummesson (2000) suggests that the researcher is the most important scientific instrument why this firsthand knowledge of the author, but also the further information gained through field observations and through the study of relevant literature, is vital for this research. The understanding of the concepts of participation, co-creation and value co-creation has been acquired through studies of respective literature.

The dyads under research come from completely different industries of non-food consumer goods in Finland. Due to the fact that the business environment in Finland is rather small and in order to secure the anonymity of the sellers and the resellers, it is therefore not possible to reveal their names or the fields of industries. The sellers are represented by four, domestically well established, high-quality Finnish consumer brands. During the recent years, these sellers have begun a tremendous transformation from an entirely product-centered organization towards a company, implementing a new service-mindset, not only towards its end customers but also to its resellers. These brands were chosen because of their conceptual similarities. Their products are all high-priced and high-quality and are made for private end customers. The sellers - and brand providers - offer similar services to their resellers and the organization of the distribution channels is equivalent. All brands have own sales outlets in

Finland and are supported by extensive reseller networks on the domestic as well as on the European markets. The choice of these four different brands gives an insight into a variety of industries. The resellers represented in this study operate either in Finland, Austria or Germany but have business connections with just one of these four sellers.

The material for research is provided by the author's field observations and by 12 in-depth, qualitative interviews with representatives from the sellers' as well as the resellers' side of these relationship cases. The purpose of the interviews was to evaluate what are the value propositions provided by the seller and the reseller and how they serve in the value creation process of the reverse side. According to the first research question, the quality of the participation and interaction was subject of the discussion. The interviewees were requested to describe the current state of participation in their seller-reseller relationship and the answer of either side was compared and evaluated to that of the other. Depending on which side was represented, the interviewees were furthermore asked to state the value propositions that their organization provided for the other side as well as about the possibilities of value perception related to the value propositions provided by the seller or the reseller respectively.

3.3.1 Field observations

The information gathered from observations is valuable ingredients for the study as it is first-hand data (Ghuri & Gronhaug, 2005). The researcher is holding a management position in one of the seller organizations and was therefore able to collect data in a natural setting (Ghuri & Gronhaug, 2005). The research was openly discussed in this particular organization and colleagues and resellers were aware of the ongoing observations and interviews. Field observations were taken during export and annual meetings, strategic planning discussions and during personal visits at reseller locations or telephone conversations etc. The strategic planning discussions were tape recorded and later analysed for relevant data.

3.3.2 Interviews

The interviewees were chosen according to their level of experience of direct and active interaction in seller-reseller relationships, either on the seller or on the reseller side. The interviewee's position was of secondary importance as the target was to obtain a broad range of opinions and experiences, coming from various levels in the organizations. With one exception, the author has shared work experience with all the interviewees. Thus access was ensured as the interviewees had trust and understood the intention of the study, and were thus therefore willing to participate in the research.

In order to achieve depth and richness in the responses the interviewees were first contacted by mail or telephone. Thereby, they received information about the subject of the study and were asked for their participation in the research. The method of semi-structured interviews was used for data collection during these meetings. The structure was provided by the research topics, related to participation and social value that served as headlines for the discussion. With one exception, none of the interviewees were aware of the concept of value co-creation and therefore, the interview questions had to be phrased accordingly.

The method of semi-structured interviews allowed the necessary flexibility to the flow of the conversation (Saunders et al., 2007; Ghauri & Gronhaug, 2005). The order of the questions could be changed and also new questions were brought up, depending on the responses of the interviewees. It was possible to discuss freely the opinions of the interviewees. This was important for the subsequent interpretation of the collected data, in order to understand the meanings of words and ideas used and described during the interview and to achieve rich and in-depth data. This approach provided the perspectives of the interviewees in their own words. The interviews were tape recorded and later parts of them were transcribed.

At the beginning of the interview, the interviewees were asked to describe their experiences with the other side of the dyad in general. This introductory conversation helped the interviewees get accustomed to the situation of being tape-recorded and to become less intently. As the interview proceeded, questions were raised concerning the main topics, such as the possibility and quality of participation in the relationship and the importance of monetary benefits for their own organization. Furthermore, the value of longevity of the relationship was discussed and the interviewees were asked to outline the role of the seller's brand for their business.

3.3.3 Interviewees

The participants represented a variety of organizational functions, such as managing and marketing directors, sales managers and shop owners. The twelve interviews were carried out mostly on site, except for one by telephone, and lasted from 45 minutes to two hours. The interviewees came from Finland as well as from Germany and Austria; five persons represented the reseller and seven persons the seller. The interviews were conducted in two languages and therefore certain quotes that are used in the text to illustrate the findings have been translated into English. All interviewees have been assured of anonymity in terms of their person but also of their organization. Therefore no names are used but the quotes are marked according to a numbering system, for which the key can be found in Appendix 1 at the end of this study.

