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VALUE CO-CREATION WITH A CUSTOMER VIA INNOVATION.



MASTER'S THESIS ABSTRACT

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The purpose of this thesis was to examine how innovation management and value co-creation can be exploited as tools to develop customer relationship and why they are important for the business success. Due to the rapid digital transformation and the strong effect that global trends have the orientation has shifted from company push to customer pull. Values impact the customer's buying decisions. The innovation management needs to be agile and transparent. Value co-creation extends to sales and marketing methods transforming the salesman into a value creator and influencing marketing into Social Era.

This thesis examines three different aspects linked to the case company: the current business development, the innovation management and the value co-creation as a tool to develop customer relationship.

The thesis is a qualitative research case study. The study builds insights for providing best practices and appropriate guidance. The conclusions are proposals and they emphasize the business objectives and future business development of the case company. This thesis defines the value of an innovation as a trinity between the case company, the customer and end-user, the consumer.

The main objective of the case company is to gain valuable insights from the customer piloting in order to develop its future business activities and customer relationships.

KEYWORDS:

Innovation management, value co-creation, customer relationship, pilot proposal

Nina Lindén

ARVON MUODOSTUMINEN ASIAKKUUDESSA INNOVAATION KEINAIN.

Tämän opinnäytetyön tarkoituksena oli tutkia kuinka innovaatioiden hallinta ja siihen liittyvä arvon muodostaminen voidaan valjastaa asiakassuhteiden ja liiketoiminnan kehityksen työkaluiksi. Nopeasti kasvava digitalisaatio ja voimakkaat maailmanlaajuiset trendit muovaavat asiakkaiden ostokäyttäytymistä. Arvot ohjaavat asiakkaiden ostopäätöksiä. Tutkimustulokset osoittivat, että markkina on muuttunut valmiin ratkaisun tarjoamisesta yksilöllisen asiakastarpeen tyydyttämiseen. Innovaatioiden hallinnan on oltava ketterää ja avointa. Arvon muodostuminen eri arvoketjussa digitaalisesassa toimintaympäristössä ylikorostuu muokaten perinteisempiä myynnin ja markkinoinnin rajapitoja sekä työskentelymalleja.

Tämä opinnäytetyö tutkii case yrityksen toimintamalleja kolmesta näkökulmasta: liiketoiminnan kehittämisen, innovaation hallinnan sekä arvon muodostumisen kautta asiakkuudessa innovaation keinoin. Aiheisiin perehdytään kirjallisuuden, case yrityksen sekä valitun asiakkaan lähtökohdista.

Opinnäytetyö on kvalitatiivinen case tutkimus, joka hyödyntää yrityksen olemassaolevia tutkimuksia, dataa sekä käyttää tutkimuksessa mukana olleiden henkilöiden strukturoituja haastatteluja. Johtopäätökset ovat ehdotuksia, jotka painottuvat liiketoiminnan tavoitteisiin ja liiketoiminnan kehittämiseen tulevaisuudessa. Tämä opinnäytetyö määrittelee innovaation arvon muodostumista case yrityksen, asiakkaan ja kuluttajan näkökulmista.

Opinnäytetyön päätavoite case yritykselle on saavuttaa ymmärrys pilotoinnin hyödyntämisestä liiketoiminnan arvon muodostumisessa sekä asiakasyhteistyön kehittämisessä tulevaisuudessa.

ASIASANAT:

Arvon muodostuminen, innovaation hallinta, asiakasyhteistyö, pilotointi

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1 INTRODUCTION

1.1 Background and objectives

Innovation is a hot topic. Traditional marketing mix with old philosophies and sales strategies no longer automatically generate success. In today's highly competitive global markets, there are two objectives: first prioritize to maintain and upgrade existing customer relationships, secondly grow business by finding new customers or selling channels. (Weinstein 2012, 38.) These factors apply to product portfolio as well: maintain and upgrade existing product portfolio with better distribution and quality, secondly grow business by finding interesting innovations or new selling channels.

Innovation is considered as an essential factor for companies and organizations in existing business world (von Hippel 2005, 25). More complicated is the process that transforms an idea into an attractive opportunity. Relevant is also how it can be transformed into phase of commercialization and into something that delivers value to customers. (Mello 2006, 67.) Consumer behavior is changing fast and brands need to meet their sudden expectations and even exceed them (Weinstein 2012, 40). Innovations in the FMCG (Fast Moving Consumer Goods) business are mandatory for survival. Competition situation is harder than ever. (Dyer et al. 2009.) It is a fact that approximately 95 % of all product innovations fail, according to HBS professor Clayton Christensen. Even that is difficult to measure. Innovations are clearly on the strategic agenda for most of the large organizations. Most of the innovations occur overall in developing new products concepts; some of them occur within organization and lead to better ways to getting things done, developing processes. (Christensen 2005, 15.)

The sudden occurred worldwide Covid-19 pandemic, had a crucial effect on the existing business world. It will eventually change everything - businesses and consumer behavior and their values. The sudden crisis will increase the need of fast innovation development and it will be needed for surviving this invisible threat (Debanjali 2020). The future will show how permanent the changes will be. This research relates to the time and business situation before the Covid-19 pandemic.

In Finland the juice market has been declining for several years. It is clear that the juice segment is not as attractive as before and the customers (the re-sellers) are seeking more appealing and more profitable segments on their shelves. It is crucial for a juice company to develop this category together with their customer.

In addition, customer value is more than just merely satisfying customers with proper product deliveries: it is about continually finding new ways to exceed customer expectations. According to Weinstein, customer value can be created on three dimensions: company/customers (marketing mix/program), employees/customers (service providers) and technology/customers (e-marketing mix) (Weinstein 2012, 37). As a category leader it is relevant for the case company to develop category together with a customer (Eckes-Granini Finland 2020). Customers are looking for value growth and the suppliers or manufacturers are not just product or service providers thus innovations are developed together with a customer to help the customer to solve their problems (Kaario et al. 2003).

1.2 Research questions and methods

The thesis is a qualitative case study. This thesis focuses on the following research questions:

- Why is innovation management important for business development?
- What is the role of the innovations in value co-creation with the customer?

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

The thesis applies analysis which are non-quantitative, aims towards of social relations and describes reality as experienced by the respondents. (Adams et al. 2014, 18.) Using the qualitative case study method, it can be documented of the participant and the stakeholder perspectives, engage them to research and represent different values and interests in the results. Typically including findings that others can identify and utilize as a basis of reported action. (Simons 2014, 28.) The case study is one way of conceptualizing an alternative methodological approach of evaluating an accurate programme or business situation. Quality methods have a strong alliance with the case study approach for understanding educational innovation in naturalistic settings. (Simons 2014, 26.) The case study approach is useful when exploring and understanding the process

and dynamics of change. It can determine the factors that were critical in the implementation and analyses links between them. (Simons 2014, 34.)

All subjects are covered from the perspective of explorative review of the literature, contemporary view of the global and European trends, customer survey results and current business situation of the case company. Collected data involves four structured interviews (no face-to-face interviews) of the case company. No face-to-face interviews are preferable in cases when absence of the researcher will create more honest and transparent answers. It also gives them time to reflect more deeply. (Simons 2014, 63.)

In this study the researcher sent structured interview questions via e-mail to receive transparent and independent answers. The researcher received totally four responses from the case company from sales and controlling departments: commercial director, senior controller and two sales managers, who are responsible for out-of-home customers. The questionnaire included three different question areas concerning case company's existing processes and they helped the author to understand the case company's sales process on this piloting offer. Firstly, it investigated "Consumer trends and innovations", secondly "Innovation concept and pilot offering" and thirdly "Sales concept and point-of-sales materials". See questionnaire appendix 1.

The structure of this study consists of three different parts linked to the case company: it begins with the current business situation, innovation management process and evaluates value co-creation as a tool to develop customer relationship. The implementation and conclusions with recommendations are presented later on in this thesis.

1.3 The case company and business challenge

This study is conducted for Eckes-Granini Finland Oy Ab (hereafter EGFin) which is a leading fruit and berry juice manufacturer in Finland. The company produces fruit and berry based drinkable products for every possible consuming occasion. It has over 30 % market share of Finnish juice business and a production plant in Turku with 130 employees. The company has well-known brands like Marli, Mehukatti, God Morgon, Tropic, Rynkeby, granini and Pago. In the year 2019 EGFin produced over 60 million liters of beverages with a turnover of about 80 million euros. (Eckes-Granini Finland 2020.)

The Finnish plant is a part of the international Eckes-Granini Group, a German family-owned corporation, which has subsidiaries in 11 European countries. Eckes-Granini is a leading supplier of fruit juices and fruit-based beverages in Europe. (Eckes-Granini Group 2020.)

EGFin's sales region is Finland. There are random deliveries to Russia or the Baltics states, but export is not included in the strategy at this point. EGFin produces and innovates products to the end-users, consumers but sells and distributes them to wholesalers, customers. The business is b-to-b sales. There are four different selling points in retail juice business; ambient shelf (EGFin as a market leader), chilled cabin (Valio as a market leader). Consumer impulsive selling points like cashiers and online. Out-of-home selling points are for example cafeterias, restaurants, petrol stations, movie theaters.

There are two key customers - wholesalers, SOK and Kesko, the rest are the smaller ones. Two key customers are dominating the market and their listing and numeric distribution decisions have a direct effect on the launch success. If the novelty fails to get listings, it has a limited possibility to survive. These listing decisions happen before any of the novelties even come close to the consumer's awareness (Eckes-Granini Finland 2020.)

Other Domestic customers include out-of-home and foodservice customers for example R-Kioski, Kespro, Meira Nova, Patu Tukkurit, Coffee House and SSP Finland (Helsinki-Vantaa Airport). These customers are selling products outside retail like in cafeterias and restaurants. Out-of-home sales also include the public sector (for example hospitals, learning institutions, cities, municipalities). The biggest customer in foodservice area is Kespro. (Hurmerinta 2020.) Kespro is a foodservice wholesaler that supports the business ideas of foodservice operators. It has the widest distribution of foodservice wholesalers in Finland. Kespro's clients consist of for example restaurants, hotels, cafeterias, service stations. Kespro's purpose stated on their website: "Together with our customers, we solve business challenges and want to commit to a long-term cooperation to develop our customer's businesses. Together with our customers we tailor the right solutions for their business." (Kespro.com 2020.)

The sales organization of the Eckes-Granini Finland consist of four Key Account Managers who report to Commercial Director. Every Key Account Manager has customer responsibilities of their own. Three of the KAM's have worked in this company for over

ten years and they all have a long history in sales management and extensive experience of customer work.

Before the Covid-19 pandemic, in retail juice business the category grew mainly on chilled cabin or unique new segments like smoothies. The fact is that EGFin has already a strong position in retail. Existing selling volumes come mainly from retail business which has been declining in the past years. There are several reasons for this; prohibitive taxation in fruit drinks, which affect the consumer prices (excise tax has increased in a decade from 0,04 €/liter to 0,32 €/liter) and partly health conscious consumer trend, although juices only include natural sweetness from fruits.

Although the market in Finland is stable, growth opportunities still need to be found. When analyzing market and customer sales data, there appears to be findings in potential segments in certain customers and selling points. Internal market research showed potential in several sectors. Not with volume, but strongly on value. The research showed that snacking segment increased because of a busy lifestyle, hobbies and busy working life. This has fast effect on retail, a strong sales growth of on-the-go point of sales was detected. It was found when analyzing a consumer journey and visiting time in a shop. That is the reason why retailers have created take-away areas in their shops. These are usually positioned close to cashiers to serve consumers better. These take-away selling points are used for selling breads, salads, sushi and portion packs of juices, nectars, drinks and smoothies. The take-away selling points are valuable for retailer. The starting point is when consumer's need occurs, retailer solves it fast. This creates value for the consumer with a relevant product offer and with fast shop visit. For the retailer the secondary selling point creates added value and for the manufacturer the same recipe in different package size creates additional value too. It is relevant to understand the consumer journey, it gives opportunities for companies and for customers. (Könttä 2020.)

A business challenge for the case company is where and how to find business growth when the volumes are decreasing, the customer is seeking more sophisticated solutions and the consumer's mindset is rapidly changing? This thesis determines innovation management in variable value aspects concentrating on value co-creation in a customer relationship.

Innovation Process in the case company

EGFin has applied the productive Business Process Model since 1990's. All business processes start with the need of the customer and ends with the customer. A business process model is the combination of a set of activities and tasks within an organization describing logical order and who is responsible of performing in such tasks. It enables a common understanding of processes and it can provide results of lacking resourcing or organizational responsibilities. (Aguilar-Savén 2013.) Business process model has been effective in challenging market situation for decades. Processes will be updated and audited yearly. Innovation process include is one of the marketing processes, (Eckes-Granini Finland 2020.)

Process "Create and manage product innovations" there are two process lines: M as Marketing, works and responses as a project leader and EGFin IB which is the local Innovation Board. Innovation Board involves people from marketing, R&D, sales and final decisions are made by Commercial Director and General Manager. Creating innovation is always an investment and there are several phases of approvals for proceeding.

Innovation process in the case company begins with getting ideas from the different sources. They are analyzed and relevant ones are developed to idea concepts and they proceed to acceptance of local Innovation Board. After decision to proceeding ideas gathered and firstly approved shared with Central Innovation Team. After second approvals the consumer research(es) will be done if needed. After receiving Market Research Summary results and proposal proceedings will be evaluated and the launch timetable will be estimated. After the concept is clear, target group is defined, launch timetable is estimated, discussion with commercial potential takes place. After analyzing commercial potential and business scenarios of consumer price, NNN sales, Variable Contribution and evaluating volumes per customer, the innovation concept proceeds to Innovation Board. If innovation is released in this process it goes forward to the Gate 1 which means green light for launching. (Eckes-Granini Finland 2020.)

As explained before there are different sources, internal and external, for gathering ideas for innovation funnel in EGFin innovation process. Ideas recognised from multiple

sources: global and European trends, fairs, competitors, consumer feedback, partners and suppliers, scientific research summaries, changes in legislation, innovations of the food industry, brand equity researches, Eckes Group innovations, ideas from personnel and customer and sales field feedback. There are several innovation tools at hand for ideas from personnel. The case company is already using customer feedback as one of the sources of innovations. (Eckes-Granini Finland 2020.)

Customer feedback is one of the key assets for the company. EGFin receives yearly customer feedback via Factum Survey (Kaupan Päättäijien Palaute). This research is highly appreciated by the customers. It collects relevant feedback from customer's decision makers (purchasing directors, purchasing managers, buyers, category managers) which are 93,2 % of the Finnish trade decision makers (Factum Survey 2019). Answers are collected from a web questionnaire platform and there are 36 suppliers in evaluation. The company receives relevant data and feedback from customer's point-of-a-view about brands, innovations and views on customer relationship on a yearly basis. (Eckes-Granini Finland 2020.)

As the customer feedback showed, improvements are needed in certain critical areas. These improvements affect the total appearance points and according to the feedback, it is clear that every action made between the sales manager and the buyer/customer affect to these results directly, based on trend results from earlier years which can be seen in trend results of the three earlier years. (Eckes-Granini Finland 2020, Factum Survey 2020.)

2 INNOVATION AND VALUE CO-CREATION

2.1 A modern consumer as innovation seeker

The consumer behavior was changing rapidly already before the ongoing Covid-19 pandemic. Consumer behavior itself is a large concept with multiple different aspects. It is examined from different perspectives and views. Solomon (2013, 31) has defined it as follows: “study when individuals or groups select, purchase, use or dispose of products, services, ideas or experiences to satisfy needs and desires”. It is an ongoing process which gets influenced by cultural values, environmental variables or examples of other people (Solomon 2013). Young consumers are very aware of sustainable aspects and buying behavior resonates with the consumer’s personal values. Influencers of social media are the new marketing assets. The ubiquity of social media and social marketing affect personal values and consuming behavior (Merchant 2012). Consuming is also holistic – in certain target group brand determinates your personality among other consumers. (Roberts 2005.) In the beginning products were just products. After years of marketing investments, they became brands which responded to consumer’s needs and reflected personal identity. In existing business world brands face more competition and more restless consumer minds. Brands need to focus on making consistent, emotional connections with consumers for survival. (Roberts 2005, 8.)

Economics is a determining factor, which directly effects on consumer behavior. In recent decades brands are not fighting against each other anymore but towards private labels, which are brand-copies from the wholesalers. At a time of recession, consumer’s economic situation is rather challenging and they are not willing to buy expensive brands if they can buy the same kind of product for less. Brands still have their personality, purpose and marketing promise and that is why brands still exist. (Roberts 2005.)

Many companies fail to understand their consumers’ needs and wants. One reason is that many organizations are not market-oriented, they are production-driven. (Weinstein 2012, 34.) How could a company become more customer oriented?

In Regis McKenna’s philosophy customer orientation defines that marketing is too important to be left only to the marketing department. It is the responsibility of everyone in the organization. A customer orientation is in fact putting the customer first. (Weinstein 2012, 43.) Earlier industrial companies produced innovations they created by themselves. Twenty-first century style, The Social Era, companies can become more power-

ful by working with others. (Merchant 2012, 13.) When comparing success factors at present business, companies which creates emotional innovations, laces which inspires consumers are the winners. Emotion has become a permitted subject for serious research (Roberts 2005.)

Recently digitalization and the world wide web has changed the world of buyers, customers. In the past buyers were more dependent on salespeople and their knowhow of the market. Today the situation is vice versa. Customers have better insights into the market, consumer behavior and needs – this puts them in a stronger position because knowledge is power in the sales negotiations. (Cheverton et al. 2011, 19.)

The Big Data is a concept that most companies understand but only a few exploits effectively. The concept contains an enormous amount of data and needs to get analyzed carefully in order to get good and productive results. According to Meerman Scott the Big Data is invaluable for helping marketing and sales organizations to understand the motivations and interests of existing and future consumers and trends. This massive data can be transformed into strategy to grow revenue. (Meerman Scott 2016, 52.)

According to Merchant (2012, 37) social marketing buying behavior could resemble a relationship, following a path from falling in love-, through romance, struggle, commitment and sometimes co-creation. The first phase of a romance is about introduction and there is no need for big commitments at the beginning. The second phase is struggle, as the couple gets to know each other, as both parties need to share and participate to the outcome. The third phase is commitment, relationship is stable and both participants are relatively happy in the situation and the consumer is even ready to forgive some of the mistakes. The last phase is -co-creation; it produces a different level of mutual creativeness, the consumer not only purchase the product but is actively developing it. Customer relationships begin when the consumer begins to love the product, the purpose of the brand and after this the buying is not only a transaction but commitment, which companies are valuable to find. (Merchant 2012, 41.)

From a theoretical point-of-a-view the purpose explains why the company exists. It defines the added value of the company for general public without focusing primarily on economic interest. The purpose serves as an internal driver for the company. The company purpose also dives into portfolio and brands. This way the company commits to its brands to support people, organizations overcome their challenges. Adding purpose in the heart of the brand, supports the brand's existence beyond basic consumption. The brand's purpose creates sustainable value for customers and consumers as

well as for the company and its shareholders, as José Marti Cos, Executive Board Member and Marketing SVP explains in Eckes-Granini Juice Press personnel magazine (2020). In a harder situation the brand with its purpose brings people some normality and relief in their lives. It is trustworthy. With clever marketing concept a brand reminds people of their important individual values such as solidarity, mutual consideration, family and loved ones and health. (Marti Cos J., 2020.) As Roberts (2005) claimed already in the beginning of twenty-first century, creating emotional laces respecting values are important marketing tools to explore.

2.2 Innovation management

Innovation is the act of introducing something new. It can be defined as a new product, a service, a new process or any other idea which leads to commercial success or creates value for the customer. Success may occur in specific business area, market or preventing competitors to entry into the market, increased revenue and increased value for the stakeholders. The final success of an innovation lies in the hands of the customers who are the final judge and jury. (Mello et al. 2006, 69.) With a proper innovation management process an organization is able to provide ideas and innovations easily, but in the end minimizing the risk of a flop (Osterwalder et al. 2014.)

Every company dreams of an innovation or an idea which becomes a business legend. A launch which limits every expectation, an item which catches every consumer and spreads all over. Such innovations do not arise from spontaneous ideas. Behind every successful innovation there is a customer need behind it. (Mello et al. 2006, 47.) Innovations are born from a superb idea. Innovating needs an open atmosphere in the organization because companies need to allow all talent. Participating in innovating requires no badge or a title, organization will create and contribute and receive support of management to do it. (Merchant 2012, 7.) Innovations solve problems and deliver tangible outcomes (Cundari 2015, 140).

It is important to understand that innovations are not only part of the business development. It is typical that the main part of the revenue comes from existing product portfolio and innovations are just a small part of it. In 2005 study by AMR Research indicated that 52 % of new product introductions resulted in failures. The primary reason for these failures is that the products failed to meet customer needs. (Mello et al. 2006, 113.)