3.4 Limitations

A few limitations must be considered in regards to the results. The first limitation is determined by the method of implementation of in-depth interviews. With one exception, none of the interviewees was aware of the concept of value co-creation and therefore, the interview questions had to be phrased accordingly. However, the open-ended questions asked during the interviews triggered various and insightful responses.

The method of semi-structured interviews allowed the necessary flexibility to the flow of the conversation. This was important for the subsequent interpretation of the collected data, in order to understand the meanings of words and ideas used and described during the interview and to achieve rich and in-depth data.

Second, the responses were interpreted by one person only which might however affect in tendentious evaluation. In addition, the researcher is occupying a management position on the sellers' side; therefore a potential bias towards the position and expressions of the interviewees exists.

Third, the number of interviewees on the reseller side was limited because resellers in particular hesitated to take part in the study. However, the sample size was still appropriate for the cross-sectional design of the research.

Fourth, the quality of the co-creative processes between the seller and the end customer as well as reseller and the end customer were not part of this study but to illustrate the relations the customer is part of the conceptual model.

Last but not least, the results of the study might not serve as an argument of other seller-reseller contexts. Retailers are naturally involved in a variety of seller relationships and the ones researched in this study might differ in various ways from the others. However, the results seem to be directionally correct and represent a useful platform for future research.

4 Data assessment and analysis

4.1 Data presentation

The interviews were audio taped. These tapes were repeatedly listened, between three and four times per interview; meanwhile evaluated, content-analyzed and compared in a constant repetitive process. Later, relevant parts of the interviews were transcribed or translated during transcription. The researcher coded text passages in the interviews in order to identify frequently repeated variables and patterns that could serve as core variables for theory generation (Byrne, 2001; Ghauri & Gronhaug, 2005).

The findings relevant to the co-creation of social value (brand, sustainability and profitability) and to participation are discussed in the following. The findings from the sellers' and the resellers' statements are evaluated together in the same chapter, in order to acknowledge the interrelation and inseparable interactions of the two parties and their processes.

The citations from the interviews serve as illustration of the findings. These quotations are however presented separately by seller and reseller for reasons of clarity and comprehensibility of the report. Omissions in the interviews are marked by curved parentheses. Infixes of the author for better understanding of the quotation are indicated with square parentheses.

4.2 Participation

The quality of participation in the examined seller-reseller relationships can be best described as modest. At times, the seller requests the reseller to provide feedback on actions or plans of the seller or to give information about the resellers own plans and activities during the next weeks or months. Another very important topic is market information, meaning information concerning competitors, end customers and the situation of the local market that the seller requests to be provided - at least partly - by the reseller. The seller assumes that the reseller has such references available out of own interest or would at least be able to get hold of such information rather easily e.g. due to his daily interaction with the end customer or local market observation. The reseller either provides this feedback enthusiastically or does not comply with this wish at all - without giving particular reasons for doing so.

The seller tries to initiate particular activities together with the reseller, which can be focusing on sales, product development or image cultivation but the low engagement of the reseller lowers this motivation time after time. This behavior differs from reseller to reseller

of course and few companies showed a very high level of interest for interaction and activity. After all such activities are planned entirely by the reseller and only after finalizing the concept, the seller is informed. Collaboration or interaction is not required or even remembered by the reseller.

Seller:

'The reseller must be pushed to participate; we have to lead this relationship, in order to succeed.' (A2)

'We try to involve the retailer but we cannot allow him too much power in the decision making process.' (B2)

'We are asking feedback on our actions during our monthly contacts but the response is quite vague; I think they [the reseller] don't care.' (A3)

'The customers are so many steps ahead of the retailers. It's important to listen to them. Retailers are often one step behind. They want something what the consumers wanted a year ago. We have our own shops and our webpage from where we get lots of information.' (C1)

The seller however struggles to integrate the reseller into his product and service development processes. The resellers state that developments are done behind closed doors and only revealed after completion. The reseller's opinion is asked on rather superficial aspects of the development or the reseller is requested to choose from finalized development options.

Reseller:

'We hear about the decision, when it is final; that is sometimes very frustrating' (A6)

'They tell that they must keep things secret as it might otherwise spread too early. They don't trust us.' (B3)

'I would like to be more integrated in the decision process, I would wish that they ask my opinion early enough and not come up with something that is beside the market demand.' (A4)

'I cannot interact actively with all my suppliers.' (A4)

'Of course, every seller thinks he is the most important and he can demand certain things from me but I am an entrepreneur and I decide myself.' (A5)

'They think that they know the market but never ask my opinion.' (B3)

'As long as it is my money that is spent, I decide, what happens.' (A5)

'I order, they deliver - hopefully in proper quality. That is enough for me.' (B4)

Some seller representatives mentioned the high demand of such participation process in terms of time and power distribution. The seller seems to fear to get lost in the process by endless discussions, in the worst case without results. Another apprehension of the seller

might be too strong involvement of the reseller, which could mean the seller should at the end of the process readily obey the remarks and wishes of the reseller.