However, according to Mello et al. (2006) the key is to change the business focus of portfolio management from financial metrics to customer value. "By putting aside financial data and by giving more support to customer value data companies can improve financial performance by identifying products with the potential to delight customers" explains Mello et al. (2006).

What is a successful portfolio? It includes products which provide strategic and customer value, brings organization closer to its vision and can accomplish investment capabilities of the organization. (Mello et al. 2006, 85.) Companies usually generate much more ideas than they afford to pursue. Companies need to find the balance in their product portfolio and resources, with filtering them based on criteria which is relevant to company market need but ensuring the resources to right projects. (Mello et al. 2006, 113.)

According to Mello et al. (2006) a company's starting point is to determine or understand its vision (purpose), mission and strategy. It is relevant to understand the company's current market environment as well as its future. Innovation is often achieved by listening to the customers and establishing a bond with them: at least by listening to them companies can avoid making bad decisions (Cundari 2015, 140). The key in this process is to involve customer value as a part of the process. Including customer value into company strategy helps to create automatically more intentional portfolio which delivers value to the customer while supporting company strategy and indirectly to vision and mission. Mello et al. (2006) claims that this is a continuing loop rather than a linear process as seen in Figure 1.

It is important to notice that without adequate customer research of the need, companies may make strategic decisions which lead them astray, breaking the customer need/product portfolio/strategy loop effecting negatively on their business (Mello et al. 2006, 76).



Figure 1 Vision and mission feed the strategy. (Mello et al. 2006, 75)

Every innovation will appear from a process. Innovation begins when the idea first pops out of the head of the innovator. The innovation then forms into a business plan for funding. After it has funds it gets shaped until it appears ready for launch. (Christensen 2009.)

Von Hippel presented a theory where companies and consumers are innovating themselves. This user-centered innovation process offers advantages for a manufacturing-centric approach. In these days the companies are working to transform their processes closer or beginning to develop a user-centric innovation process. Many companies must make fundamental changes to achieve this new innovation process model. (Kahin & Foray 2006, 249.)

Chesbrough has explained that companies are moving towards Open Innovation Model (see Figure 2). Earlier companies were much more self-evident of bringing ideas by themselves into market. (Chesbrough 2003.)

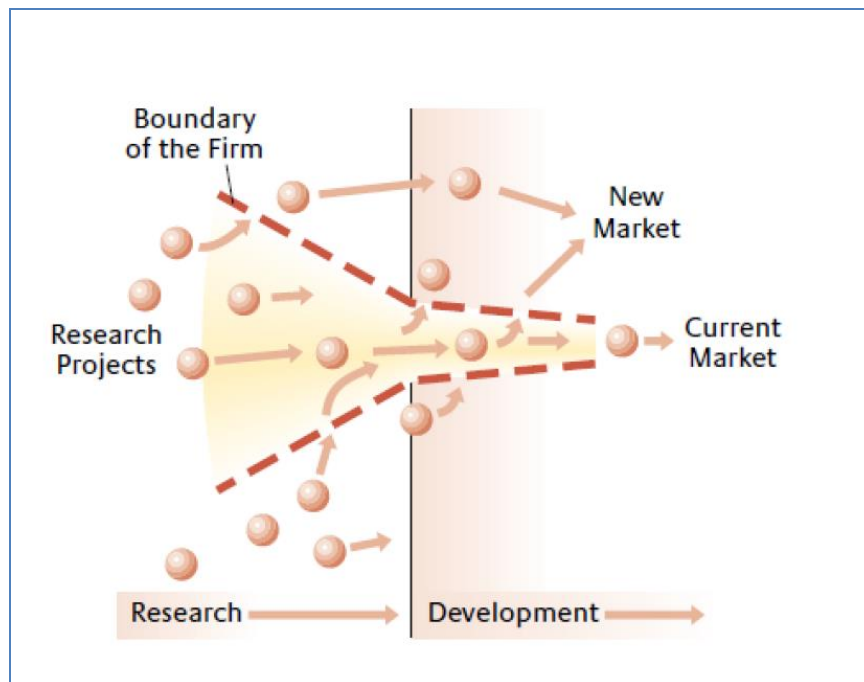


Figure 2 The Open Innovation Model, Chesbrough 2003.

According to Chesbrough (2003) in the Open Innovation Model a company commercializes its own ideas as well as utilizes innovation from other companies. In development phase innovation might be suitable for current market or possibly open a new market. The boundary between the company and its surroundings enables innovations to move easily between the two. Open innovation model means that product and service providers are involving customers in the different phases of innovation and co-creating value together (Rantala & Hänti 2016, 1).

Open innovation model has become an important tool for the public sector as well. There has been awareness of importance of engaging nonprofit and public organizations together with business companies to get a better insight into how innovation can be done more effectively and efficiently. Open innovation model applies citizens for user-innovative creation and with these insights creates openness and value-adding insights for cities and governments. (Bogers et al. 2018.)

There are two types of organizations which focuses adding fuel to the innovations: benefactors and innovation investors. Investors collect funds for innovative ideas such

as start-ups. These kinds of benefactors enable start-up innovators to get started. (Chesbrough, 2003.) Merchant (2012) investigated reformulated strategy for business development; organizations need to transform from traditional strategy to more social strategy, from centrally driven to equally shared community. According to Merchant certain freedom and community driven organizations empower the innovation process and co-creates value for future development (Merchant 2012, 14).

Von Hippel (2005) claims that innovation is moving towards democratization. It means that the users, both product and service users, become innovators themselves. It has been noticed that innovators do not need to develop everything individually, they can benefit of sharing their knowhow with others freely and evolving each other to innovate. (Kahin & Foray 2006, 252.) However, it is important to notice that additional incentive can drive user to innovate rather than purchase; they value the process of innovating and enjoy of learning (Kahin & Foray 2006, 254). When companies are utilizing user-developed innovations, they usually need to redesign their own product development processes. Companies may have innovation centers inhouse which are gathering all consumer insights for their purposes. (Kahin & Foray 2006, 261.) Karlsson (2010) stated as follows; "The cooperative idea management can help organizations to surface new ideas, improve them and make sure they reach the right people". It is also a way to empower and recognize innovative employees, to measure and stimulate creative activity and to promote a more open and collaborative innovation culture in the organization. Idea management is a structured process which enables collection, handling, processing and distributing of ideas (Karlsson 2010).



Figure 3 Idea management (Karlsson 2010).

Idea management is an integrated part of the innovation process in many organizations. It is relevant for all types of ideas, from incremental improvements to new and disruptive business possibilities. This can include ideas for improving the sales pro-

cess, ideas for improving an existing product, ideas for an entirely new business model to service new customers, ideas to solve a technical problem, ideas to reduce cost in administration or ideas to improve customer relationship. Although there are several challenges found in idea management process: first amount of people vs. amount of ideas. Every idea needs to be handled and every innovator needs a feedback or a result. Secondly in larger organizations there are difficulties to channel the right ideas to right places that they reach the right audience and achieve a critical success factor. Thirdly this kind of idea management system needs a platform, IT-system which enables smooth innovation process flow and collaboration aligned through the organization. (Karlsson 2010.)

A big challenge for innovating is uncertainty. There is uncertainty about the impact of the innovation on business growth and it does not always lead to direct results across organizations and people. It might even be the great divider, not only the great leveler. Uncertainty is also linked to the context and situation we are living and how the global trends experienced. Uncertainty is nothing new, but it has not been as intense as these days. (Bogers et al. 2018.)

An interesting point-of-a-view is obtaining the effect of the social media as a creator of new insights, as Rantala & Hänti (2016) mentioned in their paper. Leveraging source of the massive Big Data with enabling digitalization providing new ways to achieve it (Chesbrough et al. 2014). Enabling social marketing is not easy for the companies, it is not possible to invert to process model and show the facts to the board of directors (Merchant 2012, 39). In an existing digital world there is a paradigm shift where innovation is no longer a linear process but an action where the user is feeding the producer with innovation needs. The open innovation model creates an ecosystem where people, organizations and digital platforms can foster co-creation. It involves the logic of creating and capturing value for more transparent innovation ecosystem. (Bogers et al. 2018.)

How to ensure that innovations appeal consumers? When comparing success factors at present business, companies that create emotional innovations, laces that inspire consumers are the winners. Emotion has become a permitted subject for serious research. In existing business are already established terms such as Emotional Innovation, Emotional Branding, Emotional Value, Emotional Marketing which leads to an Emotional Purpose. (Roberts 2005.) Innovation is creating added value to the whole business chain; wholesaler, customer, producer and of course the end-user, consumer.

The pure innovation, “the wildest idea” may transform into a customer value innovation. This journey begins when a classic idea turns into a brilliant idea, gets strength transforming into an excellent consumer insight. (Mello et al. 2006, 75.)

According to Mello et al. (2006), there are different definitions for a customer value innovation:

- 1) Resolution: The lowest phase. Without the innovation, the product is unusable or unappealing.
- 2) Evolution: The customer notices an improvement in existing or familiar product.
- 3) Revolution: Expanding its utility for the customer.
- 4) Disruption: Noticing that innovation exceeds expectations and solves the problem they didn't realize to have.

Organization needs to understand the patterns of value creation avoiding wasting time with ideas that won't work. With a proper innovation management process organization is able to provide ideas and innovations easily, but in the end minimizing the risk of a flop (Osterwalder et al. 2014.)

When a company decides to go forward with portfolio decisions using customer value rather than financial analysis, executives need to understand exactly what customer value means. Combining various studies, many companies think that they are in an essence of customer value, but in many cases they fail. According to Mello et al. (2006) customer value is defined as the solution that removes customer's frustrations, difficulties, challenges or relevant impossibilities from their life. When a company finds a way to fix it or provide a product which enables results or outcome, it contributes to customer value. (Mello et al. 2006, 53.)

P. Kotler (1974) has determined the term CLV (the Customer Lifetime Value) as “current value achieved from transactions with customers in specific time period”. When increasing the general value of a customer base, it is important to define the not so potential customers which give the smallest value (or even negative) to the company. In recent studies CLV has acknowledged one of the most important value index because it takes in consideration not only the current customer value but present value of customer future purchases. (Bakanauskas & Jakutis 2010.)