Seller:

'It's rather difficult to involve all resellers into any development process, it's so time consuming to listen and speak to all of them.' (B1)

'The reseller wants that we do as he says but how should this be possible? Our sales network consists of numerous companies.' (D1)

The sellers that are represented in this study are in direct contact with their end customers due to their own sales outlets. In this function they have the possibility of interaction with these particular end customers which is assumed to be a great advantage. The results and received information are used in various ways even though these end customers present only one specific market, in particular the domestic market. Most of these sellers do not provide any further facilities to get intentionally in contact with their end customers in other countries.

4.3 Co-creation of social value

The paragraphs 4.3.1 to 4.3.4 outline the findings on value propositions and value perceptions in the examined seller-reseller relationships, in particular concerning the co-creation of social value and its identified components - profitability, brand and sustainability.

At first, the value propositions are presented separately for the seller and the reseller. In the following, the findings from the interviews are evaluated according to the particular component, thus profitability, brand and sustainability. The comments of the seller and the reseller representatives are discussed together in the same chapter in order to emphasize the interrelation and inseparable interactions of the two parties and their processes

4.3.1 Value propositions

According to the replies of the interviewees, the stated below value propositions are provided by the seller and the reseller respectively in order to enable the other party of the relationship to co-create social value for itself. These value propositions represent the most often mentioned essentials of the interviewees.

Before a seller or reseller commits to a relationship, these essentials are of special interest and receive thorough examination. Having these value propositions in place and well

established is seen as a very important prerequisite for the co-creation of social value by the proposing side.

Table 1 Value propositions in a seller-reseller relationship
related to the co-creation of social value

Seller's value propositions	Reseller's value propositions
Profitability	
high-quality, commercial product	high-frequented, well established location
fast, punctual and undamaged delivery	comprehensible store concept
competitive price	sensible product selection and presentation
flexible payment terms	well-educated and motivated sales personnel
Brand	
well-established brand	company serves as a local brand
conclusive brand message	information on webpage about seller's brand
marketing communication: various materials provided for no charge, planned actions on advertisement and PR	branded advertisement, when financially supported by the seller
webpage that lists all resellers	presentation of the brand in the shop and on trade shows
Sustainability	
sustained product range and quality	well-established and maintained business
continuum in service offerings	continuum in supplier/product selection
support of (temporarily) weak customers	

The representatives on the seller's side mentioned that in 50% of the cases the quality of the value propositions of the reseller's are changing over time. Any of the value propositions - location, store concept, product presentation, and sales personnel - are changing one or even several at the time. As possible reasons were mentioned change of ownership or disability to manage the line of succession, family problems such as divorce or illness and the changing environment of the area where the shop is located. Except for the family problems, these reasons can have impact on small as well as big companies. The closing of a large enterprise, important for the employment of the region was named as one cause but also the moribund development of some city centers in smaller towns was mentioned as a reason for changing value propositions.

Resellers also explain that the value propositions of the seller such as fast and punctual delivery of goods as well as their quality has been declined over time but is still acceptable enough. They believe that the company's processes have not developed according to the

growth and higher demand. Resellers claimed furthermore that this growth development also has a negative influence on the service offerings as personnel are slightly overwhelmed by the work load.

The following discussion of the value propositions headlined under profitability, brand and sustainability and their influence on the value creation process reveals that there is no causal relationship between the variables of consciously provided value proposition and value perception. Value is created no matter if the value proposition has been offered intentionally or appears as a side effect, or even if it is perceived as such by the value provider. The value perceptive party is choosing freely from a variety of value propositions, no matter what importance the one or the other receives from the provider.

4.3.2 Profitability

Profitability is considered an important component for the creation of social value in the seller-reseller relationship but as the research reveals the weighing differs significantly on either side.

The statements show that being profitable consumes most of the reseller's interest. The resellers' focus is on commercial attractiveness of the goods and services provided by the seller rather than on any other component of social value.

Reseller:

'I cannot afford all the items that I want to show in my shop. Either the supplier understands that or I must work with somebody else.' (B3)

'The manufacturer must be flexible with its payment terms. This is a condition that I simply expect.' (A6)

'The brand does not matter as long as the stuff is selling well' (B4)

'It is most important that the goods are selling well' (A6)

'I have products that are commercial, meaning I generate the profit with them and then I have some that are just decorating and supporting the commercial ones.' (A4)

The seller is naturally also interested in the profitability of his business, however in order to maintain relationships and for brand building reasons he might sacrifice parts of his profits.

Seller:

'We have lost several ten thousands of Euros last year due to retailers that did not pay their bills but if we change the payment term to 'payment in advance', we lose 50% of our

customers at once. Companies perceive this as an insult and it causes lots of discussions.'