As explained, there are many things that trigger innovation: internal or external. Customers are important external triggers according to Rantala and Hänti study (2016); sales meetings have a role for sourcing. Results of the study showed that “sales meet-

ings boost ideation of new innovations and that the triggers may come from several routes”. Customer might have internal unsolved problems like improving performance or achieving savings. Innovation as satisfying the customer need enhance co-creation value for customer relationship. (Rantala & Hänti 2006, 6.) As Roberts established an idea behind customer need and value emerging with emotion and how it will affect buying decisions. Emotion is a valuable tool for marketing and sales organizations when used effectively (Roberts 2005).

Customers may also serve as idea generators. Customers receive the big data from their consumers from social media, their loyalty cards and cashier data. They analyze consumer buying behavior and learn about consumer buying journey in their selling points. It is relevant to understand existing business possibilities and recognizing pain points and by developing them it is possible to create more business. (Eckes-Granini Finland 2020.) Value-seeking customers are demanding, choice seeking, price-driven and knowledgeable. They understand that loyalty must be earned. (Weinstein 2012, 43.)

According to Cheverton et al. 2011 there are four defined standard buyers’ profiles (see Figure 4).

BUYER PROFILES			
STRATEGIC THINKING	HIGH	<p>The Technician</p> <ul style="list-style-type: none"> • Goes into all the technical details • Plays purchasing by the book and wants to show it is knowledge based • Trades “gives and takes” • Try to manage a relationship with salespeople • Instruments – The purchasing Bible • Background: ex-R&D with commercial aspirations 	<p>The Calculator</p> <ul style="list-style-type: none"> • Listens, asks questions, some good detailed open discussions • Knows the facts and tensions in the market • Is willing to give but does the calculations on the value given versus the value received • Instruments – detailed cost models, market analysis and spend insight • Background: business study/MBA
	LOW	<p>The Emotional buyer</p> <ul style="list-style-type: none"> • Works through threats • Unreliable and unrealistic – no market knowledge • Price focus and prices can only go in one direction, down • Best the salespeople • Instrument – a baseball bat • Background: not clear and buyer because there was vacancy in purchasing 	<p>The Convincer</p> <ul style="list-style-type: none"> • Talks and talks and talks • Has built up a good knowledge of the market, but has a desire to constantly vent it • Is trying to look at the costs, but does not have a full picture internally • Salespeople are source of information • Instrument - a strategy paper (but it remains only paper) • Background: unclear
		LOW	HIGH

Source: Cheverton P., Van der Velde JP: Understanding the Professional Buyer

Figure 4 Cheverton et al. defines different buying personas.

From a customer point of view the buying process and strategy are also different for each of the different suppliers. The basic procurement process flow is explained in the Figure 5. The customer process begins with the customer need and ends to evaluation. (Cheverton et al. 2011.)

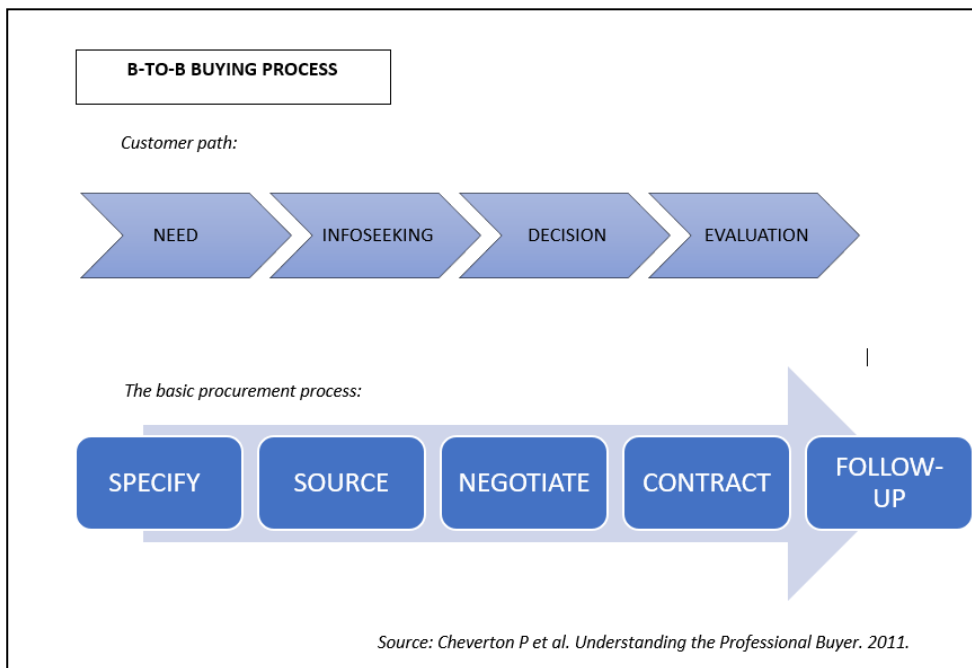


Figure 5 B-to-B Buying Process (Cheverton P et al. 2011).

According to Cheverton et al. 2011, the buying strategies are:

- Cost leader → price & cost targets
- Innovation leader → New items in core
- Geared for growth → Security of supply
- Globalizing → Service globally
- Diversifying → Changes in requirements
- General sourcing strategy → Item specific

These strategies are stated in customer's business strategies.

2.3 Value co-creation

Value creation is the sweet spot in every economic enterprise with defining its capability to generate more profit, growth and revenue in order to serve its customers better. (McNair-Connolly et al. 2013, 2). According to Bakanauskas & Jakutis (2010) the importance of the customer is exceptional. The customer is the asset to which the company should be giving priorities - and for whom to choose strategies.

There are several concepts in literature about value proposition and value co-creation in business strategies. According to Weinstein (2012) a well-designed value proposition is a strategic business tool that includes the product mix, pricing, promotion (marketing communications) to define the organization's competitive advantage through offerings, people, processes and technology. The best value proposition is hard to imitate. It includes all value proposition ingredients: image, quality, service and price. It should be clear, credible, concise and consistent. According to Töytäri & Rajala (2015) the concept of value consists of four dimensions: operational, strategic, social and symbolic dimensions.

For creating a proper value proposal it is argued that one of the three principal business strategies need is to investigate to achieve successful implementation: innovation (product leadership), process efficiency and low cost (operational excellence) or relationship building (customer intimacy) as Weinstein (2012, 75) explained.

McNair-Connolly et al. (2013) mentioned a value creation out of customer's perspective, see Figure 6. There are several attributes (product, service, cultural) which are expected benefits of the product or the service. Their effect depends on how closely they match the customers own value profile. They are its value proposition. To gain these benefits there are expected cost attributes like transaction, life cycle costs and perceived risk. The more familiar the customer is with the product or service, the more likely it is that it affects how high or low the risk there will be. (McNair-Connolly et al. 2013, 6.)

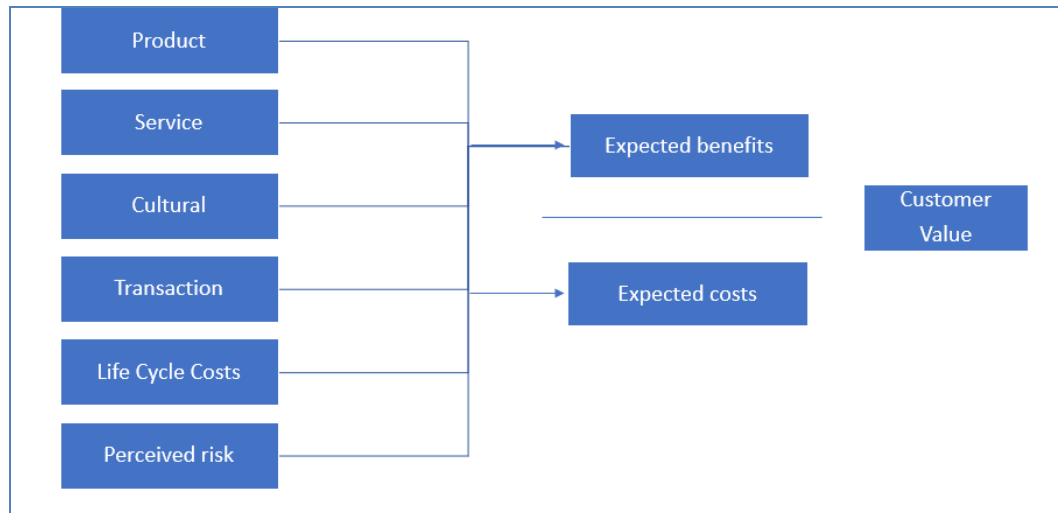


Figure 6 Value creation: the customer's perspective.

The definition of a term "customer value" can be divided into two categories: value to the customer (the value which is received by customers) and value to the company (value received by the supplier from the customer). One of the success factors is improving customer value by satisfaction and loyalty. Even though the value has been explained by various individuals, there appear to be two simple basic components: company is giving something (price or reduction) and receiving something (receiving value). The customer satisfaction creates long lasting value and creates loyalty.

Moreover, customers are usually evaluating service or product due to preliminary expectations. This indicates that satisfaction is influenced by the quality of the product or the service combined with preliminary expectations. (Bakanauskas & Jakutis, 2010.) Value creation, according to Grönroos et al. (2012) refers to customer's creation of value-in-use and co-creation is a function of interaction – creating value together with a customer. These interactions lead to different forms of value creation and co-creation.

However rapidly changing business environment effects on salespeople way of work – they need to be agile and long-lasting customer relationship needs more resources and also flexibility from companies and their salespeople (Chonko & Jones 2011).

It has been observed that companies need to understand the processes in which customer create and perceive value, and with supporting and solving those processes companies achieve new leads and organizational goals. At the core of the strategic value co-creation process is the salesperson, who interacts with the customer (Le Bon & Herman 2015, 15.) The importance of value and its creation in customer relation-

ships is strategically acknowledged in many sales researches. (Jokiniemi 2014, 19.) An active communication and discussion between seller and customer can lead to different forms of value creation and co-creation. The dialogue process may arise as co-created value. Within discussions may appear one customer's need which can be solved together. (Rantala & Hänti 2006.)

Value is quantitative, objective, dependent on the transaction and post-transactional. Value can also be qualitative, subjective, independent on the transaction and pre-transactional. Several different value creation perspectives have been established: value creation in interpersonal selling and value creation in selling process (pre-transactional context and post-transactional context). Pre-transactional context focus on sales meetings before the customer makes decisions of buying. In these sales meetings the value appears in the interaction between the salesperson and the customer and the context of sales meeting as ongoing relationship. Within this context interpersonal interaction, the selling company's characteristics and the relationship between the seller and the buyer are value drivers that may be presented already in the sales meetings together with the value they drive. Even when the sales meeting ends with no sell closure, value may emerge and affect the buyer's future decisions. (Jokiniemi 2014, 69.)

Kotler & Keller (2012) explains that the core benefit is in the centre representing what a customer is really buying, what is satisfied by consuming a product or service, see Figure 7. The next level is what is turned from a core benefit into a basic product which is considered to include only features and attributes strongly necessary for it to function.

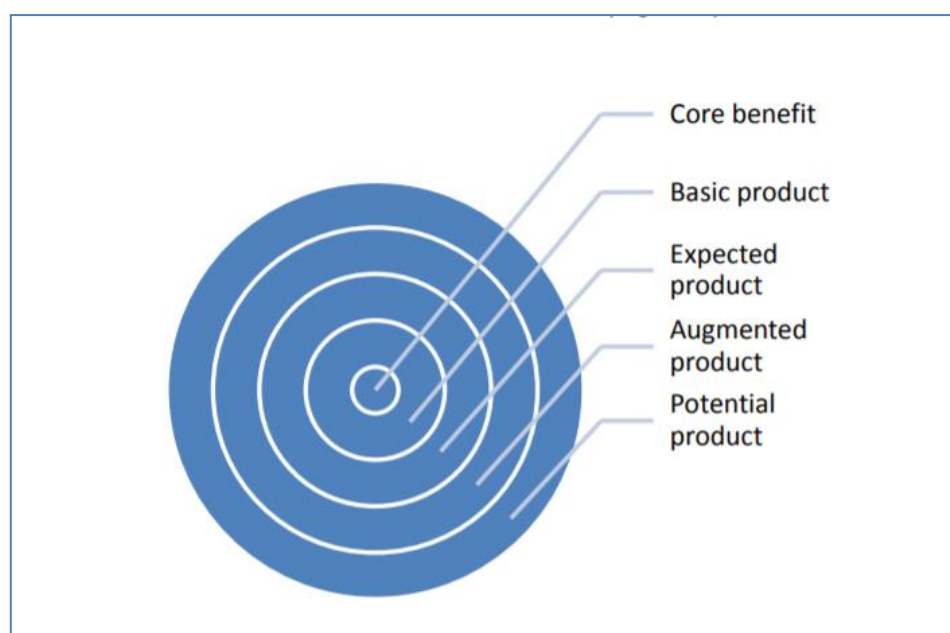


Figure 7 Product's levels (Kotler & Keller, 2012)

The expected product level includes aspects of offering which are expected by the customer when they buy it. The fourth level is named as augmented product which exceeds customer expectation. It refers to additional features which allow the offering to stand away from competition including those aspects as positioning, brand identity and image. The circle is enclosed by potential product level which includes expansions and transformations that the product may develop in the future. (Kotler & Keller, 2012.)

Chonko & Jones (2011, 522) have studied challenges of blending agility thinking and strategic thinking in sales. The results show that a person might have a commitment to an organization or to a relationship. Such commitment drives people to continue to do what they do. The noticeable change of a business strategies effect as a serious signal for this commitment in a positive or a negative way. Problem of providing customer value continuously can arise in this kind of situation.

Chonko & Jones (2011) explained that value focus is a continuing quest for superior effort and performance in delivering what makes a difference for the customer over time. In this aspect the agile salesman is a value creator. They understand that the greatest value often lies outside the product of what they are selling. (Chonko & Jones 2011, 523.)

Chonko & Jones (2011) suggest that salespersons need to diminish their focus on obvious product-related value for customers and concentrate on value creation in customer relationship. Therefore, the value may appear as something other than the classical output of the sales interaction. (Jokiniemi 2014, 72.) Regarding to Kaario et al. (2003) the value sales strategy requires more resources and therefore cannot be emerged with all customers and to all opportunities. What is relevant is to analyze and identify the most potential customers (Kaario et al. 2003, 37).

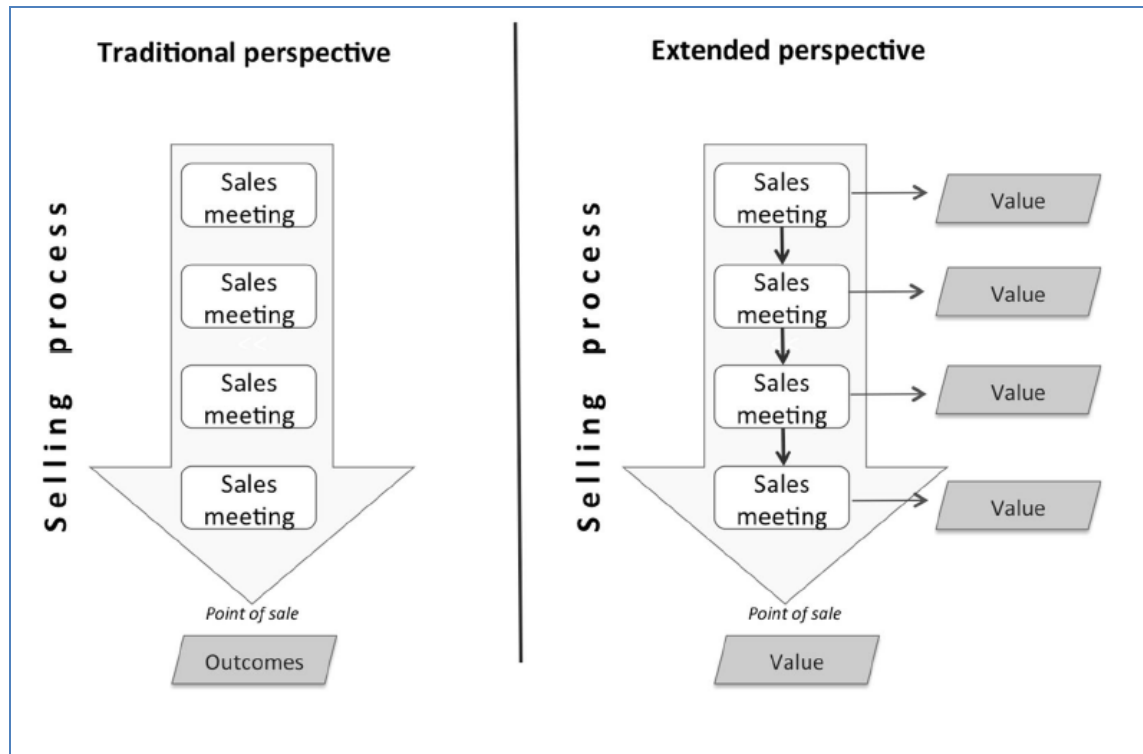


Figure 8 Traditional and extended perspectives on outcomes and value in relation to the selling process. (Jokiniemi 2014, 71.)

The operational dimension of value influences the customer's processes. These are reduction of production costs, increase the output of the production and waste reduction. The strategic dimension of value is an asset that gives the customer new options through the delivery of knowhow, like development of joint value propositions, development of an understanding from the customer's customer and analysis of go-to-market strategies from customers. The social dimension of value increases the status of the customer and supports the brand management activities with elements like acquisitions of new customer, increased re-purchase rates, with new customer segments and more secured internal systems (for example IT, CSR). The symbolic dimension of value effect the customers job satisfaction and empowers the motivation of employees with increased productivity and reduction of employee turnover. (Turku University of Applied Sciences, 23.11.2018.)

Definition of strategic value co-creation process is simply how customer and strategic supplier generate more profits together. (Le Bon & Herman 2015, 15.) However, it is important to evaluate company resources (financial, sales, marketing, IT) and target activities for certain customers. Customer prioritizing may be listed by growth potential,

shared strategies, new business development or other priorities. (Bakanauskas & Jakutis, 2010.)

According to the paper of Bakanauskas & Jakutis (2010), the concept of customer given value for the company consist of three different levels, which determinate the needed resources:

- 1) Current customer who creates value:
 - to increase profit and/or
 - to increase size of cooperation and/or
 - to increase duration of cooperation
- 2) For current customers who do not create value for the company:
 - quickly achieve value creating connection or
 - tear off connection if nothing else can give positive results
- 3) For customers who potentially create value for the future:
 - to obtain potential customers for reasonable price.

In fact, if a company knows each customer's lifetime value, it has the possibility to maximize its own value. (Bakanauskas & Jakutis, 2010.)

Pease (2008) presented the customer value management cycle, which includes three sectors:

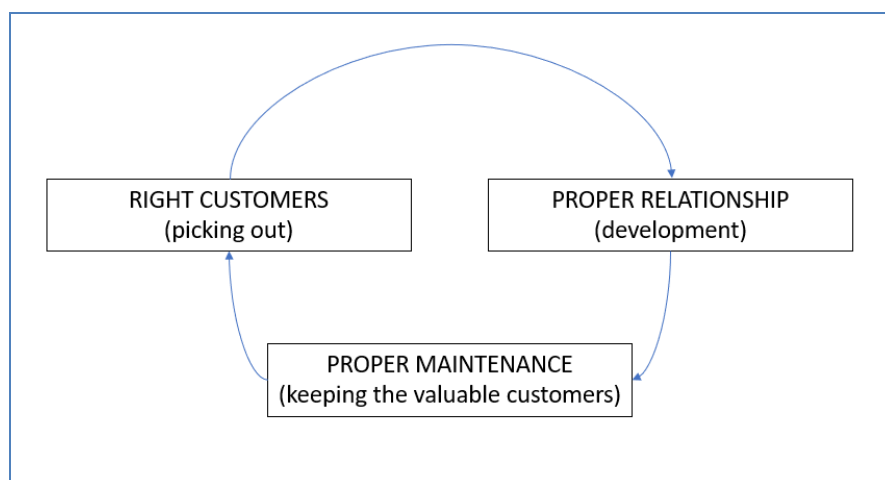


Figure 9 Customer Value Cycle (J. Pease 2008).

All these three sectors support each one another in order to maximize the final results. By fulfilling the first sector, picking out the right customers, who create value for the company, it is possible to achieve the other two sectors; to develop proper relationship and to keep proper customer maintenance. By fulfilling all three sectors, the company's success can be expected to be satisfying. Sales leaders should observe each customer, because good customers are often also target's for the competitor company. That is why it is important to achieve long-lasting relationships with them. (Bakanauskas & Jakutis, 2010.)