(A3)

'With our biggest customer we have such an agreement that he can return unsold [seasonal] goods and we pay compensation.' (D1)

'We run the campaign in August but the payment for the order we are asking only after the season, about 4 months later. (...) We are working like a bank for them.' (C1)

Both sides believe that such arrangements on payment terms generate value and they are therefore open for participation on this field. This practice is a predictor that profitability does not have the highest priority for the seller and is also indicated when discussing the topic of *brand* later in this study. However, a few resellers claim that increasing sales volume has lowered the quality of the product and/or services in some cases, which causes losses in profit due to increased complaint handling management.

4.3.3 Brand

In regards to the importance of the brand the seller and the reseller have a joint opinion which constitutes in the brand being of high importance and concern. Even though, each side is talking about a different brand. The seller's international brand is seen as the most important asset for the seller and he assumes that this should be naturally the same for the reseller. Therefore, the seller is concentrating on the building and image promotion of the brand as a value proposition for its resellers. Brand awareness by the end customer is the condition for initiating interaction and co-creation (Grönroos C. , 2009a) and it should therefore be considered as an important asset. Taking into account the size of the Middle European market and the amounts of companies that want to share it, the attempt for being noticed by and visible to the end customer demands high investments, endurance and patience. In order to improve the impact of marketing communication, joint action is demanded (Payne et al., 2008).

The brand is defined in different ways, depending on the perspective. While the reseller focuses on its own, local brand, the seller opts for the embrace of his international brand. Rather often, brand is in no sense recognized as being the important prerequisite for identification and for building a brand community that allows interaction and co-creation with the end customer. However, according to the resellers some sellers struggle to define the brand conclusively and consistently, what causes defeat of the resellers to participate in the brand building process. The proposed activities and materials for marketing communication are rejected and due to the independence of the reseller organizations, as the seller cannot force them into participation.

Seller:

'The brand is everything. Otherwise we only talk about the price.' (C1)

'We are not investing money in branding. One can spend endless amounts of money on this purpose.' (A1)

'It often feels that the retailer does not know how to run his business. He does not know what he stands for.' (A3)

'The brand owner has to understand his brand. It may not be compromised even it is asked by the retailer all the time. (...) Otherwise you are high jacked by your retailers.' (C1)

'We have introduced written agreements and since then we succeed better. It regulates for example how the brand is presented. (...) Once this is done it is so much easier to take care of your brand. (...) The most professional [resellers] understand that the brand serves them.' (C1)

'If there is no brand, they don't have anything to sell.' (A2)

'If the consumers love and buy the brand, the retailers have to follow.' (A2)

'Sometimes our sales people come and say that the retailer wants us to be like X. Well if they want that brand than they must buy that other brand. We cannot start to imitate others, we would lose ourselves. This is not about co-creation' (C1)

The interaction in marketing communication processes would demand the reseller to get financially involved, at least to a certain extent, which would demand a high level of participation. Due to the sometimes poor management of the brand issue and the therefore uncertain outcome of marketing communication activities, the reseller hesitates to take part and to participate. Such experiences, as well as the fact that the reseller is most of the time in contact with various sellers (Jap et al., 1999), let him decide to concentrate on his own business, such as building a local brand for the shop and on shop loyalty of the customer.

Reseller:

'The brand message has changed every year - or even more often. They don't know by themselves who they are or what they stand for.' (B4)

'A brand is not important for me as my focus is on my shop and how I market it.' (B3)

'My shop is here since generations, I cannot rely on every supplier's success.' (A5)

'When we choose products they must be different, they must be practical, it must have a function, and it must serve individual wishes, the value for money must be in balance. That is important.' (A4)

'Submitting brand values [of a seller] is not our task. We are X and we have created our own brand and criteria. We are not a franchising partner, we are independent.' (A5)

4.3.4 Sustainability

Related to the contexts of products, services and relationships, sustainability is one essential element that is important for creating social value (Sanders & Simons, 2009). The brands represented in this study all have a message about sustainability in their brand concept and relate it to their entire business. However, the study concentrates on the sustainability of the relationships between the parties. Both sides stated that the relationship with each other existed for a long period of time, in the majority of the cases between five to fifteen years.

Seller:

'Sometimes it is so that you try to serve the worst resellers best, in order to please them or to lift their performance. Instead you should take care of your good customers as well as possible.' (C1)

'If we are asking information on their own activities or plans, they either don't respond - probably because they don't have a plan - or they tell us very nicely, what they do. It depends a lot on the person that owns the shop.' (B2)

'Sometimes I wonder, why we continue this way, we should look for alternatives.' (A3)

'We want to become the most important seller to our resellers.' (A1)

'If I would be a retailer, I would be pretty scared right now of what is going to come. The internet offers so many possibilities to interact directly with the customer. Why should we stay with a bad retailer when we can interact and communicate with the end customer directly?' (C1)

Even though the interactions on both sides were and are scarce the relationships were maintained throughout these years and will be continued, as it was explained. The mentioned reasons are various and ranged from the satisfaction and personal identification with the product - however not the brand - to the possibility of receiving reasonable profits. Again the main argument why the relationship is kept is the financial profitability. On the reseller's side due to the reason explained above and on the sellers' side due to the fact that the reseller is well established as an organization, located in a strategically important spot and that reasonable and continuous sales are generated. Some resellers state that the lack of interaction does not matter as long as the turnover and profit is satisfying but they do not want to continue the relationship any longer with the particular seller because sales has dropped and cannot longer serve as a compensatory element. In general, the maintenance of the relationship cannot be described as a conscious ambition to achieve sustainability but rather because there are no other options, lack of resources to search and acquire other business partners or simply a sort of convenience.

Reseller:

'The pain was not big enough. That's why we stayed so long with this supplier, even though we did not like his performance. (..) We lived with it until we found a new option. (...) It's like a bad marriage but you always hope that it gets better. (..) It is tricky to find the right time to leave. It's not a rational decision. It's natural that people want to postpone decisions that cause bigger changes.' (A5)

'It is often so that when the product is placed a big silence occurs.' (B3)

'My relation to the seller can be perfect but if the relation between me and the customer is not working then we are both lost.' (A6)

'I as the reseller, I am the ear on the seller and on the customer at the same time. The seller must do what the people ask for. And I can tell it.' (B4)

'If I am not continuously hooked by the supplier, the work relation is fading little by little. (...) I want to be called and asked, how things are going. It does not need to be a business talk; just a normal conversation is enough.' (A5)

'When the product offering is good but the relationship is less good, I can live with it.' (B4)

5 Discussion and implications

5.1 The results of the study related to the research questions

As stated in the beginning, the overall purpose of this study was to evaluate the necessary principles and prerequisites for successful value co-creation in long-term seller-reseller relationships and how value proposition and perception are functioning in such business relations. Three research questions were specified as following:

RQ1: Is the quality of the participation process in seller-reseller relationships sufficient in order to co-create?

RQ2: What are the value propositions of the seller to the reseller and do these enable the reseller to create value for him?

RQ3: What are the value propositions of the reseller to the seller and do these enable the seller to create value for him?

After outlining the findings of the research, the author will contemplate how these findings answer each of the research questions.

5.1.1 RQ1

Is the quality of the participation process in seller-reseller relationships sufficient in order to co-create?

The results of the study suggest that the quality of the participation is not sufficient. Either side of the seller-reseller relationship has a rather half-hearted approach to participatory processes. Participation is not understood as a base for co-creation but in fact as a hindrance for the execution of business. Contribution and/or the sharing of power are seen as obstacles rather than opportunities.

5.1.2 RQ2

What are the value propositions of the seller to the reseller and do these enable the reseller to create value for him?

The reseller can choose from a large amount of sellers. The reseller has therefore the possibility to ponder very carefully, which value propositions suit him best. The reseller often

wishes to maintain certain independence with his business and does not seek working relations with one particular seller, especially not when such relation might include commitment. The value propositions offered by the seller attract the reseller mainly in terms of profitability.

5.1.3 RQ3

What are the value propositions of the reseller to the seller and do these enable the seller to create value for him?

In most of the cases, the seller is initiating the partnership by searching and approaching a reseller. One of the sellers however has had also requests from resellers to start work relations, specifically for the commerciality of his products. In general, the seller finds the offered value propositions of the reseller quite sufficient which is why he chooses to start a work relation with the reseller. It seems however that the initial communication concerning these value propositions is insufficient. In many cases the seller must reveal after a short while that the value propositions are understood differently by the reseller and/or cannot be sustained in long-term.

5.2 Reflections on main findings

The current level of participation between the sellers and resellers under research is probably on hierarchy three out of the seven hierarchies on Oser's *Participatory Living Models* (see Figure 1, p.21), meaning that interaction and responsibility is limited to particular tasks. Information is wider spread but the main intention is to improve the atmosphere, not genuine information exchange. While either side demands the position of being the leader of the relationship, individual initiative is not encouraged.

A possible reason for the denial or questioning of participatory models and their content could be the different sizes but also the structure of the organizations. Most of the reseller firms represented in this study are very small companies with less than five employees; in fact in most cases the owner is the only employee. Their attitude towards participation can be critical as they do not practice such interrelation within their own company. The decisions they make are not questioned and do not need to be explained or defended to anybody, thus their motivation or understanding of the meaning of participation in business might just be rudimental. Another aspect might be the intentional refusal of commitments that might emerge from such a closer relationship, such as being available for and engaged with other stakeholders or the execution of certain tasks towards a deadline (Biedermann, 2006).