The shift in thinking value creation as a co-creation means that co-creation is an evolution of a value including individuals creating experiences together. Individuals in their roles of managers need to rethink both, resources and opportunities combined with existing competences and how it could be developed towards risk-rewarded relationships. Plans to change an existing infrastructure calls for a new spirit of discovery, trial, experimentation, analysis and exploration. (Ramaswamy et al. 2014, 28.) Related to these vision's suppliers need to make fast and important choices about how to allocate the usually limited resources and which customers will be prioritized by providing them the highest level of service and support. It is clear that suppliers are not able to satisfy all of their customers with the same excellent level. (Le Bon & Herman 2015, 15.)

There are several models and tools for value determination. One of them is the S-Q-I-P Diamond Model which configures the basic value creators. The vertical axis on the diamond (service and quality) identifies the pillar of the company's offerings and horizontal axis (image and price) signaling to the target market. The S-Q-I-P Diamond (Weinstein 2012, 75) elements create value for customers with many different aspects but companies are not able to provide and sustain all four dimensions covered, see Figure 10. (Weinstein 2012, 75.)

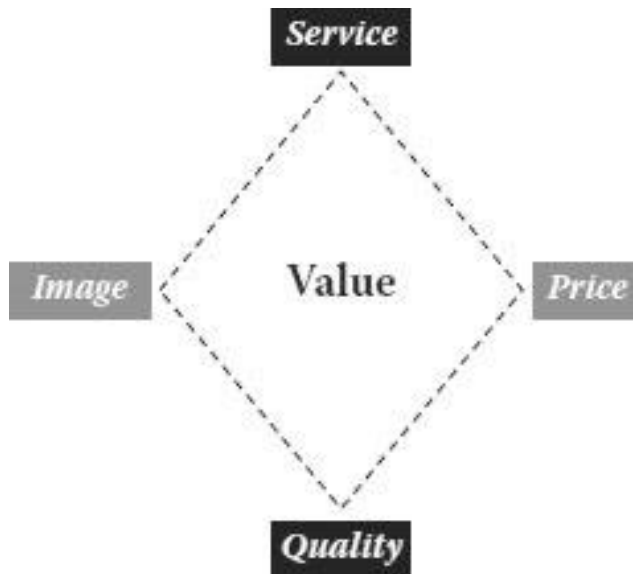


Figure 10. The S-Q-I-P diamond (Weinstein 2012, 75).

Abstracting one or more of the key differentiators of the core elements forms the basis of company's value proposition. Price can play a major or supportive role in value proposition, according to Weinstein 2012. Image and price are elements which express value to customers. Price will appear as a value proposition to signal value of the product or the service and differentiates it from competitors. When creating innovation markets usually consider the 3C's method (costs, customer demand and competition) before assuming at the final price. It is, however, relevant that the price management is consistent with the company's overall value proposition. (Weinstein 2012, 109.)

A useful diagnostic instrument for evaluating customer value is the Customer Value Assessment Tool (CVAT). Criticism towards the S-Q-I-P diamond model is relevant to examine. The CVAT tool is a strategic marketing audit, which examines 42 measures of customer value in the four major value proposal areas. This tool helps organizations to practice and improve their customer value areas and it is designed to be utilized on a regular basis. (Weinstein 2012, 83).

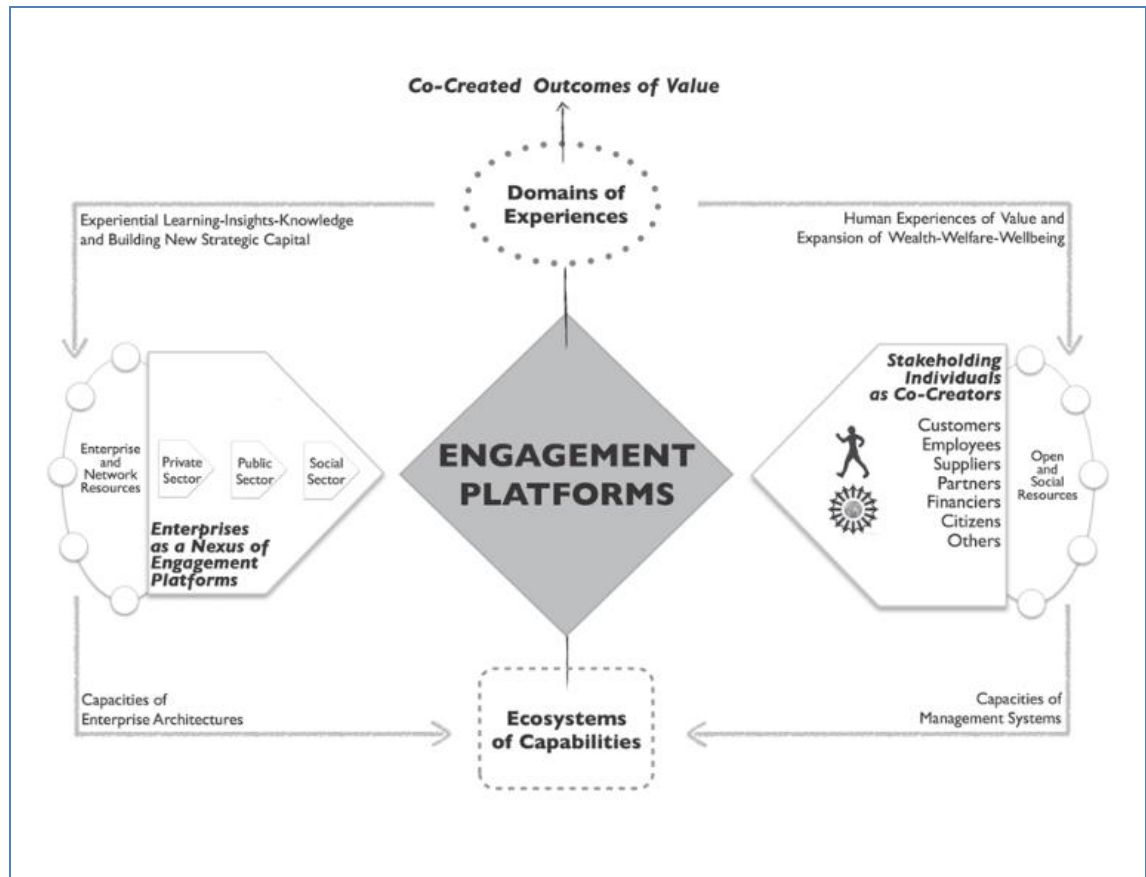


Figure 11. Value creation as co-creation (Ramaswamy et al. 2014).

According to Ramaswamy et al. (2014) paradigm of value co-creation is another model for existing business environment. It exploits rapidly changing global communication and information technologies accelerating generation on individuals creating value. As depicted in Figure 11 companies must be architected as engagement platforms, utilizing people to create value with and involving stakeholders as co-creators. (Ramaswamy et al. 2014, 19.) The co-creation of the value drives the need to change the mindset towards more open, personal and engaged leadership, recognizing that value varies as a function of individual experiences, exploiting capabilities of social platforms purposefully for value creation as Ramaswamy et al. (2014) expounded.

Most of the companies utilizes consumers as co-creation partners in becoming innovations. At this definition co-creation describes the trend of jointly creating innovations, products. Consumers are not willing to just say "yes" or "no", they need to participate to develop product or service together with the firm. (Merchant 2012, 30.) This shift of the mindset from value creation towards value co-creation inevitably changes the source of the profit. Earlier profit came only from vertical integration in the industrial era (for ex-

ample concrete products and deliveries, revenue) but according to Merchant (2012) the at the time of Social Era it comes from connections, communities, agile customer relationships and by unlocking the creativity of organization in different departments (Merchant 2012, 32).

Where customer relations are concerned discussions easily turn to revenue and profit. Investors and board members are not usually keen to discuss attributes which deliver the quality of their customer base. These attributes consist of items such as customer profitability, expected profit contribution and the value of customer relationship. This is a concept of a customer asset management, which has been identified by Kaario K. et al. 2003, 20.

Value growth in customer relationships occur when salespeople are able to identify opportunities for customer process innovation. Finding a solution which creates the expected value to the relationship between the supplier and the customer, other vendors are not comparable anymore. At this point the role of provider shifts to the trusted partner, according to Kaario K. et al. 2003, 21. Achieving the trusted partner status, role should be profitable for both parties. This is the reason why sales function needs to listen and understand customer's strategies and deep dive into the customer's business drivers.

Sales are receiving signals of specific context from customers every day. Effective organizations are using these signals for their advantage. With listening to sales force and engaging salespeople for innovation development these are the task of the transformation towards agility selling and development of customer relationship. (Chonko & Jones 2011, 535.)

3 FINDINGS

3.1 Implementing innovation in value co-creation with piloting

As mentioned earlier in this thesis value is a variable asset. Every human being has individual values that he or she adopted and learned during childhood and experienced life. These personal values reflect the persons behavior both in personal and working life and they affect their buying behavior directly. (Solomon, 2013.) Value proposition describes the benefits customers can expect from products and services (Osterwalder et al. 2014, 34).

Earlier in this thesis Von Hippel presented a theory where companies and consumers are innovating themselves. It appeared in the case company consumer research that younger target group was looking for a different, sophisticated and authentic drink. Basic soft drinks and juices felt too boring for millennials. In Finland consumer trend of alcohol-free drinks was also growing fast.

One reason for this sales development was e-commerce growth (they deliver/sell only alcohol-free drinks online deliveries). The case company wanted to be part of this growth. In the end 2018 an idea of a new sparkling fruit tea drink concept appeared in the innovation funnel and the need for consumer concept test appeared. In the beginning of 2019 this new concept idea presented to the Innovation Board was approved and sent forward in the innovation process. Concept was tested with consumers during May 2019 and the results were very promising for launch proceeding. This innovative concept was a unique offer for the market; it was neither a juice nor a soft drink, so segmentation determination was also challenging. Product segmentation effects on the shelf position and price image on the selling point. According to Weinstein (2012), image and price are elements which express value to customers. Price will appear as a value proposition to signal value of the product or the service and differentiates it from competitors. Although it is relevant that the price management needs to be consistent with company's overall value proposition. (Weinstein 2012, 109.) It was found in the concept study that younger target group (millennials) wanted to buy this product out of cafeteria or restaurant, not from the supermarket. Millennials prefer sophisticated, sustainable, unique, natural and tasty product which is made just for them. The research also included a brand test study and the result was that this new product concept

needed a brand of its own (Eckes-Granini Finland, Taloustutkimus Consumer concept Study 2019.)

Nevertheless, as explained earlier, an organization needs to understand the patterns of value creation avoiding wasting time with ideas that won't work. According into Osterwalder et al. (2014) theory, only with a proper innovation management process an organization is able to provide ideas and innovations easily, but in the end minimizing the risk of a flop.