Other reasons might apply for large companies of several thousand employees, as represented by one reseller in this study. The representative of such a company is in an elusive position when requested to participate in interactive processes with the seller, as he/she needs approval and confirmation for certain actions and decisions from a superior or other team members from their own organization. Such actions would therefore also demand constant reporting on the outcome and development of these interactions within the own organization. This might go beyond the organization's possibilities in terms of personnel and time. Hence, the limits of participation within such a company conclude in the inability of or lack of interest in participation in interactive and co-creative processes outside the organization. Co-creation can take place only when interaction exists between the participators (Grönroos C. , 2009b), thus as the conditions for participation are non-existent, there is none or only very poor interaction. This again results in the absence of co-creation between the sellers and resellers of the researched business networks.

The models 'Relation between co-creative parties' (see Figure 2, p.24) and 'Components for the co-creation of social value' (see Figure 3, p.26) as derived from the literature and introduced in chapter 2 seem to be quite ambitious and also idealize interactive networks when relating them to the results of the study.

The mindsets of the seller and the reseller towards social value and responsibility are quite different and profit, brand and sustainability receive uneven attention. The request for interaction is rather limited on the seller's as well as on the reseller's side, even though the seller seems to have a slightly higher interest as he sees the reseller as an important link and promoter of his values to the end customer. The value perceptions of the seller and the reseller focus on individual interests but not on that of the community of the stakeholders.

Obviously, people come from different cultural and educational backgrounds and have different experiences, so it should not be expected that they all have similar ideas about democratic work relations and their place in society, or that they even have the intention to strive for an improvement of that matter. The higher hierarchies of participation of Oser's participatory living model (see Figure 1, p.21) might exist in practice somewhere and the participants of this study might even try to meet these demands but the requirements are very high - especially on the side of the initiator of such participatory process (Biedermann, 2006). However, due to the complexity of co-creative processes it is advisable to introduce team work and interaction rather than authoritarian leadership models.

Both parties feel that 'selling to the end customer' is the most important activity and deserves the highest attention; however neither of the parties feels the need for consciously teaming up in this activity. Complementary activities are planned individually and the great

majority is also carried out this way. The seller might provide a certain kind of support but he does not have influence on how and when activities are carried out by the reseller.

Resellers claim that there is a risk to concentrate on just one or few selected sellers as this might limit their flexibility and variability of product offerings. Some resellers state that they do not favor direct contact between the seller and the end customer, to the extent of not replying to these customer attempts, but rather redirecting such enquiries to the reseller. Even though the seller must understand the potential of interaction with the end customer due to his experiences in his own sales outlets, the seller often obeys this demand of the reseller. The seller is doing so in order not to interfere into the sales process between the reseller and the end customer, and also partly out of stolidity or underestimation of opportunities.

The reseller concentrates on the branding of his shop or even on his own products and services. According to him the seller cannot be trusted to be reliable enough over long periods of time. The sellers' focus however is on the branding of his own brand and he wishes to integrate his resellers into this process but does not succeed very well. Taking into account the strong competition on the market, especially smaller reseller organizations would benefit from joint marketing activities, as it minimizes costs and increases awareness on a big scale.

Furthermore, such enhanced visibility would have positive effects on the interactions and co-creative processes with the end customer for both sides. More end customers would become familiar with the seller and its resellers and their collective engagement in the co-creation of social value. The sincere ambition to strive after communal values instead of individual could improve the image of the seller as well as the reseller and attract more end customers. The size of the network could grow which would increase its innovativeness and therefore its competitiveness.

The wish for increased interaction is not really an issue for the either side. The majority of the companies state that this would be too time consuming and would also bind a lot of resources. The focus is on profitability on the resellers' side and on brand building on the sellers' side. The resellers' focus is on securing liquidity and profit generation as the financial situation of most of the small or middle-sized companies is constantly tense. The sellers try to balance this situation with very flexible payment terms, free delivery, lent exhibition items and redemption of unsold seasonal goods. The seller furthermore offers specific services for the end customer, i.e. repairing or assembly services, in order to lower the resellers' costs by not being forced to provide personnel for such service and to ensure the quality for the end customer.

The difficulties of smaller resellers can be reasoned by the latest development of the market of consumer goods that is characterized by competition from larger sales chains that have introduced a low-price culture on the Middle European markets. These chains are in the position of buying large amounts which gives them an advantage in price negotiations compared to smaller buyers. The quality and diversity of the products and services is low and therefore in the eye of the end customer the price becomes the only category for differentiation. This development has lowered the liquidity of small and big-sized resellers alike which is why one important field of value co-creation between the seller and the reseller is the offering of flexible payment terms.

The aspect of social value, in particular sustainability in terms of lasting relationships and ecologically passable products, services and processes is not equally well developed within the distribution channel. One factor that causes increasing concern is the succession of businesses to the next generation. According to the sellers' representatives 95% of their clientele are small and middle-sized businesses. The study of Haunschild et al. (2007) for the IfM Bonn¹³ outlines that for 110.000 family owned businesses in Germany the question of succession will become relevant between 2010 and 2014. This complies to 1,4 million employees (Haunschild et al., 2007). The plain reason for this development is the reaching of retiring age; 86% of the companies indicated to be in this situation (Hauser et al., 2010). Such a trend is seen as a big thread to some sellers as they already have lost or might lose some of their well-established sales locations during the next five to ten years. This development has direct influence on the sustainability of the relationship.