According to a 2019 customer feedback survey (by Faktum), conducted in 2019, improvements was needed in certain areas. (Eckes-Granini Finland 2020, Faktum Survey 2019.) The results of the customer feedback survey and supportive results of the consumers of the innovation concept test. At this point an idea of piloting appeared, see Figure 12.

Chonko & Jones (2011, 523) explained that value focus is a continuing quest for superior effort and performance in delivering what makes a difference to customer over time. In this aspect the agile salesman is a value creator. They understand that the greatest value lies often outside the product of what they are selling.

The case company has face-to-face sales negotiations together with a customer approximately once or twice per sales period. This practice differs between retail and out-of-home customers. All other ordinary subjects are handled by telephone or e-mail. One tool for finding a customer need is to actively participate in customer's seminars, which they offer for their suppliers once a year. These seminars are very informative and offer crucial insights into customer strategy, vision and possible pain points.

As recognized in Jokiniemi's study (2014) the value may appear as something other than the classical output of the sales interaction, as extended perspective in sales process. After sales manager discussed with one of his clients, he recognized that this customer wanted to strengthen its reputation as providing unique and innovative product offers for its customers. Many of the customers are attracted by the millennials who were the target group of the novelty. As earlier mentioned by Kaario et al., 2003 it is possible to achieve the trusted partner status instead of being just a product provider. As sales manager recognized that case company's R&D was developing a new attractive innovative product concept which strongly supports customer's interests and strategies, he emerged an idea of pilot sales offer for his biggest foodservice customer, Kespro.

After internal negotiations with the brand manager and the commercial director, it was decided that discussions for developing innovation concept launch together with a customer via piloting could be offered for Kespro. (Eckes-Granini Finland 2020.)

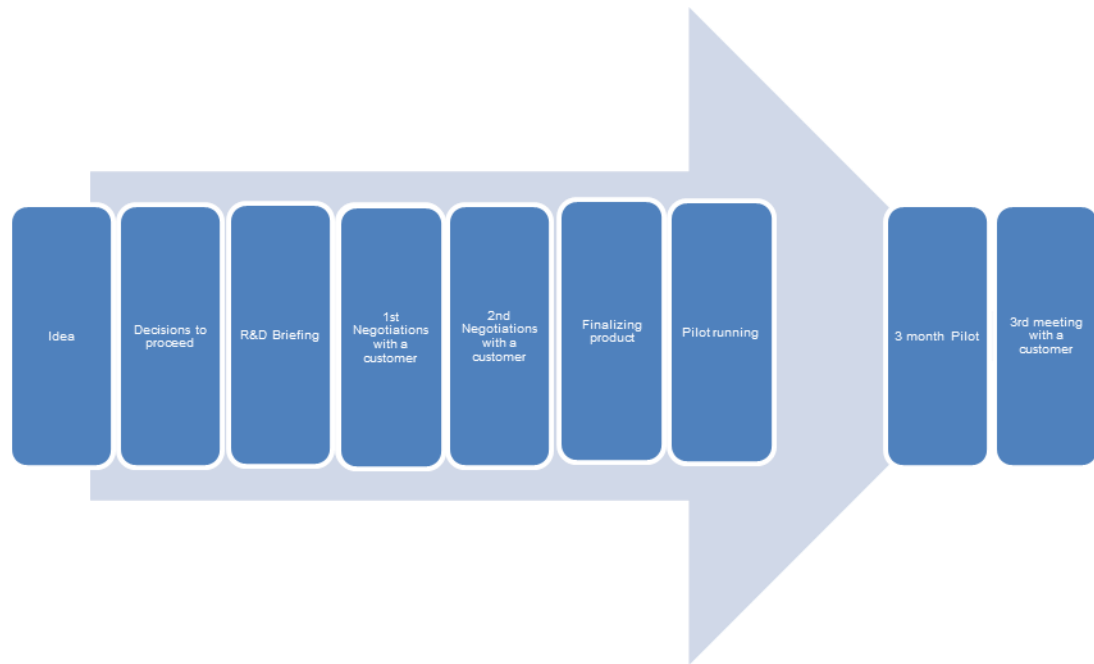


Figure 12 Timeline from the idea to the pilot.

3.2 Value co-creation in customer relationship

As pointed out earlier a salesperson needs to understand the customer's procurement strategy and focus on each individual customer's needs (Weinstein, 2012). In the annual sales meeting sales manager recognized Kespro's vision and understood that they are seeking for a deeper, long-term relationship with a case company.

As mentioned in the Figure 4, Cheverton et al. 2011 defined four standard buying personas:

- **the emotional buyer**; *very price driven, uses every possible tactic to get what he/she wants to have*
- **the calculator**; *listens very carefully and is a very silent persona. They know facts about their business, usually linked to general management*
- **the convincer**; *loves to talk, has a good knowledge of the market*
- **the technician**; *usually focuses on the technical details of the items, their instruments are specifications and guidelines*

During pilot case negotiations, buyer of the customer changed in the middle of the negotiations. This is a quite typical situation in the foodservice area. In the beginning negotiations started with “the calculator” type of a customer: she knew the market situation, negotiated on pricing and volume estimates, wanted a differentiated product solution, but with this innovation determination of the segment was challenging and it extended negotiations. Segmentation is not simple as it affects the product sales development in the long run. It took time because this kind of product does not exist in the market. The producer did not want to segment it as a soft drink (low price, bad quality image) and customer did not want to put it into the tea category (high price, high level of tea as an ingredient). Regardless of these challenges, customer was precise and eventually all the marketing and sales plans decided and agreed efficiently. She was enthusiastic about the product concept itself because the sales offer was emotionally well built. After the final approval from the customer’s side, they informed that buyer changed. The new buyer was “the emotional buyer” and with her individual support the launch got started smoothly within the agreed timing.

Behind the scene (in the case company) was a typical struggle which often appears in a production-driven company when innovation process goes further to a test trial phase: a knowledge of the minimum production batch sizes of the novelty exceeds the basic limits. This innovative product type was new for the company and there was a lack of time for proper shelf life tests. Novelty packed in a clear glass bottle – the second challenge from the quality point-of-a-view. The recipes included fruit juice, tea (black, mate, green tea), herbs and a drop of honey. No earlier experience of this product type before this. An investigation showed that the 1st production batch would be remarkably big volume of totally new product without any kind of consumer knowledge base of the product before with a new brand labelling. With only 8 months

best before date, which of 2/3 needs to be available for customer for deliveries. This was found as a quite a huge risk which effect on the costs, profitability and on product quality.

It turned out that piloting offer was remarkable possibility for this new concept launch for the case company point-of-a-view. Kespro is an important customer in foodservice serving over 50 % of the target group with its customers. Piloting was a unique opportunity to achieve this large numeric distribution at the launch phase. And on the other hand, it gave a possibility to get the customer to invest at the launch phase and take the first deliveries to its distributions and warehouses. With piloting the minimum batch volumes were decently solved. This tailor-made offer of piloting was developed together with a customer. The new concept innovation allured the customer because they claimed to be innovative leader for their clients. They were looking for products which were not available in retail. Key strategy at this piloting was to create customer marketing together with a customer and by engaging them in the innovation launch the overall risk is lower.

From a customer point of a view the buying process and strategy are different for each of the different suppliers as explained earlier. The basic procurement process flow is explained in the Figure 5 and the customer process begins with the customer need and ends to evaluation. (Cheverton et al. 2011.) According to Cheverton et al. (2011) customers have buying strategies which defines their market strategy and position.

As Kespro claims on their company purpose, they wanted to solve business challenges, commit to long-term relationship and find tailored solutions which support their business. (Kespro.com 2020.) It is remarkable that this innovative product was offered for exclusive selling (piloting) for three months period. After piloting the sales to other foodservice customers would begin.

In this case the B-to-B Buying Process flow proceeded by the process. After the need of the piloting occurred, a concept innovation introduction sales meeting with novelty tastings and well prepared and detailed consumer marketing concept was arranged. This marketing concept included a unique idea of implementing sustainability aspect also into the customer's selling points (see appendix 3). Present in this 1st sales meeting were the sales manager and the brand manager of the case company and from the customer's side the product manager and the purchasing manager. The cus-

customer promised to digest the idea first (info seeking) and agreed to have the next meeting in a couple of weeks.

Three weeks after the first meeting, the sales manager and the customer had a telephone conversation during which the customer told that they are interested in this piloting possibility (decision) and it would fit smoothly into the customer's strategy. As negotiations developed further discussions of co-marketing popped-up. The case company invests heavily on targeted consumer marketing on social media channels and customer's selling points are involved with sharing content on their own sites of these novelties. Making cross-channel marketing activities together was good decision. The case company agreed to offer a comprehensive point-of-sales materials for resellers. They are available online, branded website (www.mycupofteadrink.com/resellers) and they are free to order.

At the core of the strategic value co-creation process is the salesperson, who interacts with the customer. A strategic value co-creation process is defined simply by how the customer and the strategic supplier generate more profits together. (Le Bon & Herman 2015, 15.)

4 CONCLUSIONS

The purpose of this thesis is to find answers to these following research questions: why is innovation management important for business development and what is the role of innovations in value co-creation with the customer? This study examined three different parts linked to the case company: the current business development, innovation management process and value co-creation as a tool to develop customer relations.

In juice business growth no longer means more volumes. The juice market in Finland is mature. Companies need to seek a different approach to understand the consumer, incorporate the latest relevant marketing techniques and technologies into their business strategy. They need to study all possible consumption moments and test different sales points. Together with a customer there are possibilities to create innovations and modern ways to improve sales. These are new opportunities for value creation and business growth. In this rapidly changing business situation could be worth to rethink sales and identify opportunities for customer relationships.

The thesis justifies that innovation can be a key factor in current competitive business if it is managed properly. Especially with effective innovation management a powerful product portfolio is a great asset for the company. On the other hand, there are also limitations concerning portfolio and risk management. Regular product portfolio analysis is needed, which of the products gives better profits and which are not. For the case company it would be worth to examine also existing portfolio from a customer value point-of-view. There are several tools available (customer cashier data and numeric distribution) with which some cross analyzing there could be found a potential for growth. Those products which have low numeric distribution, but consumers are buying them (high rotation), should have better listings from the customer. With these changes both wins. However, according to Mello et al (2006) the key is to change the business focus of product portfolio management from financial metrics more to a customer value. With giving more support on customer value data companies can improve financial performance by identifying products with the potential to delight their customers.