Last but not least, the end customer could be served better when both parties would agree on the quality and content of the value facilitators in order to deliver the same quality of value at any time to all stakeholders. The network for value creation does not consist of just two participants - seller and end customer or reseller and end customer - but multiple parties are involved (Gummesson, 2007).

5.3 Managerial Implications

Managers can draw different implications from this study. At first, value is always created. Despite the quality of the relationship and the value propositions of the parties involved, value is always created in a certain quality by each party of the dyad. Merely when one of the parties is unable to further create the perceived value, the relationship ends or is left to fade. However, the research revealed that the intentional provision of a value proposition to

¹³ The IfM in Bonn is a governmental institution that is researching the status, development and challenges of small and middle-sized business. The IfM defines small to middle-sized business as such with 1 - 499 employees and a turnover of maximum 50 million/a. Out of these, 95,1% are family owned businesses, which generate 41,5% of the turnover and employ 57,3% of the jobholders (Haunschild et al., 2007).

the business partner does not automatically ensure value creation for the other side. The business partner might find another value proposition more appealing than what was intentionally offered and praised. In fact it might be something that has gone completely unattended by the value provider and is not even considered as a value proposition. On the other hand, the value proposition that is considered the most valuable by the value provider might not be of any interest to the business partner.

This leads to the second implication, meaning that co-creation demands the definition of common values within the relationship. Commonly appreciated and practised values might enable the parties to provide better targeted value propositions for each other and thereby enable the business partner to truly create value. The study suggests focusing on social value, meaning profitability, brand and sustainability, appearing consolidated and weighted equally. Social value can serve as the base for the relationship's further development and its internal and external business interactions. Monetary as well as ethical values should underlay the business strategy.

The third implication is the need for thorough interaction of the business partners with each other. Interaction and its more developed form co-creation demand a new managerial mindset from both parties. The process of co-creation can take place only when the parties interact consciously with each other. Co-creation means that two parties are actively involved and that they achieve something that they would have not been able to achieve alone or in relation with another business partner. Co-creation cannot be performed by one side only with the imagination to provide a value proposition that the other party perceives as such and consequently creates value.

The process of co-creation demands the members of seller-reseller relationships to leave a possibly passive, demanding position and become an active, participative member of the business relation. Co-creation needs managers to implement a new culture of interaction. The interaction of the business partners cannot amount in nothing more than being the faultfinder and constant critic. Instead genuine participation means to be an active contributor and solution provider. The study suggests that participation is the pre-requisite for co-creation, value co-creation and innovation. Only through high-level participatory processes it is possible to get into discussion and interaction, where to entirely understand the value perceptions of the business partner. In order to implement such attitude managers should openly question and thoroughly evaluate their own mindset as well as their companies' internal and external interactive processes.

The fourth argument deserves particular attention although it is strongly related to the third implication. Participation as the pre-requisite for co-creation is a very demanding form of

interaction. Even though the business partners have agreed on common values and might therefore be more specific when defining the value perceptions and value propositions, it is still possible that the parties have different or even opposing sentiments on certain issues. The theoretical framework illustrates that participation includes the ability to accept dissent. Contention of arguments should be seen as an expression of strong interest in the case and in the relationship and should not be misinterpreted or stigmatized as disregard or cynicism. The equal distribution of power in a relationship is therefore of high importance, thus active involvement is not an option but a necessity. Only when the argument is articulated and made a topic of discussion it can influence the decision making process. This aspect is very important for the motivation of the participants but on the other hand its feasibility might be limited in practice due to economic reasons.

Fifth, co-creation is an underlying collaborative activity and a prerequisite in the process of value co-creation. The exchange of arguments in a participatory process concludes preferably in the creation of new value propositions. Managers should encourage the collaboration with individuals from different fields in order to eliminate the risk of confirming the previously used solutions over and over again. By opening up the process of collaboration and decision making to the crowds, innovation might be more likely. That is because people from different fields work in different ways which is why co-creation in the approach and during the development process is essential.

Sixth, high-level participation is also required to successfully communicate the brand message and to achieve maximum market impact. The management of the brand should be recognized as dealing with communities, meaning managing relations with numerous stakeholders (Gummesson, 2007). Therefore, the focus of managers should be on sustainable brand and value definition and the communication of these contents with the internal and external stakeholders. This includes the strategic as well as the operational level. All functions and processes on the seller's as well as on the reseller's side should converge in sustainable brand management.

Seventh, profitability is an important asset for the success of a company. However, managers should be critical when setting their profit targets. A high profit should not become the leading argument that suppresses alternative solutions and co-creation as it conclusively suppresses the co-creation of value. Profitability paired with sustainability suggests a new perspective, away from short-term financial achievements typical for today's business markets.

Finally, no relationship should be broken because of lack of interest but sometimes it is rational to break a relationship because it has become obsolete (Gummesson, 2003).

Managers should reflect on what the meaning of a sustainable business relation is and why to get involved in the first place when the outcome - meaning the quality of value creation and value co-creation - might not be of any relevance.

6 Conclusions

6.1 Future research directions

Further research might include the end customer and move the topic of interest from the dyad to the triad which is described in the conceptual model of relationships in this study (see Figure 2, p. 24). It could be of particular interest how the current situation within the dyad influences the possibilities for co-creation and value co-creation of the end customer. Such research could explore the current quality of dialogue between the end customer and the seller and as well the reseller and how the value propositions for the end customer are co-created in this triad.

A further interesting aspect might be the quality of value perception for the end customer depending on the value facilitator, meaning the organization of the seller or the reseller. The current research results imply that the seller and the reseller would like to serve the end customers rather as an individual organization than as a dyad. The research could study the quality of interaction and value perception when the seller and the reseller appear as individual organizations. The research could analyze the ability of the seller and the reseller to interact with the end customer individually and which value propositions serve the end customer best.

Further research could investigate the possibilities for the seller to market his brand, products and services through other distribution channels but reseller organizations and what effect this would have on the value perceptions of the end customer. A very interesting topic for research would also be what effects such changes would have on reseller organizations.

Another research perspective might include the feasibility of the co-creation of social value in a fast moving, financially stressed market environment. It might be of concern how such values would differentiate a brand community from others and if such value propositions would match the value perceptions of the end customers.

6.2 Conclusive reflections

There is a widespread interest in seller-reseller relations and their collaborative processes, thus the target of this study was to analyze the processes of co-creation and co-creation of value in such relationships. The study reviewed the theoretical concept of a participatory approach as the prerequisite for co-creation and it furthermore discussed the influence of this concept on the process of value co-creation. With the qualitative, cross-sectional research of four strong Finnish sellers from different consumer goods industries and their international resellers the study evaluated the attitude for and the quality of collaboration in these business dyads. The study investigated in particular the quality of dialogue in co-creation processes and how the value propositions are defined and later perceived by the business partner.

One of the study's major findings is the importance of genuine participation in the interactive processes of the related parties as it directly influences the quality of co-creation and value co-creation. Value is provided and created despite its possibly unintentional and unattended setting; however, the outcome limits both sides of the relation in its value creation process. Either side of the dyad seems to assume to be in the perceiving position but does not acknowledge the dyadic principle of value co-creation in their relationship. Therefore, the seller and the reseller overlook agreeing on common values as the base for their collaboration as each party is mainly searching for its own benefit but not for that of the dyad.

The study conceptualized possible motivators for value co-creation such as profitability, brand and sustainability, merged and equally represented under the roof of social value. The parties approved of such motivating elements and could even describe value propositions that fit into this concept; however value proposition and value perception are not co-created in a participatory process and are therefore not interdependent. The study concludes by suggesting possible explanations for the particular choice of different forms of interaction in business relations such as the quest for independence of the own organization and the power position as the leader of the dyad. It must be assumed that the involved parties have not yet acknowledged their interdependence and the offerings that can be perceived from such close relation. The various managerial implications at the end of the study might help reveal the meaning of a business dyad and how a change of attitude would lead all parties to new business success for the benefit of the end customer.

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Appendix 1: Key of interviews, interviewee's positions and country of operation

dyad	interviewees		interviewee's position	country
	seller	reseller		
A	1		Managing Director	Finland
	2		Marketing Director	Finland
	3		Export Manager	Finland
		4	Shop Manager	Finland
		5	Entrepreneur	Germany
		6	Purchasing Manager	Austria
B	1		Area Sales Manager 1	Germany
	2		Area Sales Manager 2	Austria
		3	Entrepreneur	Germany
		4	Entrepreneur	Austria
C	1		Managing Director	Finland
D	1		Export Manager	Finland

Appendix 2: Discussion topics of interviews

General topics discussed with all interviewees

- Introduction of the research project
- Brief overview on the concepts of co-creation and participation
- History of the relationship and its current situation; importance, quality of interaction, strategic/operational plans for the future
- Introduction and discussion of concept of social value
- Possibilities for value creation through the provided value propositions of the business partner
- Value perceptions on the business partner; realized, still missing

Specific topics discussed with the interviewees on the reseller's side

- The seller's brand; status on the market of operation, content, quality of communication, possibility for identification/adaptation for the reseller
- Participatory offerings of the seller for genuine influence on its internal processes; examples

Specific topics discussed with the interviewees on the seller's side

- Reseller's degree of utilization of participatory offerings; examples