One of the findings was that more and more consumers become co-creators. More often companies make use of consumers on their innovation effort and sees more likely as a source of value and competitive advantage even. There are several social media platforms which serve companies with consumer insights. They involve so called micro-influencers to their innovation development and utilizes them on researches. Learnings

of this could be that business and commercial potential needs to be analyzed very carefully before any investment on the innovation.

The case company has over 150 years of history on the Finnish market. It has classical brands which the consumers love because they have always existed, they are brands with the purpose and which they can trust even in the hard times. Inevitably innovations need to awaken the consumer insights and needs but at these complex times the touch point could affect into consumer emotions. Creating emotional laces on innovations has been highly successful. This would create a superior success for all levels of trinity: company, customer and the end-user, consumer.

It is inevitable that digitalization affects sales strongly and faster than ever. It is changing the roles of the salesman and the buyer. Companies need to understand that their brands are not only visible in the shelves of the retailer, they need to be tempting online as well. Technical data of products are as crucial as the recipe inside the package. According to case company internal e-commerce data, utilizing the Big Data cleverly for consumer interests and offering relevant and enriched product data with attractive pictures online must be a crucial part of organization's business strategy in the upcoming years. Social marketing could be implemented on business development strategy as well.

The case company has approved with its success that basic business process model is still the proper way of working and it is efficient in this modern world. Although to create and achieve a success with an innovation is hard. It needs significant investments for both: resources and marketing. It is clear that with only deliver a novelty on shelf of the customer at time does not promise success. Resources are needed on the time with proper product development time with test trials, for the quality to production and a shelf life tests and more time on the novelty success analyze of the selling point, resources on sales (especially in foodservice customers sales negotiations are still handled with face-to-face meetings) and resources on marketing investments (proper marketing mix which drives penetration needs money). These decisions need support and engagement of company leaders. It is also important to understand that from innovation idea phase to launch phase takes time and in process organization it is that way. Sometimes salespeople are even too eager to go forward.

Even though many would argue that the impact of innovation on growth has been somewhat disappointing, the current trends in innovation give ample grounds for opti-

mism. Innovative product, service or marketing idea can create empowerment and enthusiasm on company's personnel and motivates people for better results.

Company leaders should consider the fact that organizations should be viewed as value-creating units. Creating magic by adding value to brands, marketing solutions and customer relationship by solving customer problems is perceived as a superior value even when the received benefits exceed the costs. However, the digital era has a direct effect on dividing marketing and sales. This means that the skills and the responsibilities that have been implemented before digitalization are making a transition towards more agile and creative interaction. Social Era does not mean only the brand or product visibility on digital platforms.

Salesman as a person is the value creator and sells in every sales meeting and customer contact more than just a product. Sometimes people chemistry just does not work at all between the seller and the buyer. This is important to recognize in the management side and change the salesperson to other customer as soon as possible. Understanding assets of each customer, the financial value of the customer relationship is identified, salespeople have a certain expected cash flow which they are responsible for. When customer relationships are seen as financial assets, executives are able to set proper targets for sales managers. Achievable but challenging target setting is important, it effects the salesperson's motivation and the results reflect the business targets and sales revenue. In the case company target settings are usually too high. Volume and variable contribution targets for the novelty are too high already from the start. That effects the motivation of the salespersons and it will create frustration and judgement before the novelty have even been in the market. Too high expectations effect also on marketing personal targets because with too high volume estimated business plan will be hardly achieved. In this kind of production-driven company the production batches are usually very high and forces management to set bigger volume targets.

When innovating with a customer, why not setting proper target on them too? Often customers are the kings and they want all and also get all and sales manager agrees on everything just to get the deal closed. When engaging the customer on making things together the business risk could be managed also co-operatively.

It is relevant to make a customer analysis when creating value together with one customer: how to proceed gently without losses of other customers, what about inequality? Finland is a small country and customer basis is limited. Data is shared and people are changing their jobs. When getting along customer to product innovating there is a risk

for private label launch. This is one of the threats which need to be analyzed on risk management, is creating value with this customer getting more profitable than losing the idea to competitor?

As a suggestion for improving business decisions and systematic and deeper understanding current situation, the case company could utilize different customer value matrixes which have been presented in the thesis (Customer Value Cycle, CVAT). It includes five levels of management analysis: macro- and microenvironment, organization, customers and business performance. These kind of matrix's are not used as tools before in the case company.

According to the customer feedback study results in the beginning of this thesis, improvements are needed in certain areas. Customer and sales field feedback are essential for further development. The case company receives very comprehensive data yearly from the customer decision makers. Is yearly feedback enough? The piloting case which is created together with a certain customer definitely improve some of the points and affect the total appearance points on the next questionnaire. As a result of analysis of the structured interviews there were founded a lack of sharing customer feedback within commercial team in a proper way and in a decent time. There are monthly commercial team meetings (commercial organization with demand planner and controlling) but somehow information does not flow through the organization effectively.

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6 APPENDICES

APPENDIX 1 (5)

INTRODUCTION TO THE RESEARCH

RESEARCH FORM

Background information / Eckes-Granini Finland Oy Ab

Name:

Title:

Customer resp.

1. CONSUMER TRENDS AND INNOVATIONS

- 1.1 How market trends are studied and analyzed in your company?
- 1.2 How customer needs and feedback are collected?
- 1.3 How customer product needs and feedback feed your innovation process?
- 1.4 How do you think this could be developed?
- 1.5 Why innovations are relevant for your company?
- 1.6 How often you launch products on the market?
- 1.7 Have the novelties been interesting to your customers, has the selling been usually easy?
- 1.8 What kind of expectations and targets you usually set for novelties?
- 1.9 What kind of data measurables you utilize in sales?
- 1.10 Are you creating metrics together with a customer?
- 1.11 How decisions of then next steps are made after the innovation launch?
- 1.12 Is there something to develop at existing way of work?

2 INNOVATION CONCEPT AND PILOTING OFFER

Eckes-Granini Finland is launching an innovative concept, for pilot offer for one customer for three months period.

- 2.1 Did you find the innovation concept interesting (yourself)?
- 2.2. How this novelty support existing customer or consumer needs? Why yes/ why no?

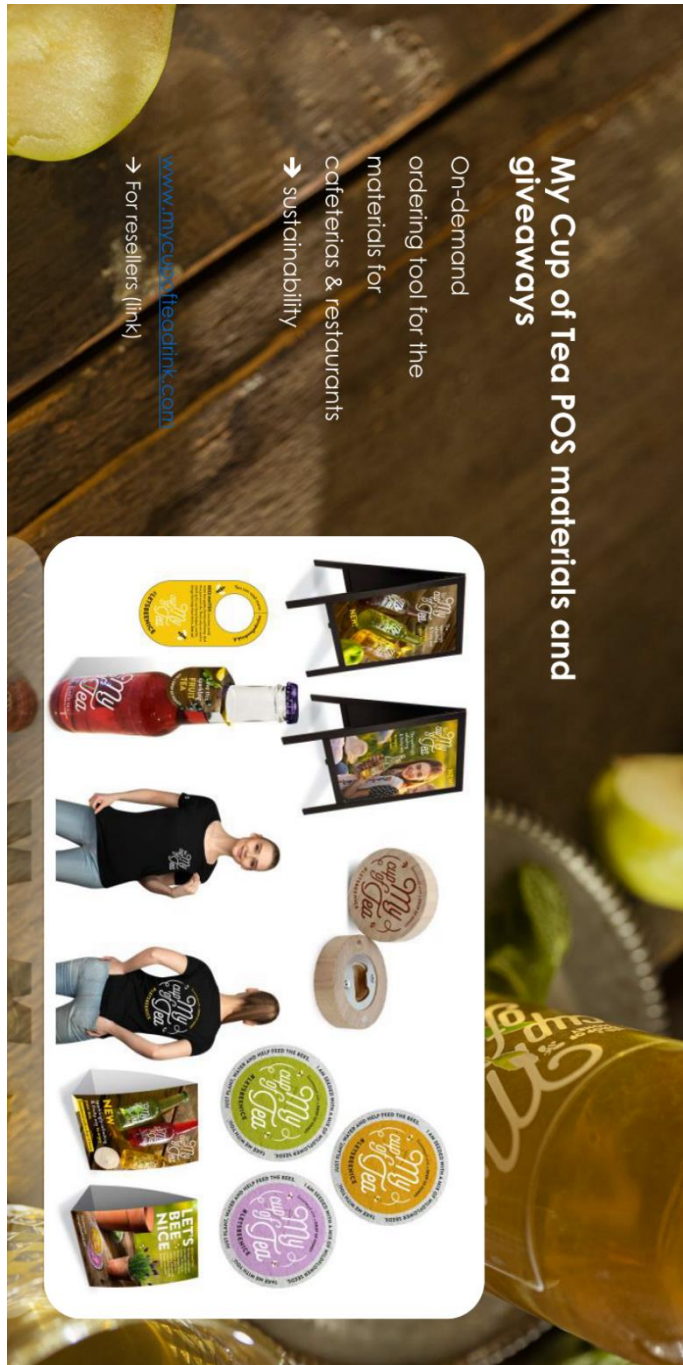
- 2.3 In what sales channels novelty will be sold to?
- 2.3 Did the innovative product concept appeared interest in customers? Why yes / why not?
- 2.4 Why this innovation offered for piloting?
- 2.5 What kind of added value this piloting offers to your company? What to the customer?
- 2.6 Are they doing this piloting offer often?
- 2.7 Are the other suppliers offering this kind of piloting?
- 2.8 How this piloting was offered to the customer?
- 3 What kind of expectations and objectives was targeted for this innovative product to your company or to the customer?
- 4 What kind of measurable you utilize when analyzing launch tracking?

5 INNOVATION CONCEPT AND POINT-OF-SALES MATERIALS

Eckes-Granini Finland's new concept has a launch and sales strategy with point of sales materials. Marketing plan and implementation is created together with a pilot customer.

- 5.1 What do you think of this kind of sales concept?
- 5.2 Good or bad in this kind of offer?
- 5.3 Have this kind of sales concept created or done before?
- 5.4 There are customer related solutions created for this new product. Have this concept been interesting selling to a customer?
- 5.5 How this could be developed further?

APPENDIX 2 (4)



Innovation concept POS materials and giveaways for a customer

APPENDIX 3 (4)

Innovation at Kespro trade fairs and selling point picture.



APPENDIX 4 (4)

The concept innovation at one of the pilot customer's selling points.

